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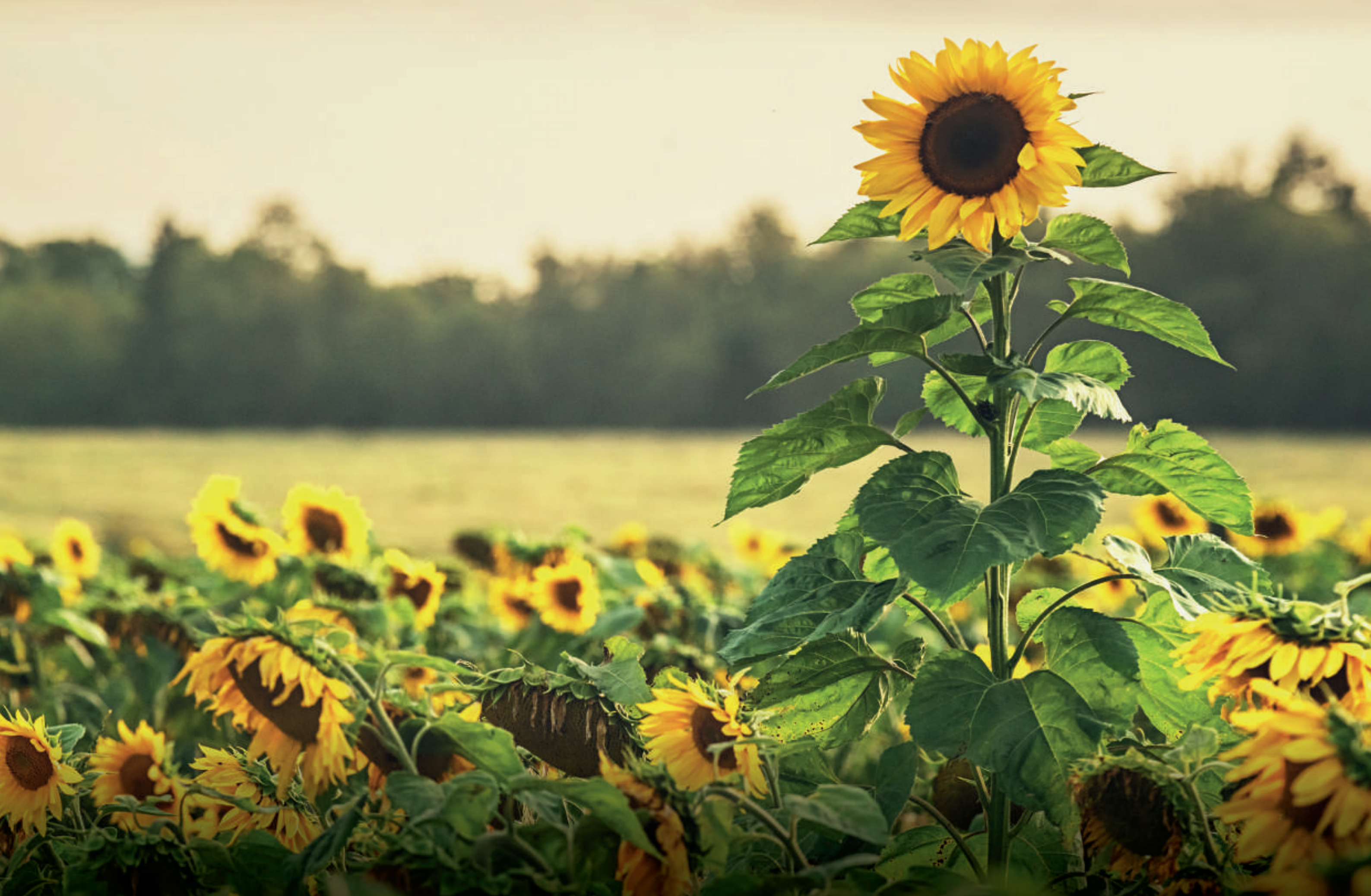
Perrys
CHARTERED ACCOUNTANTS

EXCEPTIONAL TIMES

2021



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Welcome to The Exceptional Times June 2021

As restrictions come to an end, it's great to see businesses reopening and life returning to a relative state of normal after such a long and difficult 18 months. The success of the UK's vaccination programme has been truly remarkable and we will be eternally grateful to the NHS and its staff for their commitment and dedication. While we can't predict the future, we can once again look forward with hope, excitement and optimism as well as some much needed social occasions, including our annual charity golf day, which returns in September. We wish all the businesses that have recently unlocked their doors the very best of luck for a successful and restriction-free future.

Stewart Pope
CEO Perrys

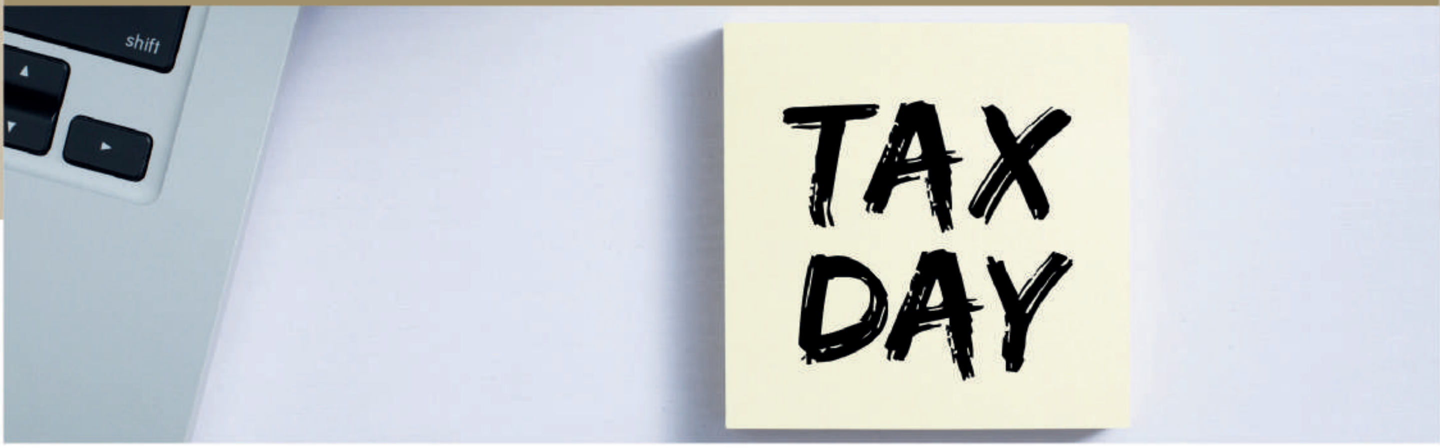
Don't forget to save the date for our annual charity golf day!

Our Annual Charity Golf Day, which was due to take place in June, has been postponed until Thursday 30 September. If you have already bought tickets for this event, these will automatically be moved to the new date. For those who haven't yet bought tickets, and would like to join us, there is still time to get involved.

Golfers of all abilities are welcome to take part and the competition, which will take place at Dale Hill Hotel and Golf Club in East Sussex, is open to individuals, pairs or four ball teams.

Tickets cost £99 per person and include full English breakfast, an 18-hole round of golf, entry into the hole-in-one competition and a three course dinner. For more information, or to register, please email Katherine Cheung, cheung@perry-company.co.uk, or call 01892 543900. All funds raised will go to our chosen charity, Family Matters.

How 'Tax Day' consultations could affect you

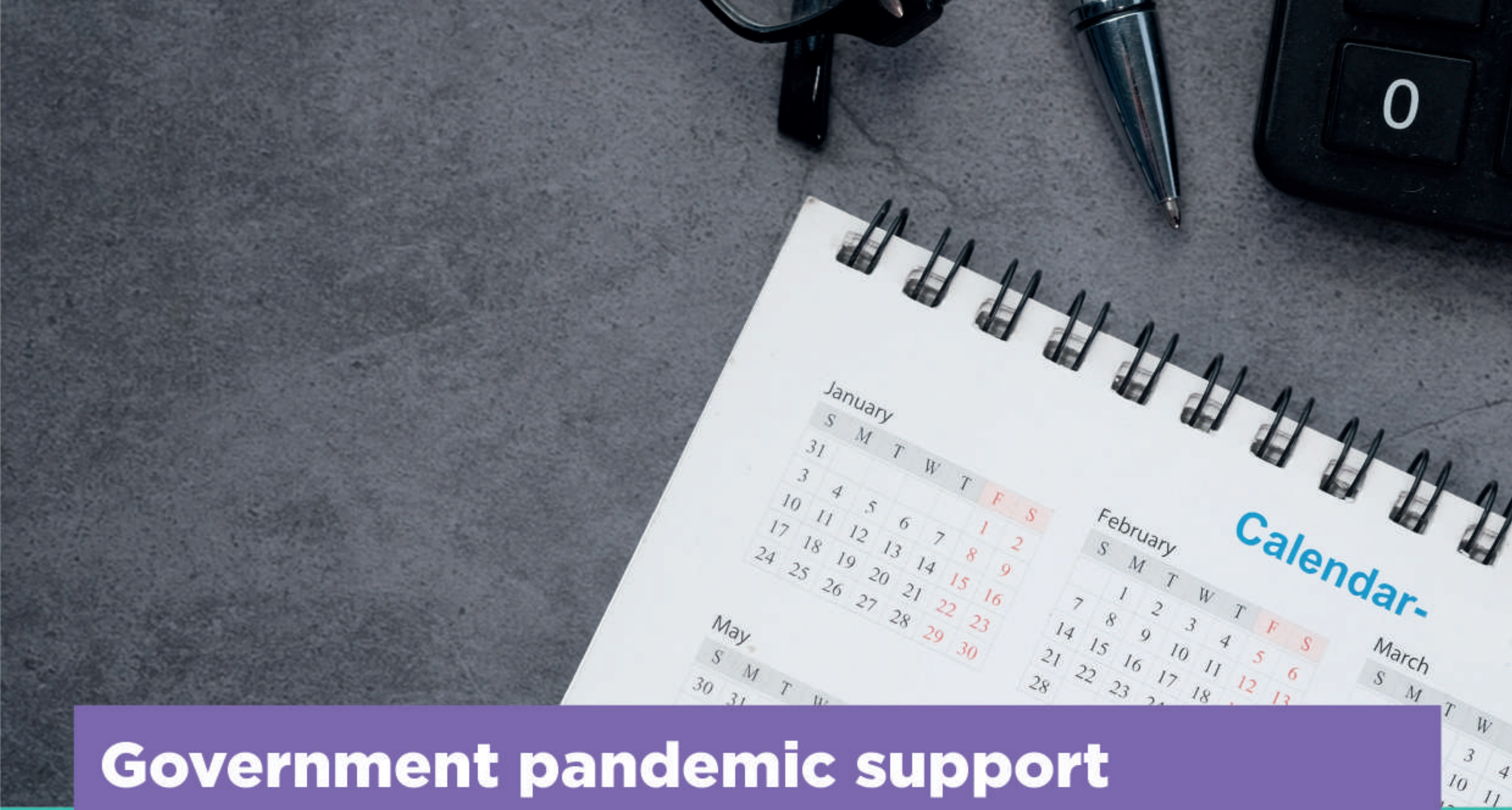


On 23 March, the government published a number of tax related consultations and calls for evidence on a range of tax policy areas. Dubbed 'Tax Day', it forms part of the government's strategy to build a "trusted and modern tax administration system". The consultation documents provide a good indication of potential tax changes and proposals that could be implemented in the future.

Here are some of the key areas that are being included:

- **Making Tax Digital (MTD)** – as previously announced, the government intends to legislate later this year to extend MTD to Income Tax Self-Assessment from April 2023.
- **Payment of Tax Liabilities** – a call for evidence will be published regarding more frequent payment dates for Income Tax within Self-Assessment and Corporation Tax for small companies. This is likely to develop in conjunction with the phasing in of MTD.
- **Inheritance Tax** – the government will look to simplify reporting requirements from 1 January 2022 so that the majority of non-taxpaying estates will no longer require an Inheritance Tax return when probate of confirmation is required.
- **Tax Avoidance** – a range of consultations/ summaries of responses will be released with the intention of extending HMRC powers to clamp down on tax avoidance.
- **Fundamental Review of Business Rates** – an interim report will be published regarding the government's fundamental review of business rates. The review will conclude in the autumn.
- **Business Rates for Holiday Lets** – legislation will be introduced to strengthen the criteria used to determine how a holiday let is valued for business rates.
- **Residential Property Developer Tax** – a consultation will be launched for implementing a new tax on the largest residential property developers.
- **Taxation of Trusts** – a summary of responses will be issued regarding the government's consultation on the taxation of trusts. The responses do not indicate the need for a fundamental reform at this stage, but the issues will be kept under review.
- **Notification of Uncertain Tax Treatment** – the requirement for large businesses to notify HMRC of uncertain tax treatments will be delayed until April 2022.
- **Land and Property VAT Rules** – a call for evidence will be published on the VAT land and property exemption to explore options for making the exemption simpler and clearer.

If you have any concerns about how you might be affected, please get in touch with your local Perrys branch where one of our friendly team will be happy to help.



Government pandemic support scheme updates

As the Prime Minister's roadmap out of lockdown moves into its final stages, we review some of the pandemic support schemes in place and provide key dates for when they will end.

Stamp Duty Land Tax Holiday

Property purchasers across the country were delighted to hear Chancellor Rishi Sunak announce in the March budget that the Stamp Duty Land Tax holiday was being extended until the end of June.

Those purchasing properties in England and Northern Ireland will not be required to pay stamp duty on the first £500,000. Once the freeze ends on 30 June, the nil rate band will be set to £250,000 – double the standard level – until 30 September. After this the nil rate band will resume at the usual level of £125,000. Landlords and second home buyers can make use of the Stamp Duty Land Tax holiday, but they would still be liable for the additional 3% surcharge.

Job Retention Scheme

The Coronavirus Job Retention Scheme, more commonly referred to as furlough, has been extended until 30 September 2021. Monthly claims for furlough payments will need to be made by the 14th of the following month. Claims for periods ending on or before 31 October 2020 can no longer be submitted.

Business Rates Holiday

The business rates holiday for pubs, restaurants and other non-essential retail businesses will come to an end on 30 June 2021. After this, rates will be discounted to one third of the normal charge for the rest of the financial year, up to a maximum of £2m for closed businesses.

VAT Discount

VAT charged on food and drink sold in pubs and restaurants will continue at the rate of 5% until the end of September. After this, it will increase to 12.5% - below the normal rate of 20% - for a further six months.

If you would like to discuss the government support schemes or need further advice on whether you are eligible, please get in touch with your local Perrys branch where one of our friendly team will be happy to help.

Accidental landlords - don't get caught out by the income tax trap

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Around 7% of landlords in the UK are 'accidental' and never intended to let out a property. Reasons for being an accidental landlord include inheriting a property that hasn't been sold on and being forced to let out a home that cannot be sold.

As an accidental landlord, understanding the laws around income tax and what needs to be declared can be difficult and, for many, it can also be somewhat of an unknown. HMRC estimates there's approximately 700,000 landlords in the UK that have been receiving rent for a property, but haven't been declaring it. For each year that passes, the tax bill is mounting.

In 2019, the government started to invest heavily in a specialist task force to hunt for landlords who had not been declaring rental income. Penalties for undisclosed income can be hefty, ranging from 15% up to 100% of the rental income in some cases. However, all is not lost. For landlords who haven't yet had the opportunity to declare previously unreported income, the Let Property Campaign is giving landlords the chance to get their tax affairs in order.

Our buy-to-let specialist and partner at Wrotham, Donna McCreadie, explains:

"The Let Property Campaign was originally launched in 2013, but many people are still unaware of its existence. I often have landlords coming to me who are really distressed or worried because, for some reason, their income from a rental property hasn't been declared. Once I explain the mechanics of the Let Property Campaign to them, it really helps to ease the burden. We then work together to put a plan into action so that the tax owed can be settled with the minimum of fuss."

What is the Let Property Campaign?

Essentially, it is a government initiative which allows landlords to tell HMRC about any unpaid tax now. Landlords will then have 90 days to work out and pay what they owe with minimal penalties. It covers landlords in the following situations:

- **Landlords with multiple properties**
- **Landlords with single rentals**
- **Those with student or workforce rentals**
- **Holiday lets**
- **Those renting a room out from their main home**
- **Those who live abroad for more than six months and rent out a property in the UK**

However, if you're renting out a non-residential property, such as a shop or garage, or you are disclosing income on behalf of a company or a trust, the campaign does not apply.

Donna continues:

"Tax on rental property can be a complex area so it's important that landlords who are unsure seek professional guidance. A specialist accountant, for example, can guide you through the rules and regulations, help you calculate the tax owed and ensure any mitigating factors are correctly applied."

Despite no disclosure window being in force, landlords who delay coming forward risk higher penalties. Donna added:

"I'd urge anyone who hasn't declared their rental income to come forward as soon as possible so that any penalties are as minimal as possible."

If you have any questions or need help with buy-to-let tax affairs or the Let Property Campaign, please call Donna McCreadie on 01732 882 488 or email McCread@perry-company.co.uk.

Working from home? Here's what you need to know about claiming expenses

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With thousands of workers forced to work from home since March 2020, setting up a desk from the kitchen table has become an attractive option for companies looking to reduce overheads and slash rents.

According to the Office for National Statistics, almost half of British workers were working away from their office or factory last June, with many staying home for the foreseeable future.

This sudden change in circumstances has meant many people have taken on an unanticipated amount of running costs. Electricity, telephone charges, WiFI and even tea and coffee all add up and come at the expense of the homeworker. However, if you are working from home, you may be able to claim tax relief for some of your bills.

Our partner at West Malling, Victoria Pearson, explains what you can and can't claim if you are working from home.

My office or factory is closed and I have to work from home. What expenses can I claim?

If you have to work from home, because your office or factory is closed, then you can claim tax relief, but only for the things to do with your work. These include business telephone calls or the additional cost of gas and electricity for your work area.

However, if you use things for both business and private use, such as broadband access, then you cannot claim for these.

I have decided to work from home permanently. Can I claim tax relief?

You cannot claim any tax relief if you choose to work from home. If you decide to work from home voluntarily, there may be other expenses you are entitled to.

For example, if you set up a business from home, and you operate as a sole trader or partnership, you can include your business costs in your self-assessment tax return. These include a proportion of the cost of things such as council tax, heating, lighting, phone calls and broadband.

How do I make a claim for tax relief?

If you are eligible for claiming tax relief and you normally complete a self-assessment tax return form, you can make your claim using this method. Otherwise, you can complete a P87 form online via your Government Gateway account. If you haven't got a Government Gateway account, you can complete a postal form.

Alternatively, from April 2020 your employer can pay you up to £6 a week (£26 a month) to cover any additional costs if you have to work from home. For previous tax years, you can be paid £4 a week (£18 a month).

Do I need to keep records if I claim tax relief when having to work from home?

The good news is you will not need to keep any records to claim the working at home tax relief so long as your claim does not exceed the £6 a week entitlement from April 2020 (or £4 a week for previous tax years). However, if you believe your costs are a lot higher than this you could claim more, but you will need to provide proof of your expenditure.

What other expenses can I claim for?

Whether you're working from home or not, you might be able to claim tax relief for other expenses. For example, if you use your own money for things that you must buy for your job and you only use these things for your work, such as:

- **Uniforms, work clothing and tools**
- **Vehicles you use for work**
- **Travel and overnight expenses**
- **Professional fees and subscriptions**
- **Buying other equipment**

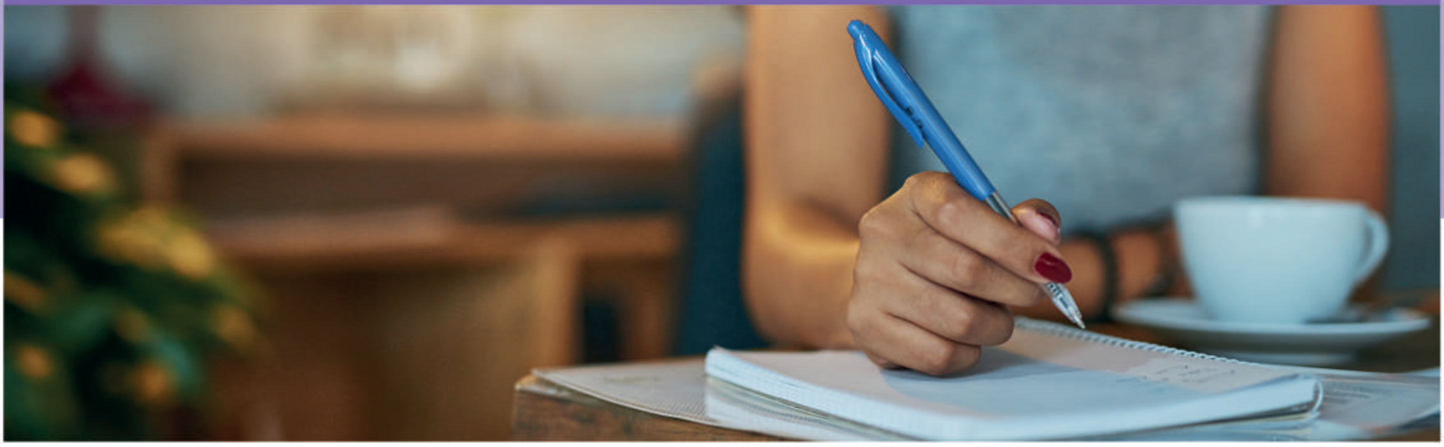
You cannot claim tax relief if your employer either gives you all the money back or provides an alternative, such as giving you a laptop but you want a different type or model.

For some claims you must keep records of what you've spent, such as receipts or invoices. You have four years from the end of the tax year in which you spent the money to make a claim.

Tax can be a complicated business so it is always worthwhile seeking the help of a professional, such as a qualified accountant, to help ensure your claim is correct.

If you have any questions or need help with working from home and tax deductible expenses, please call Victoria Pearson on 01732 870 032 or email pearson@perry-company.co.uk.

Is my tax code correct and why has it changed?



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Victoria Pearson explains more...

These are two of the questions I am often asked in respect of a person's coding notice.

Normally the first time someone realises their tax code has changed is at the end of the month when they receive their monthly pay.

Just before the start of the tax year, HMRC will issue a tax code to your employer or pension provider to work out how much Income Tax to take from your pay or pension for the coming tax year. Any changes that occur within the year that HMRC are made aware of, or you advise them of, will result in an amended coding notice being issued within that tax year.

What does your tax code mean?

The majority of people's tax codes usually start with a number and end with a letter. For the current tax year most people who have only one job or pension with no other adjustments will have a tax code of 1150L.

What do the numbers in my tax code mean?

The numbers indicate how much tax-free income you can earn in the year. This is worked out by taking the Personal Allowance for that tax year and deducting things like:

- **A company car**
- **Private medical cover**
- **Other income you haven't paid tax on**

As well as deductions, you may have items that are added to your personal allowance, such as:

- **Gift aid donations**
- **Personal pension payments**

What is left is your tax-free income. However, the last digit is removed.

What does the letter in my tax code mean?

The letter at the end of your tax code reflects your situation and how it affects your Personal Allowance. Most people have a 'L' at the end, which is the standard, but you may see 'BR' - basic rate tax to deduct or 'NT' – no tax to deduct.

As mentioned above, if you know something has changed in your circumstances then you need to let HMRC know as soon as possible. Alternatively, if HMRC are advised of a change in your circumstances they will change your coding notice. However, this doesn't mean it's correct and it may result in too much or too little tax being collected.

If you have any questions or need help with your tax code, please call Victoria Pearson on 01732 870 032 or email pearson@perry-company.co.uk.

Perrys welcomes consultation on Big Four dominance

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Government proposals to reduce the dominance of the 'Big Four' accountancy firms – PwC, KPMG, Deloitte and EY – are being welcomed by the industry after they were unveiled in March.

The government, which is holding a 16-week consultation on the new proposals, aims to improve regulatory standards after a large number of high profile corporate failures, including Carillion and BHS, as well as concerns that providing both accountancy and auditing services creates a conflict of interest.

The proposals will include putting in place new rules that require large companies to use smaller auditing firms and placing more responsibility on company directors to ensure accounts are accurate. Additionally, the Big Four could see a cap on the number of companies on the FTSE 350 they can audit.

The hope is that the new proposals will restore confidence in business and help restore the economy. Business Secretary Kwasi Kwarteng said:

"When big companies go bust, the effects are felt far and wide with job losses and the British taxpayer picking up the tab."

UK companies and directors also face curbs on dividend and bonus payments if there is evidence of misconduct, they publish inaccurate accounts, or they have insufficient cash reserves. Directors of failed firms could also have to pay back their bonuses up to two years after a pay out.

"When big companies go bust, the effects are felt far and wide with job losses and the British taxpayer picking up the tab."

A new accountancy watchdog - the Audit, Reporting and Governance Authority (ARGA) - will also be established to replace the existing Financial Reporting Council (FRC).

Smaller accountancy and auditing firms are welcoming the new proposals, including Perrys. Our partner, Declan McCusker, who is based at our London Mayfair practice, said:

"This is a positive step towards reforming the auditing process, ensuring there is more transparency in company accounts and making sure that the highest possible standards are maintained. Diluting the dominance of the Big Four will also open up more opportunities for smaller accountancy and auditing firms, which I believe will help to improve job and career prospects for the whole sector."

Employers' groups are also in support of the plans. The British Chambers of Commerce said the changes would be a **"positive step"**.

If you would like to discuss auditing or you are looking to appoint a new auditor, please call Declan McCusker on 020 7408 4442 or email mccusker@perry-company.co.uk.

Tips, gratuities and tax – advice for pubs and restaurants

Alex Skinner

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If you own a pub or restaurant, or you work in one, you might be somewhat confused with how tax is worked out on tips, gratuities and service charges.

Our London-based hospitality specialist and consultant, Alex Skinner, is an expert in providing accountancy advice for pubs and restaurants. Here, Alex answers some frequently asked questions about tipping and tax, and offers his advice on how pubs and restaurants can simplify the tipping process.

Do I really need to pay tax on my tips?

Sadly, the answer to this question is most definitely 'yes'. Whether your tip is given to you as cash in hand or it is paid electronically by the customer, all tips are subject to Income Tax. Depending on the type of tip and how it is distributed, you may also have to pay National Insurance contributions too.

Are tips and service charges the same thing?

No. Service charges are added to the bill before it's given to the customer. If a service charge is a compulsory payment, it won't be classed as a tip and will be treated in the same way as your wages.

However, if a customer chooses to pay the charge voluntarily, the same rules will apply to those for tipping.

How is tax on my tips worked out?

It all depends on how you receive the tip as to which taxes will apply. It's important to establish who will be responsible for making sure the tax is paid – otherwise you could end up over-paying tax, or, even worse, being fined.

For example, if you are given cash tips directly by customers, it will be down to you to make sure you declare these in a Self Assessment tax return. If you don't do this, then HMRC will estimate your tips on your behalf based on information supplied by you and your employer.

However, if an employer pays you tips directly, different rules will apply.

What happens if a customer tips using a card or cheque?

Any tips that are paid electronically can be added to your pay by your employer. If your employer chooses to do this,

they will be responsible for making sure your Income Tax is paid. However, the bad news is, any tips paid directly by your employer, including cash tips that are collected on your behalf, will also incur additional tax in the form of National Insurance contributions.

What happens if tips are pooled together and shared out?

This is called a 'tronc' payment and it's a great way to simplify the tipping process and make paying tax easier. However, there are some rules and possible pitfalls to administering such a system that you should be aware of. The good news is that whilst Income Tax still needs to be paid on a tronc system, the scheme is exempt from National Insurance contributions.

To set up a tronc, you first need to find somebody who is willing to be appointed as a 'troncmaster' – this is often an employee. The troncmaster takes responsibility for collecting all staff tips and service charges into a central pot and making sure they are distributed to staff.

The troncmaster will need to decide how tips are shared out – usually through a consultation process with other staff members. Bear in mind this could mean some tough decision making, such as who should and shouldn't receive tips and whether they are divided equally. The troncmaster will also be responsible for making sure the staff are paid their money, which is usually done via the payroll. Companies are allowed to deduct money for administrative costs - such as card fees - but many will absorb the costs and distribute 100% of tips to staff.

Whichever method a company chooses to distribute tips, it's always wise to consult a professional, such as Alex here at Perrys Chartered Accountants, to ensure you are complying with any tax regulations.

If you would like to discuss tips, gratuities or how to to set up a tronc, please call Alex Skinner on 020 7256 9339 or email skinner@perry-company.co.uk.

Ask the Expert – Why do I need a Lasting Power of Attorney if I am young and fit?

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Craig Harman, partner at our Tunbridge Wells office, explains why Lasting Power of Attorney (LPA) isn't just for the elderly.

It's a scenario none of us likes to imagine. A loved one loses mental capacity and is no longer able to make decisions about financial affairs. You might be prepared for this as an unfortunate consequence of old age, but what if disaster strikes much earlier?

Losing mental capacity isn't just isolated to those suffering from dementia and isn't always a gradual thing. There are numerous reasons why somebody could suddenly become non compos mentis. Problems could arise for a family's finances if LPA hasn't already been set up and somebody loses mental capacity unexpectedly. At this point it is too late to do anything about it, meaning, at an already incredibly difficult time, you could be faced with the added pressure of not being able to access vital funds for living expenses.

Without a Lasting Power of Attorney, loved ones can find themselves mired in a nightmarish and expensive court system in order to access the cash they need to survive.

For example, if a family member is injured in a car accident and falls into a coma, gaining immediate access to their bank account without Lasting Power of Attorney will be an incredibly lengthy and expensive process. The only way to resolve the issue would be to apply to the Court of Protection to become a 'deputy' for a relative's affairs.

Unfortunately, having a legal written Will in place or having a bank account in joint names will not protect you either. Even if you have a valid Will in place, this is only applicable on death and will not help you in the event somebody is incapacitated mentally or physically during their lifetime. Similarly, if you hold an account in joint names the account may be frozen so of course the consequences of not having LPA could be extremely complicated and difficult to rectify.

At Perrys, we recommend discussing your personal circumstances with one of our certified accountants who can assess your requirements and organise an appropriate application for LPA on your behalf.

If you would like to find out more about Lasting Power of Attorney, please get in touch with your local Perrys branch and our team will be happy to help.

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