

## Happy New Year!

...and welcome to the January 2020 monthly tax newsletter. These newsletters are designed to keep you informed of the latest tax issues.

We hope you enjoy reading the newsletter; remember, we are here to help you so please contact us if you need further information on any of the topics covered.

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### CONSERVATIVE PARTY ELECTED WITH WORKING MAJORITY

Now that Boris Johnson and his Conservative party have won the General Election will we finally “Get Brexit Done”? More importantly, can the Government now get on with running the country and sorting out urgent issues such as the NHS?

We are still awaiting the date of the Budget which is likely to be early in the New Year. That Budget is likely to include some of the tax measures included in the Conservative Party election manifesto. The manifesto promised that there will be no changes to the rates of income tax, national insurance or VAT.

The manifesto stated that the corporation tax rate would remain at 19% instead of reducing to 17% on 1 April 2020 to provide an extra £6 billion for the NHS. Businesses would however benefit from a planned increase in the structures and buildings allowance from 2 per cent to 3 per cent. That allowance provides tax relief for the construction or renovation of commercial buildings.

The manifesto also announced that the national insurance threshold would be raised to £9,500 in 2020/21, from the current £8,632.

The party’s ambition was to raise the threshold to £12,500 in line with the income tax personal allowance.

### FINANCE BILL SHOULD NOW PROCEED

Now that the General Election is out of the way, the tax changes in the draft Finance Bill scheduled to take effect from April 2020 are now more likely to go ahead.

The key tax measures “in limbo” until legislated in Finance Act 2020 are:

- Extending the “off-payroll” working rules to the private sector
- Restricting R&D repayable credit for SMEs
- The proposed 2% reduction in P11d car benefits
- Limiting CGT private residence letting relief

If the changes to CGT private residence letting relief go ahead from 6 April 2020, it may be worth considering the disposal of a property that currently qualifies for this relief before 6 April 2020. The “off-payroll” working rules will almost certainly proceed, even if not from 6 April 2020, and thus businesses and workers affected should prepare for the planned changes. Contact us if you need help in assessing the likely impact on your business.

### ADVISORY FUEL RATE FOR COMPANY CARS

These are the suggested reimbursement rates for employees’ private mileage using their company car from 1 December 2019. Where there has been a change the previous rate is shown in brackets.

Engine Size	Petrol	Diesel	LPG
1400cc or less	12p		8p
1600cc or less		9p (10p)	
1401cc to 2000cc	14p		9p (10p)
1601cc to 2000cc		11p	
Over 2000cc	21p	14p	14p

Note that for hybrid cars you must use the petrol or diesel rate.

You can continue to use the previous rates for up to 1 month from the date the new rates apply

### DON'T FORGET THERE MAY BE TAX TO PAY ON YOUR DIVIDENDS IN JANUARY

The rules for taxing dividends changed radically from 6 April 2016 with the removal of the 10% notional tax credit and the introduction of new rates of tax on dividends. For many taxpayers that means more tax to pay on dividends on 31 January each year.

If you are a higher rate taxpayer and received £22,000 of dividends in 2018/19 only £2,000 of those dividends are tax free now, leaving £20,000 of those dividends to be taxed at 32.5% meaning £6,500 due on 31 January 2020, and possibly payments on account of your 2019/20 liability, unless your tax liability is likely to be lower in 2019/20.

### NEW YEAR'S RESOLUTIONS TO SAVE TAX

At this time of year we think about New Year’s resolutions. It is also a good time to start planning your tax affairs before the end of the tax year on 5th April.

An obvious tax planning point would be to maximise your ISA allowances for the 2019/20 tax year (currently £20,000 each).

You might also want to consider increasing your pension savings before 5 April 2020 as the unused annual pension allowance is lost after three years.

For those looking to do some inheritance tax planning it would be a good time to review (or make) your Will.

### PENSION PLANNING

For most taxpayers the maximum pension contribution is £40,000 each tax year, although this depends on their earnings. This limit covers both contributions by the individual and their employer.

Note that the unused allowance for a particular tax year may be carried forward for three years and can be added to the relief for the current tax year, but then lapses if unused.

Hence the unused pension allowance for 2016/17 will lapse on 5 April 2020 if unused. Note that under the current rules the net after tax cost of saving £10,000 in a personal pension for a higher rate taxpayer is only £6,000.

### GIFTS OUT OF SURPLUS INCOME

Inheritance tax only applies to gifts of capital. There is currently a very generous exemption from inheritance tax for regular gifts out of income. In order to qualify for the exemption it is important to set up regular transfers and to be able to prove that after those regular gifts you are left with sufficient income to support your normal lifestyle.

We can assist you in taking advantage of this generous exemption and keeping the necessary records for HMRC.

There are a number of insurance based products that take advantage of this relief and the regular payments could be used to fund school fees for children and grandchildren.

### PASSING ON THE FAMILY HOME

The Labour party were proposing to reverse the recent Tory party inheritance tax cuts if elected. They were referring to the additional nil rate band for passing on the family home. This additional relief should be taken into consideration when drafting your Will and we can work with your solicitor to make sure your Will is tax efficient.

When fully phased in from April 2020, an additional nil rate band of up to £175,000 is available on death where your residence is left to direct descendants.

This is on top of the normal £325,000 nil rate band.

The residence nil rate band is however restricted if your assets exceed £2 million. The rules are fairly complicated but we can review your personal circumstances to enable you to take advantage of all the relief that you are entitled to.

Note that the additional inheritance tax relief is available even when you downsize to a smaller property or move into care, provided assets of equivalent value are left to direct descendants in your Will.

### DIARY OF MAIN TAX EVENTS

DATE	WHAT'S DUE
1 <sup>st</sup> Jan	Corporation tax for year to 31/03/19 (unless pay quarterly)
19 <sup>th</sup> Jan	PAYE & NIC deductions, and CIS return and tax, for month to 05/01/20 (due 22/01/20 if you pay electronically)
31 <sup>st</sup> Jan	Deadline for Self-Assessment tax return for 2018/19 if filed online. Also the due date for 2018/19 balancing payment and 50% payment on account of 2019/20 tax.
1 <sup>st</sup> Feb	Corporation tax for year to 30/04/19 (unless pay quarterly)
19 <sup>th</sup> Feb	PAYE & NIC deductions, and CIS return and tax, for month to 05/02/20 (due 22/02/20 if you pay electronically)

### FURTHER INFORMATION OR ADVICE

If you would like further information or advice about any of the issues raised in this newsletter or any other tax-related matter then **Steve Bird** would be delighted to hear from you.

**[steve.bird@viewpointaccountants.co.uk](mailto:steve.bird@viewpointaccountants.co.uk)**

