RNS

The Little Blue Book

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Chartered Accountants | Independent Financial Advisers

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Welcome

to the latest edition of the Little Blue Book.

Overall, it continues to be a frustrating time for many businesses, taking a couple of cautionary steps forward but conscious they may need to go back again.

Some clients are affected by COVID-19 much more than others, particularly those in the hospitality, non-essential retail, and tourism sectors.

Partners and colleagues have been advising businesses and individuals throughout the pandemic and supporting them with the various Government schemes.

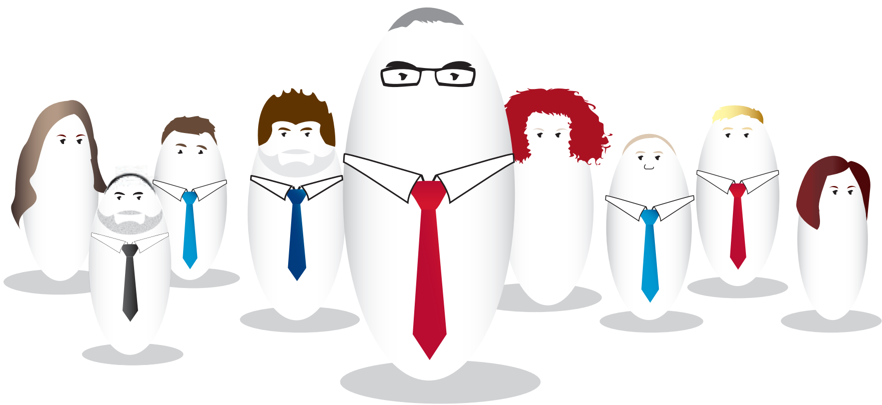
But, though wary of planning too much, we are starting to look ahead as a society and economy.

In that regard, the Chancellor's Budget provided welcome news for Northern Lincolnshire, something we review.

We provide details around the 'super-deduction' for companies investing in plant and machinery, explain a variety of tax changes, and say farewell to two long-serving members of the team.

I hope you enjoy reading it. Please feedback any comments through your partner or email *action@rnsca.co.uk*

John Heeney
Senior Partner



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Sharon’s farewell after 42 years

In 1978, a gallon of petrol cost 79p, the average house price was £13,650, Grease premiered in cinemas – and Sharon Clarke joined RNS!

The manager and senior accounting technician has retired after 42 years with the firm.

She joined as a filing clerk and made the tea before starting accounts work a year later and training with the Association of Accounting Technicians.

Sharon could “write a book” on the changes she has seen over her career.

“So many things have happened during my 42 years.

“I think the most significant of those was the first computer being installed,” she said.

“The younger members of staff cannot believe that all accounts were done manually when I first started, from preparation to the final accounts being typed.

“The computer changed all of that.

“Initially we had only one which we shared with the secretary. We had to book a slot and make sure we were on and off in the allotted time.”

The other major change was the introduction of self-assessment and the 31st January deadline for submitting tax returns.

“That caused many a headache in the early days and continued to cause stress and pressure right to this day.”

She was looking forward to retirement and has made limited plans.

“I will miss the interaction with the friends I’ve made over the years, and, I guess, to some degree, doing the interesting tax calculations, getting the grey matter working.

Sharon in India last year, just before the first lockdown.

“I love juggling around with figures.

“I want to keep on top of the garden - it’s been neglected over the last few years - and I want to concentrate on my dressmaking and crafting.

“But my main plan had been to travel and see some more of the world.

“That looks as though it’s going to have to be put on hold for now though.

“I’m quite sure that we’ll be able to get away again in the not-too-distant future.”

Sharon was looking forward to having time the most.

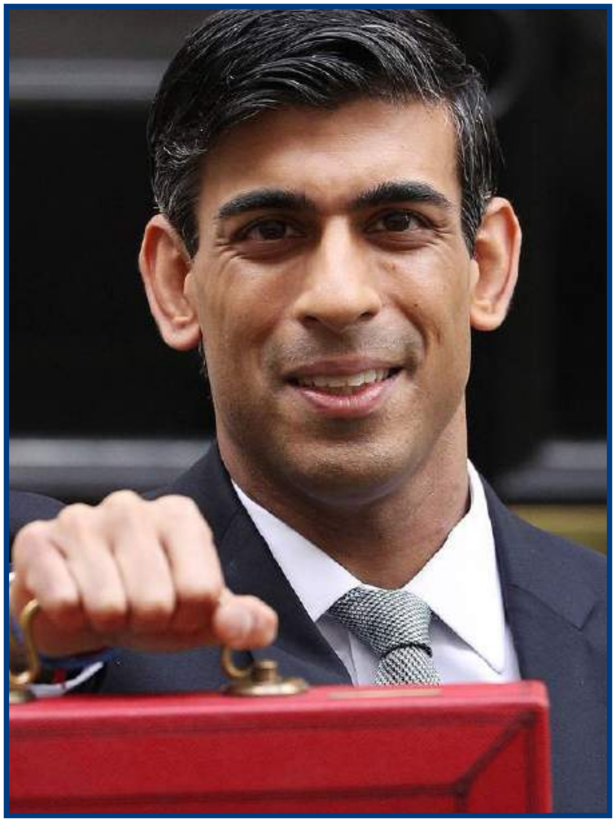
“Having the time to spend in the garden, to do the jobs I want when I want, at my own pace, without having to rush around, cramming jobs into the few hours I had at home between travelling to the office and work and travelling back.”

Senior partner John Heeney wished Sharon a happy retirement.

“On behalf of everybody at the practice, I would like to thank Sharon for her considerable work and unstinting loyalty.

“She will be missed by all the team, as well as clients, but she has earned a long, healthy and happy retirement.”

Rishi Sunak's Budget



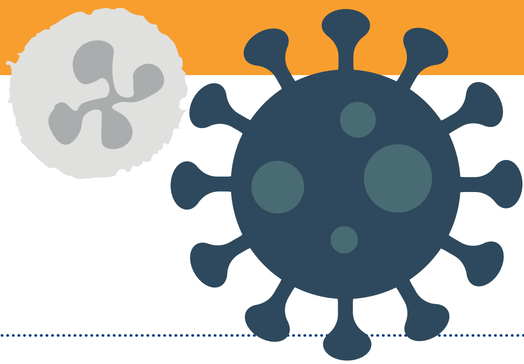
Northern Lincolnshire featured heavily in Chancellor Rishi Sunak's Budget.

Scunthorpe will benefit from the Towns Fund; the Humber was given Freeport status; while the long-awaited Able Marine Energy Park at Killingholme was handed significant funds allowing it to go ahead.

Here we look at highlights for our clients.

Coronavirus support

- Furlough to be extended until the end of September
- Government to continue paying 80% of employees' wages for hours they cannot work
- Employers to be asked to contribute 10% in July and 20% in August and September
- The Self-Employment Income Support Scheme (SEISS) was supported with two further grants.
- It includes the newly self-employed from 6 April 2019, provided they filed their 2019/20 tax return by midnight on 2nd March, 2021.
- Minimum wage to increase to £8.91 an hour from April



Business

- A super-deduction for companies investing in qualifying new plant and machinery. Under this measure a company will be allowed to claim 130% on most new plant and machinery investments that ordinarily qualify for 18% main rate writing down allowances. See page 6.
- Incentives for firms to take on apprentices to rise to £3,000 and £126m for traineeships
- Lower VAT rate for hospitality firms to be maintained at 5% rate until September
- Interim 12.5% rate will then apply for the following six months
- Business rates holiday for firms in England to continue until June with 75% discount after that
- £5bn in Restart grants for shops and other businesses in England forced to close
- Upto £6,000 per premises for non-essential outlets due to re-open in April and upto £18,000 for gyms, personal care providers and other hospitality and leisure businesses
- New visa scheme to help start-ups and rapidly growing tech firms source talent from overseas
- He also confirmed the Humber as one of eight Freeports. They are special economic zones with favourable tariffs and lower taxes to make it easier and cheaper to do business.

Taxation

- No changes to rates of income tax, national insurance or VAT
- Tax-free personal allowance to be frozen at £12,570 from April 2021 levels to 2026
- Higher rate income tax threshold to be frozen at £50,270 from April 2021 levels to 2026
- Corporation tax on company profits above £250,000 to rise from 19% to 25% in April 2023
- Rate to be kept at 19% for about 1.5 million smaller companies with profits of less than £50,000. A tapered rate will be introduced for profits above £50,000, so only those with profits of £250,000 or greater will be taxed at the full 25% rate
- Stamp duty holiday on house purchases in England and Northern Ireland extended to 30 June.
  No tax charged on sales of less than £500,000
- Inheritance tax thresholds, pensions allowances and annual capital gains tax exemptions unaffected, to be held at 2020-21 levels until 2025-26

Super-deduction

An incentive for firms to invest in new plant and machinery was introduced by the Budget in what the Chancellor termed a "super-deduction."

For expenditure incurred from 1st April until the end of March, 2023, companies can claim 130% capital allowances on qualifying investments.

Those siting in the new Humber Freeport – which includes large tracts of land in North and North East Lincolnshire – will also be able to access new Enhanced Capital Allowances and increased levels of Structures and Buildings Allowance.

Under the super-deduction, for every pound a company invests, their taxes are cut by up to 25p.

RNS partner Robert Smith said it would be attractive to many clients as would the other changes to Capital Allowances.

"We had immediate interest from clients after the Chancellor announced the super deduction," said Robert.

"Clearly, it will make investment in plant and machinery more viable. A lot of businesses have been taking stock during the pandemic and considering their next move.

"I'm sure this will help in their decision-making.

"It does not apply to all new investment and, for those interested, please speak to your partner or RNS contact who will be able to advise on what qualifies for the super-deduction and what doesn't."

Robert added it could get complicated due to the super deduction being clawed back if/when assets are sold, so claiming it may not always be the best plan.

A conversation around your planned CapEx needs to be had with your RNS partner.

The Treasury says the change makes the UK's capital allowance regime more internationally competitive, lifting the net present value of plant and machinery allowances from 30th in the Organisation for Economic Co-operation and Development (OECD) to first.

The new Capital Allowances offer

As a result of measures announced at this Budget, businesses will now benefit from four significant Capital Allowance measures:

- The super-deduction – which offers 130% first-year relief on qualifying main rate plant and machinery investments until 31 March 2023 for companies
- The 50% first-year allowance (FYA) for special rate (including long life) assets until 31 March 2023 for companies
- Annual Investment Allowance (AIA) providing 100% relief for plant and machinery investments up to its highest ever £1 million threshold, until 31 December 2021
- Within Freeport tax sites, companies can access new Enhanced Capital Allowances (ECA+) and companies, individuals and partnerships can benefit from an increased level of Structures & Buildings Allowance (SBA+) for investments until 30 September 2026

Why the super-deduction?

Since the Covid-19 pandemic, existing low levels of business investment have fallen, with a reduction of 11.6% between Q3 2019 and Q3 2020.

The Treasury says much of the UK's productivity gap with competitors is attributable to historically low levels of business investment compared to others.

Weak business investment has played a significant role in the slowdown of productivity growth since 2008. Making Capital Allowances more generous works to stimulate business investment.

The super-deduction will give companies a strong incentive to make additional investments, and to bring planned investments forward.

What are Capital Allowances?

Capital Allowances let taxpayers write off the cost of certain capital assets against taxable income.

They take the place of accounting depreciation, which is not normally tax deductible.

Businesses deduct capital allowances when computing their taxable profits.

In translating its accounting profits into taxable profits, a business is usually required to 'add back' any depreciation, but can instead deduct Capital Allowances.

The 130% super-deduction and 50% first-year allowance are generous brand new capital allowances for investments in plant and machinery assets. Both will allow investing companies to lower their corporation tax bills.

What is plant and machinery?

Most tangible capital assets used in the course of a business are considered plant and machinery for the purposes of claiming Capital Allowances.

There is not an exhaustive list of plant and machinery assets.

The kinds of assets which may qualify for either the super-deduction or the 50% FYA include:

- Solar panels
- Computer equipment and servers
- Tractors, lorries, vans
- Ladders, drills, cranes
- Office chairs and desks
- Electric vehicle charge points
- Refrigeration units
- Compressors
- Foundry equipment

Example

Spending £1m on qualifying investments will mean a company can deduct £1.3m (130% of the initial investment) in computing its taxable profits.

Deducting £1.3m from taxable profits will save the company up to 19% of that – or £247,000 – on its corporation tax bill.

Remember, super deduction could be clawed back if/when assets are sold. Please talk to us.

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Inheritance tax bands stay

The Chancellor announced in the budget that the inheritance tax bands will remain at existing levels until April 2026.

The nil-rate band will continue at £325,000, and the residence nil-rate band will remain at £175,000.

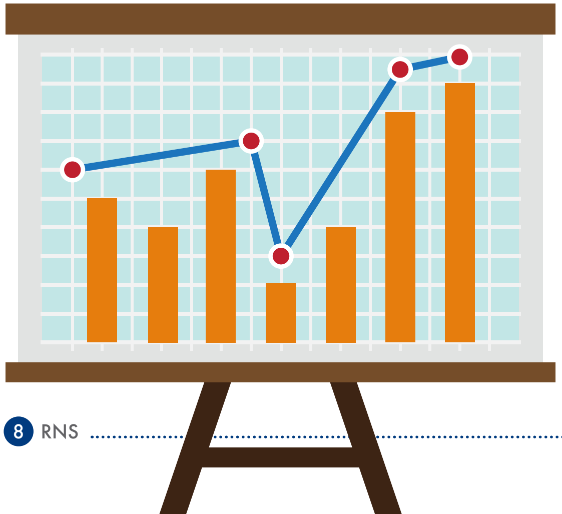
This means a single person maximising the nil rate bands can pass on up to £500,000 with no inheritance tax liability while a married couple or those in a civil partnership can pass on up to £1 million.

The family home is often the biggest asset in a person's estate and rental property portfolios remain popular. With rising property prices, the freezing of the bands will drag more people into inheritance tax.

The Office for Budget Responsibility has forecast the freeze on the nil rate bands will result in an increase in IHT receipts for the 2025/26 tax year of £6.6 billion.

To put this in perspective, receipts for the current tax year 2020/21 are forecast to be £5.2 billion.

RNS IFA partner Alex Douglas, looks at some of the inheritance tax planning tools.



Gifts

Outright gifts to family members are the simplest way to reduce the value of a person's estate.

These gifts would be subject to the 'seven year rule'. This means the gift will only be tax free if the donor lives for seven years. If they die before, then the gift is still included in the calculation of the value of the estate.

However, some people find it difficult to make gifts because of concerns they may need the funds in the future, or the value of their estate is tied up in illiquid investments such as property.

Be very careful and always take advice before gifting property as it can have unwanted capital gains tax consequences.

Insurance

A simple solution to plan for inheritance tax is simply to take out a life insurance policy. Whilst this will not reduce the tax liability itself, it does mean that when the insured dies the insurance pays out a sum to cover the tax due.

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Pensions

In most cases, a pension remains outside the scope of inheritance tax. Therefore, its value is not included in the calculation of the value of the estate and no inheritance tax is due on the pension.

This is a valuable planning tool and we often assess different sources of income to ensure the strategy remains the most tax efficient.

The pension can then be transferred upon death to spouses and the next generation without incurring an inheritance tax liability.

Pensions for grandchildren

We have seen cases where the grandparents wish to give money to their grandchildren but may have concerns about the accessing the money while they are still young. A pension is an effective and tax efficient way of gifting money.

It helps the child start saving for their retirement and the benefits of tax free, compound growth gives it a great opportunity to grow over a long period of time.

Private pensions cannot be accessed until age attained, currently 55, so grandparents can be assured the child cannot spend the fund.

Tax relief is given on pension contributions so for £80 paid into a pension by the grandparent the pension reclaims tax of £20 topping the balance up to £100.

Gifts out of income

Gifts out of surplus income are exempt from inheritance tax, subject to qualifying conditions.

This would help ensure the estate does not continue to grow and the donor does not have to live seven years for the gift to be free of inheritance tax.

Gifts made from the capital of the grandparent would still be subject to the seven year rule.

Certain regular gifts or payments, provided they are funded by income and not out of savings, can be made without any inheritance tax charge.

There are qualifying conditions that need to be met, but some examples that can be used include regular payments to help children or grandchildren with things such as schooling or university costs and fees, pension contributions, and paying into monthly saver and Junior ISAs accounts.

Trusts

Setting up trusts to hold assets for your family can help with inheritance tax planning for several generations.

Although trusts can be effective, they are also quite complicated and there can be tax traps and pitfalls if they are not set up properly.

We provide a wide range of advice on trusts and work with trusted solicitors to ensure they are legally compliant as well as tax effective.

Due to the Inheritance Tax bands being frozen, it is expected to be an even bigger issue in the future. If you feel it may affect you or you would like to discuss any of the points raised above, please speak with your normal RNS contact.

RNS Financial Services celebrates 20 years

Partners Andrew Clayton and Alex Douglas welcome Aiden Boucher to the firm before the pandemic struck. Aiden completed his accountancy studies and is now training to be a qualified financial adviser.

RNS Independent Financial Advisers is our in-house team of finance professionals who provide whole of market, independent unbiased advice and management services covering investments, savings and pensions.
Technology has transformed the way businesses are run, none more so than in this sector.

That change was a topic of conversation when former partner John Bletcher marked the 20th anniversary of RNS Independent Financial Advisers with current director Andrew Clayton.

The managing of shares and investments has been transformed by the internet since he helped establish the specialist service at RNS Chartered Accountants, with its offices in Scunthorpe, Brigg and Barton.

John said: "We used to have to fill out forms and send off a cheque – now it can be done in real time on a computer.

"The technology was changing but nothing like there is today.

"Years ago, investment research used to be reading a monthly finance magazine to look at the tables and articles.

"Now, everything is at an adviser's fingertips.

"Life in the financial sector has become so much more sophisticated as things have gone online."

John joined the then RN Store and Co in 1968, becoming a partner in 1976 and retiring in 2010. He was also a Director of RNS Financial Advisers.

He congratulated the current team on the 20th anniversary, under partners Andrew and Alex Douglas. It was the brainchild of the late Bob Marris.

"As accountants, we would pass on work to pension firms, and insurance brokers and stockbrokers.

"It occurred to us we could do a lot of the work ourselves and have a more joined up service," John said.

"Bob was the partner who specialised in tax and he developed it. I also knew enough about financial services to advise but I only dealt with my own clients.

"I remember financial services legislation at the time was changing, and the amount of business we were doing was increasing, so it was decided to create a separate entity.

"Bob was the leading light and it developed from there.

"We started with our own clients and then partners would pass on work to Bob.

"We would get people in where clients needed particular expertise.

"Andrew was one of our Chartered Accountants and he had shown an interest in the financial services side too in those early days and it was a case of bringing him onboard and letting him build his experience.

"He and Bob became highly qualified and I would have no hesitation recommending Andrew to anybody who needed independent financial advice."

Andrew thanked John for his kind words and establishing the business.

"Without the foresight of John and Bob, we would not be here today," he said.

"Partners recognised the potential of an independent financial advice service, which complimented the chartered accountancy side.

"We have continued with the development of the business, and although a lot of it is different to those early days, the same principles and values remain.

"We are local and that makes us more approachable," Andrew said.

"We have lots of new services to deliver, especially in pensions, and it is now a dedicated team of six advisers and support staff looking after clients' needs.

"It has developed into a busy and important part of what RNS delivers."

Retired former partner John Bletcher, who helped established RNS Independent Financial Advisers 20 years ago.

"Clients know and trust us with their pensions and investments.

"Alex, the team and myself look forward to serving their financial needs for many years to come."

For more details, contact Andrew or Alex on **(01724) 842713** , email: **action@rns-ifa.co.uk** or go to **www.rns-ifa.co.uk**

Tax changes

Separate to the Budget, HM Treasury's Tax Day saw a series of announcements, but more detail is awaited in many areas.

RNS partner Gary Makinson felt the day was a "bit of a damp squib" after being built up by Government officials.

The heart of the announcements examine how the UK's tax system is administered, when taxes should be paid, simplification opportunities and the benefits of digitalisation.

"There was no bombshell that took everybody by surprise," said Gary. "But, nevertheless, we are keeping a watchful eye on proposed changes and will keep clients updated."

The headline announcements are the calls for evidence on the tax administration framework and on timely payment of taxes.

The former examines the legislation on which the UK's tax administration is built and covers taxpayer obligations, calculation of tax liabilities, using data to improve tax compliance and verification methods.

The latter explores bringing the payment of income tax and corporation tax closer to the point when the income arises.

While it confirms that no changes would be implemented in this Parliament, it does suggest that those not within Making Tax Digital for Income Tax Self- Assessment may have to provide information to HMRC more frequently or accept that payments would be made on estimates.

The change to MTD could be part of a plan for tax to be paid earlier.

Together with confirmation the Government will legislate to extend MTD to Income Tax Self-Assessment from April 2023, the Government is aiming to move towards its ambition of near real-time collection of income tax and corporate tax for small companies through a digital tax system.

Tax compliance

A significant number of the announcements related to tackling non-compliance.

Alongside publishing draft guidance on tackling promoters of tax avoidance and the outcome of its consultation on disguised remuneration, the Government has opened four new consultations.

The new consultations cover helping taxpayers get offshore tax right, preventing and collecting international tax debt, and clamping down on promoters of tax avoidance.

Business

Big businesses will be most interested in the consultation on clarifying and strengthening transfer pricing documentation and the launch of a second consultation on the notification of uncertain tax treatment which is due to come into effect from April, 2022.

The government also published its interim report in its ongoing review of business rates.

The announcements also confirmed that the Government will be legislating to toughen criteria for holiday homes to qualify for business rates.

The aim being to prevent second home owners from reducing tax liabilities by declaring the property as a holiday let while actively seeking to let it.

What's not been confirmed…

There are a number of areas where the Tax Day announcements have not gone into detail.

The simplification of inheritance tax (IHT) rules is one such change.

The documents published confirm reporting regulations "will be simplified" to ensure that from 1 January, 2022, more than 90% of non-taxpaying estates will no longer have to complete IHT forms when probate or confirmation is required. However, the details of those changes are not included.

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Staff profile

Name: Sarah Foster

Title: Accounts and personal tax manager

When did you join RNS: 14.10.1996 (day after my 19th birthday)

School / college / university: Henderson Avenue Primary, Foxhills Comprehensive, John Leggott College, no university (took year out and ended up at RN Store for some work experience, never left)

Qualifications: GCSEs and A Levels

Interests out of work: Love to travel, UK and abroad. Like a nice long walk to clear the mind. Eating out (greatly missed during lockdown). Reading a good book. Socialising. Love a day at the races. Enjoy a good concert too.

Favourite holiday destination (and why): Lucky to have loved everywhere I have travelled. Was surprised by Las Vegas, did not expect to like it but actually loved it. The Amalfi coast is probably the most beautiful place I have ever been. In the UK, my favourite place has always been York, but having recently discovered Edinburgh, that is a very close second now.

Favourite TV programme (and why): Love a crime drama, Line of Duty being a particular favourite.

Favourite music: Lifelong Take That fan. They performed at my comprehensive school when they first got on the scene and I've been a fan ever since. I have been lucky enough to see them live four times. Also love a bit of old school Bee Gees and Roxette and I am even partial to some AC-DC and Guns and Roses (my dad's influence).

Favourite food: Anything Italian

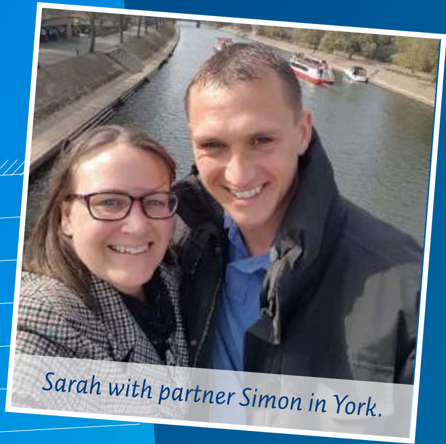
Favourite book: I read a lot, mostly just easy pick up put down books. I like anything by Samantha Hayes or Cathy Glass. The last book I read that I couldn't put down was 'Double crossed', I found that really interesting.

Lockdown likes: Strangely, not having such a hectic diary. Plenty of time to spend in the hot tub! Also allowed us to almost finish our home renovation that has been ongoing for the last 5 years.

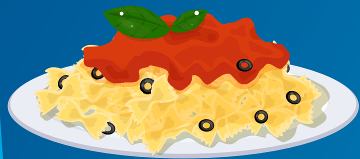
Lockdown dislikes: Not seeing family and friends. Cooking every day!

Best thing about living in North Lincolnshire: Not really sure... easy access to countryside and the coast, lovely places to eat out.

What is the best thing about working at RNS: Great colleagues. Variety, every day is slightly different. Client relationships, having been at RNS so long (25 years this year) you really get to know your clients, some of whom I class as friends now too.



Sarah with partner Simon in York.



Sarah and Simon at the Grand Canyon, Arizona.

VAT reverse charge

The twice-delayed introduction of the domestic VAT reverse charge for construction services came into effect on 1st March.

The change was originally scheduled to come into effect from 1st October, 2019, but was deferred for 12 months after industry bodies highlighted concerns about the lack of preparation and the impact on businesses.

It was put back another five months due to the impact of the coronavirus (COVID-19) pandemic on the sector.
The change overhauls the way VAT is payable on building and construction invoices as part of a move to reduce fraud in the sector.

From March 2021, the person receiving the supply of services, not the supplier of services, accounts for the output VAT on those services.

The recipient deducts VAT due on the supply as input VAT, subject to normal VAT rules.

In most cases, no net tax on the transaction will be payable to HMRC.

This new procedure will apply right the way up the CIS supply chain until reaching the end users / intermediary suppliers, when the supply defaults to normal VAT rules, so long as the end user/intermediary supplier correctly evidences their status.

The Domestic Reverse Charge (DRC) applies to most supplies of building and construction services from 1st March. These are:

- Standard or reduced rated supplies
- Where both parties are registered for VAT in the UK
- And payments for the supplies are required to be reported via the Construction Industry Scheme.

The DRC does not apply to:

- Zero rated supplies
- Services supplied to end users or intermediary suppliers, so long as these have provided written confirmation of their status to the supplier
- Employment businesses supplying either staff or workers.

Please contact us for advice on the DRC and how it impacts your business.

HMRC VAT deferral

HMRC has announced businesses that deferred VAT payments last year can join the new online VAT Deferral New Payment Scheme to pay it in smaller monthly instalments.

To take advantage of the new payment scheme, businesses will need to have deferred VAT payments between March and June 2020, under the VAT Payment Deferral Scheme.

They will now be given the option to pay their deferred VAT in equal consecutive monthly instalments from March, 2021.

Businesses will need to opt-in to the VAT Deferral New Payment Scheme.

They can do this via the online service that opened on 23 February and closes on 21 June, 2021.

Pension focus

Pension's tax advantages

In the run up to each Budget in memory there seems to be speculation about a restriction of the tax reliefs available for pensions.

The 2021 budget was no different but the tax advantages were not restricted. Here, IFA partner Alex Douglas reviews some of those.

Tax relief of contributions

Payments into a pension benefit from tax relief, so if you are a basic rate taxpayer you obtain 20% and for a higher rate tax payer 40% tax relief. If it is a company contribution then it obtains corporation tax relief, currently 19%.

Tax free growth

Once contributions to pension schemes are invested, they grow largely free of taxes.
The favourable tax treatment of pension funds means they should grow faster than equivalent taxable investment funds.

Tax-free 25% lump sum from age 55

When you're eligible to start taking money out of your pension – currently from age 55 – up to 25% of its final value can be taken out as a tax free lump sum.

Potentially no inheritance tax on death

In most cases, your pension can be passed on to your beneficiaries without being included in your estate for inheritance tax purposes.

Pension beneficiaries

If a person dies with unused pension benefits, then those funds can be passed on to their nominated beneficiaries. And the beneficiaries can be expanded to include the wider family and children or grandchildren, not just the spouse or civil partner.

So the money in your pension will benefit you and also filter down to your family.

This is a significant improvement over pensions of old, where the protection and beneficiaries were much more limited.

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Capital gains tax 30-day reporting

A new requirement to report and pay capital gains tax (CGT) on disposals of UK residential property applies to those made by UK resident taxpayers on or after 6 April, 2020.

UK tax residents within the scope of the 30-day rules are individuals, trustees, personal representatives, partners in partnerships and limited liability partnerships, and joint property owners.

RNS accountant Roger Whitehouse said a report was only due if there was tax to pay.

"Taxpayers have 30 days from the date of completion to report and make the CGT payment on account," he said.

"Late filing penalties may be charged together with interest on any unpaid tax."

The definition of residential property includes any suitable for use as a dwelling , or which is in the process of being constructed or adapted for such use.

HMRC has developed a new online digital service through which all reports should be made.

"Taxpayers need to set up an online CGT property account and then it is possible for the taxpayer to authorise ourselves to report the gain on their behalf.

"After reporting the gain, if you are normally required to complete a self-assessment tax return, the gain will need to be included on it as well."

If somebody makes a report but has no other reason to register for self-assessment, there is no requirement to do so.

Taxpayers planning on selling or gifting residential property need to contact RNS to ascertain whether there is a reporting requirement under the 30-day rule.

"Taxpayers should let us know of their plans as soon as possible to minimise the risk of missing the 30-day deadline and assist with cashflow planning," added Roger.

Let property campaign

The let property campaign gives an opportunity to bring tax affairs up-to-date if you're an individual landlord letting out residential property in the UK or abroad.

If tax is owed on letting income, HMRC needs to be told about it through a voluntary disclosure.

HMRC is targeting tax evasion by residential landlords and, by not disclosing, there is a risk of it using information held about property rental in the UK to identify people who have not paid what they owe.

Whether somebody has deliberately avoided paying the right amount or misunderstood the rules, notifying HMRC voluntary will get the best possible terms (with lower penalties) to pay the tax owed instead of waiting until HMRC uncovers the errors.

Remember, people become landlords for many different reasons - and might not think of themselves as such - because they have inherited a property, rented out a flat to cover mortgage payments, or moved in with someone and rented out an existing house.

IR35

HMRC has published a briefing on its approach to the changes to off-payroll working rules, commonly known as IR35, introduced on 6th April.

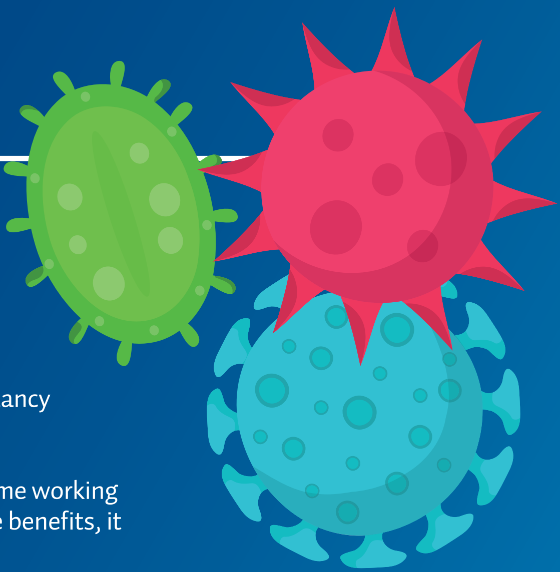
It has confirmed it will not issue penalties for inaccuracies in the first 12 months of the regime, unless there is evidence of deliberate non-compliance.

HMRC also confirmed it will not use information it receives under the expanded regime to open new compliance enquiries into returns for tax years before 2021/22, unless there is reason to suspect fraud or criminal behaviour.

The new tax rules will see the extension to medium and large organisations in the private sector.

These reforms will shift the responsibility for assessing employment status to medium and large organisations engaging individuals via a personal services company.

Coronavirus bounce back



Businesses that took out Government-backed Bounce Back loans to get through the coronavirus (COVID-19) pandemic will have greater flexibility to repay their loans. A conversation I had with a bank manager last week suggested that deferring loan repayment would probably have an adverse credit rating impact, so need to think carefully before taking advantage of. Talk to your partner and or bank manager first.

The Pay as You Grow repayment flexibilities now include the option to delay all repayments for a further six months. This means businesses can choose to make no payments on their loans until 18 months after they originally took them out.

Pay as You Grow will also enable borrowers to extend the length of their loans from six to 10 years, which reduces monthly repayments by almost half.

They can also make interest-only payments for six months to tailor their repayment schedule to suit their individual circumstances.

The Pay as You Grow options will be available to more than 1.4 million businesses which took out a total of nearly £45 billion through the Bounce Back Loan Scheme (BBLS).

COVID-19 savers

Accidental savers created by the COVID-19 pandemic should consider their options to make the most of their improved finances.

RNS IFA partner Andrew Clayton highlighted a report which indicated more than six million people fell into the category by keeping jobs while facing fewer outgoings.

“While many have faced greater debts, redundancy, or reduced income during furlough, others have seen their financial position improve,” Andrew said.

Lower travel costs and fewer holidays or meals out have contributed, financial consultancy LCP found.

Longer-term home working could extend the benefits, it suggested.

Those aged over 55 had been most likely to save as a result of holidays being cancelled or not booked, and older people were also most likely to have cut back on eating out, the report said.

While some of these issues might only be temporary, the likelihood of a long-term change in the mix of office and home working could see people continue to save on travel costs.

The report suggested the money saved could be put to good use by cutting existing debts, putting money aside for unforeseen emergency bills, or put into longer-term savings pots such as pensions.

However, interest rates for savers are low in the current economic climate.

Andrew said: “If you are sitting on surplus cash funds generating little or no return get in touch for a free review / chat on your options.”

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Chris becomes tax advisor

Chartered accountant Chris Driver has passed further exams to become a specialist tax adviser.

He has become a member of the Chartered Institute of Taxation, the UK's leading professional body for tax advisers, and can use the CTA designatory letters.

Its members deal with all aspects of taxation and Chris was pleased to join its ranks.

"It is another string to my bow and gives me options going forward," Chris said.

A former pupil at Winterton Comprehensive School and John Leggott College, Chris joined RNS in 2015 after graduating from Durham University with a degree in economics.

He passed his accountancy exams and joined the agricultural team last year. He also looks after clients in a range of different sectors.

Chris said: "I am grateful to the partners at RNS for giving me a variety of opportunities and supporting my training in accountancy and now tax.

"I enjoy the role and becoming a chartered tax adviser will add to its variety.

"I look forward to helping clients with all aspects of tax.
"It also means the practice has another qualified specialist to draw on."

There has also been exam success elsewhere in the firm. Alice Sharp, who joined RNS in 2019 as a member of the bookkeeping and payroll staff, is studying her AAT Level 4 in Accountancy having passed Levels 2 and 3.

And Kerry Alliss has passed her final case study exam for ACA, completing that qualification.

Say hello and wave goodbye


Di

Carla

A familiar face will no longer greet clients who walk into our Scunthorpe offices.

Di Hawksworth is retiring having been with the firm 17 happy years. Her role in the administration team has been filled by Carla Mowforth, who joins after spending 34 years as a civil servant.

Di was at NatWest Bank for 20 years before switching to Crown Accountancy Services in 1999. It merged with Coleman & Co and then joined RNS in March 2004.

She said: "RNS has a great team of people so I will miss working with them, especially my brother Mike."

COVID-19 has stopped her making plans but, when she can, Di hopes to travel around the world visiting places she has not been before.

On the list is Canada, Australia and New Zealand and another trip to Thailand is on the itinerary.

"I'm looking forward to spending more time with husband Steve who has been retired for three years.

"I will carry on making greetings cards for family and friends and selling some, donating the funds to Lindsey Lodge Hospice.

"I'll also continue with my passion for crochet, especially making small animals and blankets.

"This year, I started Tunisian crochet so I'm looking forward to carrying on with that.

"Like everybody else, I'm very much looking forward to being able to see and spend time with family and friends again 'in the flesh' rather than on the phone/video calls."

Like Di, Carla will pick up secretarial work, cover reception and undertake other administrative duties the partners may need doing.

She was an admin officer with HMRC for 34 years, mostly working in VAT, until she was made redundant at the end of last year.

Carla said: "Everyone at RNS is so nice and welcoming.

"I feel like I have slotted in well and it won't be long until I'm part of the furniture. The role is varied and, as I love learning, I am just like a sponge taking everything in."

Outside of work, she enjoys walking and hiking and says she is happy if her dog is!

"She is a little terrier cross called Tara and, to her credit, has climbed Snowdon, Scafell Pike, Helvellyn and many other peaks.

"My favourite holidays are those with my partner, and of course Tara, camping in the Lake District or Cornwall.

"I was also part of the Grimsby Senior Ladies' netball league for 30 years as a player, qualified C award umpire and secretary of the team I used to play for.

"I have not played since the lockdown and, as I am in the process of relocating from Cleethorpes to Scawby, it looks like my netball days are over."

Senior partner John Heeney said: "Di's performed a much-valued role, appreciated by partners, colleagues and clients.

"We wish her a happy, healthy and long retirement, with plenty of travel."

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Income tax rates and bands 2021/22	**£ per year**
Basic rate - 20% [1]	0-37,700
Higher rate - 40%	37,701-150,000
Additional rate - 45%	Over 150,000

[1] There is a 0% starting rate for savings income only. The starting rate limit is £5,000 for 2021/22. The tax rates for dividends are 7.5% basic rate, 32.5% higher rate and 38.1% additional rate.

Income tax allowances 2021/22	**£ per year**
Personal allowance	12,570
Income limit for personal allowance	100,000
Dividend allowance	2,000
Marriage allowance	1,250

National insurance rates 2021/22	
Lower earnings limit	£120 a week
Primary threshold	£184 a week
Secondary threshold	£170 a week
Upper earnings limit	£967 a week
Employees rate on earnings between £184 & £967 per week	12%
Employees rate on earnings above £967 per week	2%
Employers' rate on earnings above £170 per week	13.80%
Upper profits limit	£50,270 a year
Lower profits limit	£9,568
Class 4 self-employed rate on profits between £9,568 and £50,270	9%
Class 4 self-employed rate on profits over £50,270	2%
Class 2 self-employed national insurance	£3.05 per week

We help and advise businesses every day. Give us a call for a completely free, no obligation meeting.

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