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CHARTERED ACCOUNTANTS

TAX NEWSLETTER

Welcome to our monthly newsletter. We hope you enjoy reading this newsletter and find it useful.

- Download our new App! Go to our website www.tnmca.com
- Ask us about management accounts
- Ask us about our virtual financial director service
- Are we being proactive enough for you?

June 2019

DOCTORS LOBBYING FOR PENSION TAX CHANGES

Hospital doctors and GPs are lobbying the government to amend the pension tax rules as the current system of restricting tax relief on pension contributions means many doctors paying almost all of the extra salary back in tax if they take on additional responsibilities or work additional shifts. This is an issue that doesn't just affect doctors as it potentially restricts the tax relief available to other individuals with high income.

The NHS Pension Service have alerted members of the NHS Pension Scheme that they could receive a tax bill if their pension savings exceed limits set by HM Revenue and Customs (HMRC). These limits are known as the annual allowance, which is calculated each year, and the lifetime allowance, which is calculated based on overall pension savings.

The normal annual pension allowance is currently £40,000 each tax year and limits the amount of pension contributions which qualify for tax relief. The limit covers the combined contributions paid by the taxpayer and their employer. A tapered annual allowance was introduced in April 2016 with the intention of reducing pension tax relief for high earners.

It applies to those with adjusted incomes of over £150,000 and threshold income in excess of £110,000. The rate of reduction in the annual allowance is by £1 for every £2 that the adjusted income exceeds £150,000, up to a maximum reduction of £30,000 at £210,000. This is a complex calculation and we can help you plan to minimise the impact of the rules as the individual is taxable on the excess pension contributions over the annual limit.

REQUEST THAT THE PENSION CHARGE IS PAID BY YOUR FUND BY 31 JULY

The Pension Annual Allowance tax charge depends on the individual's marginal rate of tax. Where their income exceeds £150,000 it would be at 45%. Thus if the pension input for 2018/19 Was £40,000 and the limit is tapered to £10,000 the excess of £30,000 would incur a £13,500 tax bill on top of their normal tax liability.

You can ask your pension provider to pay HMRC out of your pension fund if you've gone over your annual allowance and the additional tax is more than £2,000. The deadline is 31 July 2020 for the 2018/19 tax year.

HIGH INCOME CHILD BENEFIT CHARGE AND STATE PENSION

Last month we looked at tax planning to minimise or eliminate the high income child benefit to keep both husband and wife (or civil partners) looking after a child below the £50,000 threshold.

Where the income of one of the individuals exceeds £60,000 such that the whole of the child benefit is taxed they may be tempted not to claim child benefit at all. This may however limit the amount of State pension and other benefits at a later date. Under current rules Individuals must make National Insurance contributions for 35 years to receive a full State Pension. Individuals may claim Child Benefit and choose not to receive the payments, which means they do not have to pay the charge but still receive the associated National Insurance Credits for that year and protect their State Pension entitlement.

Note that grandparents who have ceased working and are looking after their grandchildren may also claim NIC credits for that year which would count towards their 35 year contribution history. Remember that you can check your National Insurance record online on the DWP website to see:

- What you've paid, up to the start of the current tax year (6 April 2019)
- Any National Insurance credits you've received

Please contact a member of our team if you would like to discuss any of the issues raised.

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- If gaps in contribution or credits mean some years do not count towards your State Pension (they are not 'qualifying years')
- If you can pay voluntary contributions to fill any gaps and how much this will cost

You can check your State Pension online at any time for a forecast of how much you could get. The service will also confirm when you will reach State Pension age, under the law as it stands. Note that Government proposes to increase the State Pension age to 68 from 2037.

SOME CARS ONLY QUALIFY FOR 6% TAX RELIEF NOW

The latest Finance Act has reduced the tax writing down allowance for motor cars that emit more than 110 grams of CO_2 to just 6% on a reducing balance basis from April 2019. In the case of company cars the vehicle is included in the "special rate" pool which means that even when the car is sold the proceeds are deducted from the pool and the 6% allowance continues until the balance is written off. It may be more advantageous to lease such a vehicle - check with us.

P11D FORMS DUE SOON

As set out in the following table employers need to submit details of benefits in kind provided to directors and employees by 6 July 2019. Remember that reimbursed expenses no longer need to be reported where they are incurred wholly, exclusively and necessarily in the performance of the employee's duties. Dispensations from reporting are no longer required.

Remember also that trivial benefits of no more than £50 provided to employees need not be reported.

REPORTING THE ISSUE OF SHARES OR OPTIONS TO STAFF

Gifts and awards of shares in companies, often known as employment related securities (ERS) are commonly used by employers to reward, retain or provide incentives to employees. They can be tax advantaged or non-tax advantaged.

You must notify HMRC of all new ERS schemes including one-off awards or gifts of shares by 6 July following the end of the tax year in question or you may have to pay a penalty. Once you have registered the share scheme you need to submit an ERS return (or nil return) even if there have been no transactions in the year otherwise the company may be liable to a penalty.

Please contact us if you need assistance dealing with these reporting obligations.

DIARY OF MAIN TAX EVENTS

MAY / JUNE 2019

Date	What's Due
01/06	Corporation tax for year to 31/8/18 (unless pay quarterly)
19/06	PAYE & NIC deductions, and CIS return and tax, for month to 5/6/19 (due 22/06 if you pay electronically)
01/07	Corporation tax for year to 30/9/18 (unless pay quarterly)
05/07	Last date for agreeing PAYE settlement agreements for 2018/19 employee benefits
05/07	Deadline for agents and tenants to submit returns of rent paid to non-resident landlords and tax deducted for 2018/19
06/07	Deadline for forms P11D and P11D(b) for 2018/19 tax year. Also deadline for notifying HMRC of shares and options awarded to employees.
19/07	PAYE & NIC deductions, and CIS return and tax, for month to 5/7/19 (due 22/07 if you pay electronically)
31/07	50% payment on account of 2019/20 tax liability due
31/07	Notify your pension fund administrator by this date if the additional tax on the Pension Annual Allowance Tax charge for 2017/18 is £2,000 or more and you would like the tax paid out of your fund (see earlier)

Please contact a member of our team if you would like to discuss any of the issues raised.