

Tax E-News

Welcome to our monthly newswire. We hope you enjoy reading this newsletter and find it useful. Please contact us if you would like to discuss any matters further.

June 2022

REPORT EMPLOYEE BENEFITS ON FORM P11D BY 6 JULY

P11D forms for reporting expenses and benefits in kind provided to employees and directors in 2021/22 need to be submitted by 6 July 2022.

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. HMRC do however expect internal controls to be in place to ensure that the reimbursed expenses qualify under these terms.

Note also that non-cash 'trivial benefits' that cost no more than £50 do not usually need to be reported. This typically covers non-cash gifts to employees at Christmas and on their birthdays.

IS YOUR BUSINESS ENTITLED TO THE EMPLOYMENT ALLOWANCE?

The Employment Allowance (EA) is a £5,000 allowance set against employer National Insurance Contributions (NICs) and has to be claimed each tax year by qualifying employers. The EA was increased from £4,000 to £5,000 this tax year to help to soften the blow of the 1.25% increase in employer contributions, now calculated at 15.05%.

If two or more companies or charities are connected with one another, then only one of them may claim the EA.

Employers are not eligible to claim the EA where their employers' Class 1 National

Insurance liabilities in the previous tax year exceeded £100,000.

Another important exclusion from the EA are single director companies where the director is the sole employee of the company.

BUYING AN ELECTRIC CAR? DOES IT NEED TO BE NEW?



The shortage of semiconductors has meant long delays in the delivery of new cars. This has caused many company car drivers to choose a second hand car instead, but what are the tax consequences?

Unless the car has zero emissions, the capital allowance rules are the same for new and used cars bought by the business. Plant and machinery capital allowances may be claimed on the purchase price of the car at either 18% or 6%, depending on whether the CO2 emissions for the vehicle are below or above 50g CO2 per km.

Where a zero-emission car is acquired by the business, a special 100% first year allowance only applies to new cars. There is however an exception for certain ex-demonstrator cars. HMRC accept a car is unused and not second hand provided it has been driven for a limited number of miles for the purposes of testing, delivery, and test driven by potential purchasers.

When calculating the P11D benefit of company cars the original list price inclusive of extras should be used, not the purchase price. Hence the P11D value for a secondhand company car may be significantly higher than the price paid for the vehicle.

SALARY SACRIFICES - GET THE TIMING RIGHT

Many employers and employees have been putting in place salary sacrifice arrangements to give up some of their contractual salary in exchange for additional pension contributions or an electric company car. In these specific cases and if correctly structured, the employee is taxed on the lower of the taxable benefit and the salary foregone.

In the case of the electric car the benefit is currently 2% of the original list price. There is no taxable benefit on employer pension contributions.

When the director or employee enters into the salary sacrifice arrangement, they must agree with their employer to vary the employment contract well in advance of the date when the first payment under the new arrangement is due to be made. If the contractual changes have not been completed by that date, the terms of the previous contract continue to be in force. This means that the employee is still entitled to receive, and is therefore still taxable on, the previous higher salary, even though the smaller, post-sacrifice amount is paid.

CAPITAL GAINS TAX ON SEPARATION AND DIVORCE

When a married couple or civil partners separate, tax planning is understandably not at the top of the list of their thoughts. However, a 'no gain/no loss' rule allows capital assets to be transferred between them free of capital gains tax (CGT) up to the end of the tax year in which they permanently separate. Beyond that date, asset transfers between the couple will often give rise to a CGT liability. With many divorce settlements taking several months this is worth careful consideration.

The Office of Tax Simplification has recommended to the Treasury that the no gain/no loss rule should be extended to two years from the date of permanent separation. The government have accepted this recommendation, but the change in rules is yet to be legislated.

The actual date that assets are treated as transferred between the separating couple depends upon how the marriage or civil partnership is dissolved.

It is also important to consider private residence relief (PRR) on the family home. It should be noted that where one spouse or civil partner leaves the matrimonial home, they may continue to be eligible for PRR even if they no longer live in the property. There are specific conditions that need to be satisfied for this to apply.

All in all, CGT on separation is a complex area and please do talk to us if any issues may be in point. We understand the sensitivity of the situation and are here to help.

ADVISORY FUEL RATE FOR COMPANY CARS

Unbelievably there were very few changes to the HMRC advisory fuel rates from 1 March 2022, which may not have been your experience at the filling station!

Now that the increased prices have fed through into the HMRC calculations there are some significant increases from 1 June 2022, as set out in the table below.

In cases where the employee pays for the car fuel, these mileage rates should be used by the employer to reimburse the employee for business journeys.

In cases where the employer pays for the car fuel, these mileage rates should be used by the employee to reimburse the employer for private mileage, if they want to avoid a fuel benefit in kind arising.

Engine Size	Petrol	Diesel	LPG
1400cc or less	14p (13p)		9p (8p)
1600cc or less		13p (11p)	
1401cc to 2000cc	17p (15p)		11p (10p)
1601 to 2000cc		16p (13p)	
Over 2000cc	25p (22p)	19p (16p)	16p (15p)

Where there has been a change, the previous rate is shown in brackets. The previous rate can continue to be used until 30 June 2022, if so desired.

Note that for hybrid cars the appropriate petrol or diesel rate should be used.

DIARY OF MAIN TAX EVENTS

JUNE/JULY 2022

Date	What's Due
01/06	Corporation tax for year to 31/8/21 (unless pay quarterly)
19/06	PAYE & NIC deductions, and CIS return and tax, for month to 5/6/22 (due 22/06 if you pay electronically)
01/07	Corporation tax for year to 30/9/21 (unless pay quarterly)
05/07	Last date for agreeing PAYE settlement agreements for 2021/22 employee benefits
05/07	Deadline for agents and tenants to submit returns of rent paid to non-resident landlords and tax deducted for 2021/22
06/07	Deadline for forms P11D and P11D(b) for 2021/22 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 5/7/22 (due 22/07 if you pay electronically)
31/7	50% payment on account of 2022/23 tax liability due.

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

Call: 028 90 32 00 39 Email: info@dentca.com