

OTS OUTLINES ALTERATIONS TO IHT SYSTEM



In a new report, the Office of Tax Simplification (OTS) has outlined a series of recommendations designed to 'simplify the UK's inheritance tax (IHT) system'.

Following a consultation on the matter, the OTS revealed many areas where IHT is 'either poorly understood, counter-intuitive, requires substantial record-keeping, creates distortions, or where the application of the law is simply unclear'.

In the report, the OTS urged the government to reduce the current seven-year gifting rule to five years. It also suggested abolishing the taper relief system and replacing the many forms of lifetime gifts with a 'personal gift allowance'. In addition, the OTS recommended reducing the complexity in the interaction between IHT and capital gains tax (CGT).

Commenting on the report, Bill Dodwell, Tax Director at the OTS, said: 'The taxation of lifetime gifts is widely misunderstood and administratively burdensome.'

'We recommend replacing the multiplicity of lifetime gift exemptions with a single personal gift allowance, to be set at a sensible level, and incorporating an increased lower threshold for small gifts.'

'Where there is IHT to pay on lifetime gifts, the OTS recommends the government explores options for simplifying and clarifying the rules on who is liable to pay this tax, and how the £325,000 threshold is allocated between different recipients.'

For more information on this talk to a member of our tax team please call 01753 888211 or email info@nhllp.com

Government publishes Finance Bill 2019-20 draft legislation

The government has published draft legislation for Finance Bill 2019-20. One of the primary objectives included in the draft legislation is to 'update tax policies for the digital age'. The legislation outlines that, from April 2020, large digital firms will be required to pay a new Digital Services Tax (DST). The DST will apply a 2% tax to the revenues of certain digital businesses.

Commenting on plans for the new DST, Jesse Norman, Financial Secretary to the Treasury, said: 'The UK has always sought to lead in finding an international solution to taxing the digital economy. This targeted and proportionate DST is designed to keep our tax system in this area both fair and competitive, pending a longer-term international settlement.'

Additionally, the draft legislation also provides further details on the extension of off-payroll working rules to the private sector. The extension will take effect from April 2020, and will 'ensure that two people working side-by-side in a similar role for the same employer pay the same employment taxes'.

Provisions to combat tax abuse using company insolvencies are also included in the draft legislation. According to the government, the measure aims to 'tackle the small minority of taxpayers who artificially and unfairly seek to reduce their tax bill through the misuse of the insolvency of companies'.

Regarding corporation tax, the draft legislation outlines that, for accounting periods ending on or after 1 April 2020, businesses making chargeable gains will only be permitted to offset up to 50% of those gains using carried-forward capital losses. The government stated that this will 'ensure that large firms pay tax for each accounting period in which they realise substantial capital gains'.

Consultations on the draft legislation are set to close on 5 September 2019.

Nunn Hayward's Special Issue Broadcasts

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Broadcast Nunn Hayward
FACTSHEET: TRUST REGISTRATION OBLIGATIONS FOR ALL TRUSTS SPECIAL ISSUE
01753 888211
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TRUST REGISTER AND ANTI MONEY LAUNDERING FROM MARCH 2020

How HMRC provide various services in relation to Trusts and since the Government brought in the Fourth Anti-Money Laundering Directive we have advised a number of clients in registering their Trust on the Trust & Estates Register.

The Treasury is consulting on steps the Government proposes to take to transpose the EU 5th anti-money laundering directive into UK law by January 2020, including strengthening the requirement to register trusts with HMRC.

The directive requires regulated businesses with a duty to review their customers' beneficial ownership information during customer due diligence procedures. The Government intends to require customer due diligence when a business has a legal duty in a calendar year to contact customers for the purposes of reviewing their beneficial ownership information or a duty under the International Tax Compliance Regulations (ITCR) 2015/978 to identify new and pre-existing registrable offshore financial accounts for annual reporting.

The directive extends the scope of the trust registration service to:

- non-UK resident express trusts;
- non-UK resident express trusts that acquire UK land or property on or after 10 March 2020; and
- non-UK resident express trusts entering into a new business relationship with a regulated business on or after 10 March 2020.

The Government does not expect to specify a full list of types of express trusts, but those likely to fall within the definition are discretionary, interest in possession, charitable, employer owned and many types of bare trusts.

More Information: www.nhlp.com

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FACTSHEET: TAX SPECIAL ISSUE
01753 888211
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2018/19 PAYMENTS ON ACCOUNT

OVERVIEW

Payments on Account (POA) are advance payments towards your tax bill including Class A National Insurance (NI) contributions.

You have to make 2 payments on account every year (POA).

- your first POA payment has to be less than £3,000;
- you pay monthly and more than 80% of all the tax you owe for months through your POA tax code.

Each payment is half your previous year's tax bill (unless you have a new tax code for 18/19).

If you still have to pay after you've made your payments on account, you will have to make a balancing payment by 31 January following the year of assessment.

THE DUE DATE

Payments on account are due on 31 January each year. If you are a self-employed person, you must pay your POA by 31 January each year. If you are an employee, you must pay your POA by 31 January each year.

THE DEDUCTION

The first payment from HMRC is that in the amount of your tax code. The second payment is that in the amount of your tax code plus 10% of your tax liability for 2018/19 (based on the previous year's tax liability).

If you would like to discuss further, please contact a member of the tax team on 01753 888211 or email info@nhlp.com.

More Information: www.nhlp.com

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FACTSHEET: PRIVATE RESIDENCE RELIEF SPECIAL ISSUE
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PRIVATE RESIDENCE RELIEF UPDATED RULES FROM 6TH APRIL 2020

Changes to ancillary reliefs are made in the Budget 2019 - consultation closed on 1st June 2019. This represents the proposed legislation to be brought into effect from 6th April 2020.

Private residence relief (PRR) keeps main residence out of Capital Gains Tax (CGT), but there are also ancillary reliefs that extend to groups of people not occupying their main residence.

To qualify for PRR as a tenant-occupier, from April 2020 the Government will change tax ancillary reliefs that provide relief on rented property and on gains made in the final period of ownership, regardless of occupancy.

All tenants have an annual exempt amount (AEA) below which CGT is not due on any gains, but which individuals set their main residence, they do not have to pay CGT on the gains made on that sale because they are protected by PRR.

To protect gains made by people in certain circumstances, there are several ancillary reliefs that extend the benefits of PRR beyond those who are occupying their main residence. For example, when someone is absent from their main residence for any reason, the gains they make for up to three years are protected. Other reliefs protect gains when people work away from their main residence as well as gains made when living in employer-provided accommodation.

To ensure the PRR is better focused on owner-occupiers, from April 2020 the rules on tax ancillary reliefs will change. The period for which the property was someone's main residence will still be protected. The following reliefs should give people sufficient time to re-arrange their affairs (i.e. by getting their property in their current name) should they wish to do so.

More Information: www.nhlp.com

ESSENTIAL TAX DATES FOR AUGUST

2 August
Deadline for submitting P46(Car) for employees whose car/fuel benefits changed during the quarter to 5 July 2019.

19 August
PAYE, Student loan and CIS deductions are due for the month to 5 August 2019.