Broadcast

For all the latest news…

Nunn Hayward

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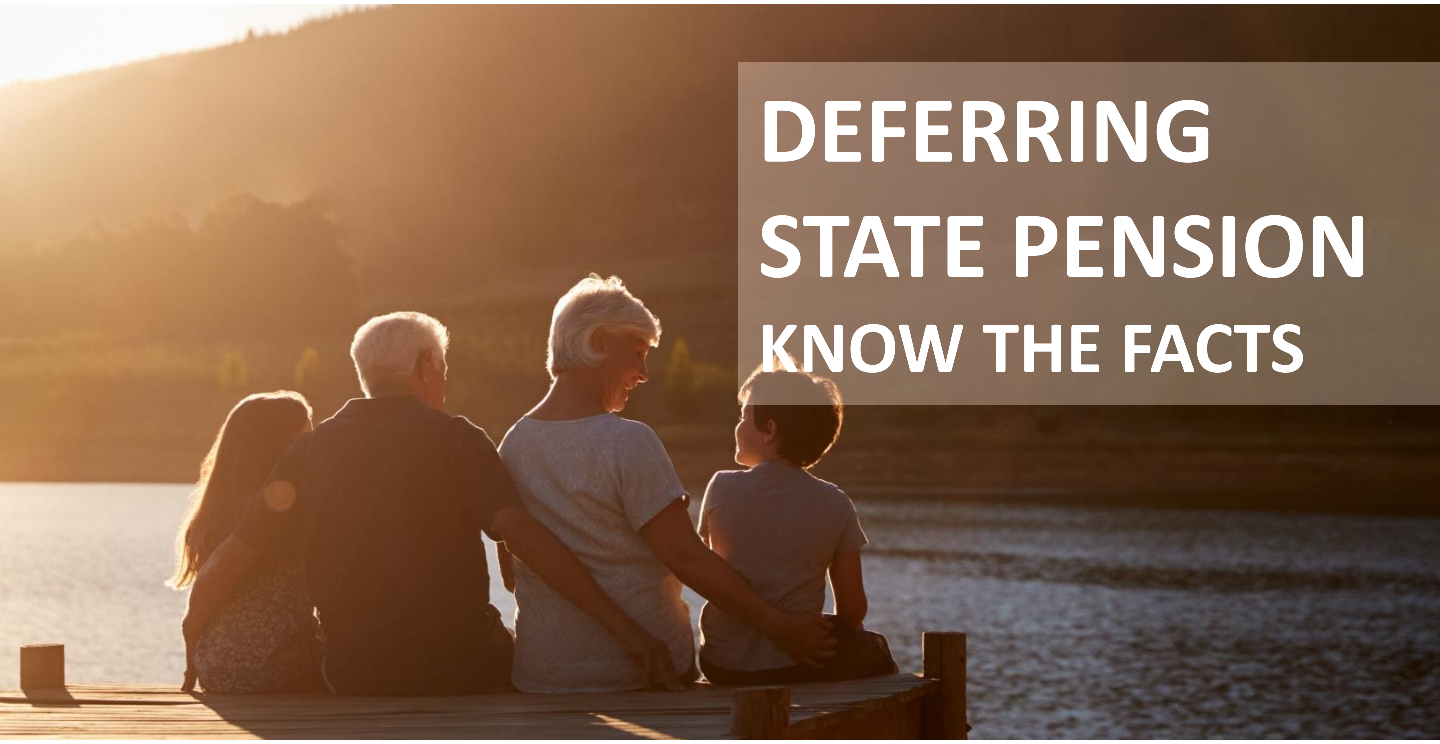
Personal & Business Taxation | Audit & Assurance | Accounting & Business Services



DEFERRING STATE PENSION
KNOW THE FACTS

For those who reached state pension age after 6 April 2016, where someone defers taking their state pension and then dies before making a claim, the most that falls due to their estate is three months of 'backdated' state pension.

Even if they did have a spouse, there is no general entitlement to 'inherit' the pension payments that were never paid.

Before April 2016 there were two options given regarding deferring state pension:

- To take a pension later and draw a permanently increased weekly rate.
- To build up a taxable lump sum, equal to all the missed pension payments plus interest.

Under these rules, if someone had decided to defer taking a pension and had opted to build up a lump sum, their heirs and successors could receive that lump sum. This is explained in a Department for Work and Pensions leaflet HERE.

But under the new system, changed from April 2016, the ability to opt for a lump sum disappears. Those who defer are simply opting to have a higher state pension when they eventually draw it – an increase of 5.8 per cent for each year of deferral.

If they die before claiming a state pension there is no lump sum alternative.

Currently there is no reference on the gov.uk website in regards to what happens if you die before claiming your pension under these new rules.

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Deferring state pension (continued)

The state pension is not like a savings pot. It is a weekly pension which you receive in any given week based on the rules at the time. So, for example, if someone lives for a long time they will end up getting a lot more state pension in total than someone who dies earlier in retirement. That is how the system works.

With regard to deferral, some people opt to defer their state pension because they want to carry on working. Including a state pension along with their wages might mean they end up paying more tax. For those in good health, deferral in these circumstances can make financial sense.

HMRC EXTEND THE 3-YEAR TIME LIMIT TO OBTAIN A REFUND OF SDLT 3% SURCHARGE

MRC have issued new guidance on exceptional circumstances preventing the sale of a main home within the 3-year time limit, in order to claim a refund of the 3% additional dwelling SDLT surcharge.

Currently there is no 3% charge levied if replacing a main residence, but if a new home is bought before the previous one is sold, then the surcharge must be paid initially and reclaimed after sale. The guidance permits an extension where the taxpayer was prevented from selling within the time limit by an "exceptional circumstance beyond their control" and the previous home was sold as soon as was reasonable after the exceptional circumstance ceased.

Being prevented from selling the property owing to Covid-19 Government guidance is specifically cited as a qualifying circumstance but waiting for market conditions to improve is not.

The previous main residence must be sold before HMRC will consider an extension and there is no pre-transaction clearance. This will come as a welcome relief to some who faced losing entitlement to a valuable refund of SDLT. See the full outline of the new guidance HERE

ESSENTIAL TAX DATES FOR JULY

5 July
Deadline for reaching a PAYE Settlement Agreement for 2019/20.

6 July
Deadline for forms P11D and P11D(b) for 2019/20 to be submitted to HMRC and copies to be issued to employees concerned.
Deadline for employers to report share incentives for 2019/20.

14 July
Due date for income tax for the CT61 period to 30 June 2020.

19 July
Class 1A NICs due for 2019/20.
PAYE, Student loan and CIS deductions due for month to 5 July 2020.
PAYE quarterly payments are due for small employers for the pay periods 6 April 2020 to 5 July 2020.

31 July
Second payment on account 2019/20 due.

WE VALUE YOUR FEEDBACK AND YOUR REFERRALS

In these unprecedented times, we understand there is a lot of new information being published. If there is anything in particular you would like clarification on/more detail, please contact us on 01753 888211 or email info@nhllp.com.

Also, If you have any business colleagues or friends that you feel may benefit from our newsletters or our services, please ask them to contact us or send us their details and we will contact them directly. Any personal referrals are always appreciated.