

SURVIVING COVID-19

FACT SHEET - CLIENT TAX TIPS

During the present uncertainty and disruption, there are a number of tax allowances, reliefs and strategies that you may be able to utilise in order to benefit your finances and business cash flow. This list is by no means comprehensive. Much will depend on your individual circumstances. Please check out what we have listed and please call if you need more information.

1. Working from home?

Your employer can pay you a small, tax-free monthly allowance of £4 to cover heating costs etc. This allowance is increasing to £6 per month from 6 April 2020. If your employer does not provide this benefit, you can claim an equivalent amount as an expense against your tax.

Action required: We can add the claim to your tax return; or you can contact HMRC direct if you don't submit a return.

2. Are you and your married partner basic rate taxpayers?

If yes, and if one of you does not use all of your personal tax allowance (£12,500 for 2019-20) you can transfer part of the unused allowance to your spouse (or civil partner). This should result in a tax rebate of approximately £200-£250 for each tax year the allowance is claimed.

Action required: You can back-date claims to 2015-16 as long as you register your claim before 6 April 2020. From this date the carry-back to 2015-16 will no longer be available. Claims back to 2016-17 and later years will still be possible.

3. Trading losses and tax relief

There are various ways to utilise business tax losses and in certain circumstances this may result in a repayment of taxes you have previously made. Obviously, in present circumstances any positive contribution to cash flow is welcome.

Action required: Accordingly, if you are aware of trading losses in the current year – for most of us this will be the year to 31 March 2020 – please call asap so we can discuss the best way to prepare accounts and returns quickly to utilise any losses, and if relevant, chase up tax refunds from HMRC.

4. Universal Credits and other benefits

If your income is compromised by the outbreak you may be able to claim State Benefits to rebalance your household cash flow. Universal Credits have been increased and are now available to the self-employed as well as employed persons.

Action required: Apply online at <https://www.universal-credit.service.gov.uk/postcode-checker> you will need an email address and mobile phone number to do this.

5. Owners of Furnished Holiday Let (FHL) properties

As most FHL business owners will appreciate, being classified as an FHL business has multiple tax advantages. To qualify for these benefits FHL properties need to satisfy a range of conditions, mostly concerned with occupancy. Due to the COVID-19 restrictions you may not be able to meet the required level of occupancy. HMRC have not yet acknowledged this situation and may or may not agree to relax these conditions for 2020-21.

Action required: To assist us in making future appeals for FHL businesses could you please ensure that you keep a detailed record of your bookings. These will likely be needed to evidence any claims for relief – should they be introduced.

6. Gifts to family and friends

During this stressful period, parents will no doubt be called upon to help their children financially. Similar requests may come from your wider family and your friends. There is a risk that your largesse may be treated as a chargeable event for Inheritance Tax (IHT) purposes.

Smaller gifts can be covered by annual exemptions. These include:

- Annual gifts from savings etc £3,000
- Small gifts per recipient £250
- Gifts on marriage from parents £5,000
- Gifts on marriage from grandparents £2,500
- Gifts on marriage from others £1,000

Also, any gifts you make out of your disposable income – cases where you don't have to dip into savings – are exempt from IHT. And finally, even if your gift is not covered by any of the above, if you live for 7 years after the making a gift, any IHT liability gradually reduces to nil after the 7 years.

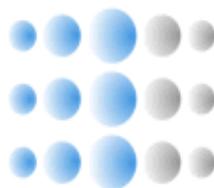
Action required: Our advice, document your gifts: the date, name of the person you made the gift to and the amount. Keep the details with your Will as your executors may need the details.

7. Deferring VAT or self-assessment taxes

If you take advantage of the recent government support options to delay paying certain VAT and self-assessment liabilities falling due later this year, be sure to remember that this is not a cancellation of these liabilities, it is a deferral. The deferred payments will fall due:

- Any VAT payments deferred will fall due 31 March 2021, and
- The second payment on account for self-assessment taxes originally due 31 July 2020, will need to be settled on or before 31 January 2021.

Action required: Please take these dates and liabilities into account when planning your cash-flow.



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