Personal Tax Newsletter
March 2022

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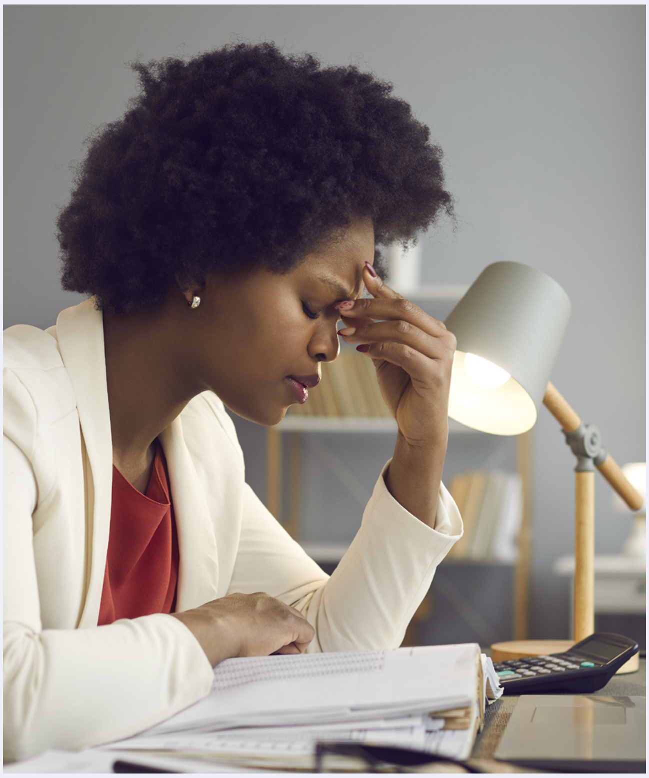
Preserving your mental health at work

With the coronavirus (COVID-19) pandemic continuing to require employees across the UK to work from home, it is important now more than ever to prioritise your mental health. Employees and employers alike are advised to take the time to recognise, manage and reduce stress in both their professional and personal lives.

Understanding stress and anxiety at work

Defining 'stress' and 'anxiety' can help us to understand them properly. The Health and Safety Executive (HSE) defines stress as 'the adverse reaction a person has to excessive pressure or other types of demand placed upon them'. Meanwhile, Anxiety UK defines anxiety as 'a feeling of apprehension or dread in situations where there is no actual real threat'.

Stress and anxiety are two of the most common forms of mental health issues that affect individuals in the UK. Less common mental health issues include bipolar disorder and schizophrenia.



Employees suffering from mental health issues may wish to make use of wellness action plans. These plans can help employees to identify the aspects of their working lives that keep them well and those that cause them to become unwell.

Top tips for managing mental health in the workplace

A range of strategies exist to aid employees in managing their mental health at work. We have highlighted a handful below.

- Reduce your workload. Carry out tasks in order of priority and don't overload yourself with work. Always ask for help if you are struggling with a heavy workload and split up big tasks so that they seem less overwhelming.
- Take time out. Taking time out, such as going for a short walk, or even having a cup of tea, can help rejuvenate your mind. Make time for yourself so you don't burn out.
- Voice your concerns to someone. Communicating your worries is vital. Whether it's with a colleague or a friend, verbalising your concerns will only help you to address and combat them.
- Take part in stress risk assessments. Taking part in discussions on stress and considering what stresses you at work can help to minimise worries. Attending employer-run stress management courses and utilising stress management tools may also help you to keep workplace concerns to a minimum.
- Plan ahead. Planning ahead for potentially stressful days or events may help to minimise any concerns you might have. Consider creating a to-do list, or mapping out a journey you're required to make ahead of time.
- Challenge your mindset. Our mindset can greatly affect the way we feel. Challenging unwanted and unhelpful thoughts and embracing positivity may help you to feel less stressed when at work.

Advice for employers

It's important that an employer takes mental health issues seriously and supports their employees suitably. Employers have a legal duty of care to support their employees' health, safety and wellbeing, including safeguarding their mental health.

Under the Equality Act 2010, mental health issues can be considered a disability if the issue has a 'substantial adverse effect' on an employee's life; if it lasts 12 months or is expected to last 12 months; and if it affects the employee in carrying out their day-to-day activities at work.

Advisory body Acas suggests that employers work with employees affected by mental health issues in order to make the right adjustments so that they can continue to work effectively and safeguard their wellbeing. This may include, for example, helping them to prioritise their workload and permitting them extra rest breaks.

We all experience stress in our working life, so taking steps to identify what stresses us at work will help us to mitigate and address the issue.

Capital gains tax: property disposals

Autumn Budget 2021 reset the capital gains tax (CGT) clock for payments on disposals of UK land and property.

Until the Budget, UK residents disposing of UK residential property had a 30-day window after completion to report gains and pay any tax due. Non-residents disposing of UK property faced a similar deadline, with a need to report whether or not tax is due.

The 30-day regime was itself relatively new, and has had considerable teething problems. Over £1.3 million was charged in penalties for late-filed returns in 2020, something attributed, at least partly, to low public awareness of the new rules. Concerns over lack of time to prepare accurate figures, especially in complex cases, were raised by professional bodies.

But the Budget extended the deadline to 60 days from completion for disposals completed on or after 27 October 2021. Where property has mixed-use, the 60-day window applies just to the residential element. For UK residents, the 60-day reporting requirement only comes into play where there is CGT to pay: and CGT on property disposal doesn't arise in every case. Where a property is always occupied as the only or main residence, principal private residence relief means CGT is unlikely to come into play. Disposals of second homes, disposals by landlords or divorcing couples are more likely to be affected.

We are on hand to advise if this is an area of concern to you.

Your pension and you

Our round up of pensions news highlights a number of changes.

Normal minimum pension age: what's changing?

Normal minimum pension age (NMPA) is currently 55, and it's usually the earliest age at which pension savers can access a workplace or personal pension without incurring an unauthorised payments tax charge. There are certain specific circumstances in which this may vary, for example where someone is retiring because of ill health, or in a minority of cases, where someone has what's called a protected pension age. Withdrawing funds from a pension before NMPA is normally classified as an unauthorised payment. This is liable to a tax charge, potentially up to 55% of the value withdrawn.

The NMPA will rise to 57 from 6 April 2028, as the government looks to accommodate increased life expectancy and longer working lives. The change broadly coincides with the rise in state pension age to 67. It is anticipated that the NMPA will continue to be about ten years less than state pension age in future.

There are, however, safeguards for members of registered pension schemes, who before 4 November 2021 had a right to take their entitlement to benefit at or before the existing NMPA. The new NMPA does not apply to some uniformed public servants, such as firefighters.

Once someone reaches the NMPA, there are a range of options on how to access pensions savings. For defined contribution schemes, now the predominant type of scheme used for workplace pensions, options include taking a tax free lump sum of 25% of fund value, and then buying an annuity with the remaining fund, or using income drawdown. Annuities, or monies received from an income drawdown fund, are taxable income in the year of receipt.

Scheme Pays

In an area of interest to some higher earners, there are forthcoming adjustments to the 'Scheme Pays' rules. Scheme Pays may be relevant where annual savings into a pension go over the annual allowance (AA).

The AA limits how much tax relieved pension saving it's possible to make in a tax year, and is usually £40,000. It may, however, be subject to a taper for higher earners, and we should be pleased to advise further. Where pension provision exceeds the AA, an AA tax charge applies.

But with Scheme Pays, there may be the option to have the pension scheme meet some or all of the AA tax charge out of the pension pot. From 6 April 2022, there is change to the time limits and procedures when a request is made for the scheme to pay in relation to an earlier tax year. The measure has retrospective effect from 6 April 2016.

Outlook wintry?

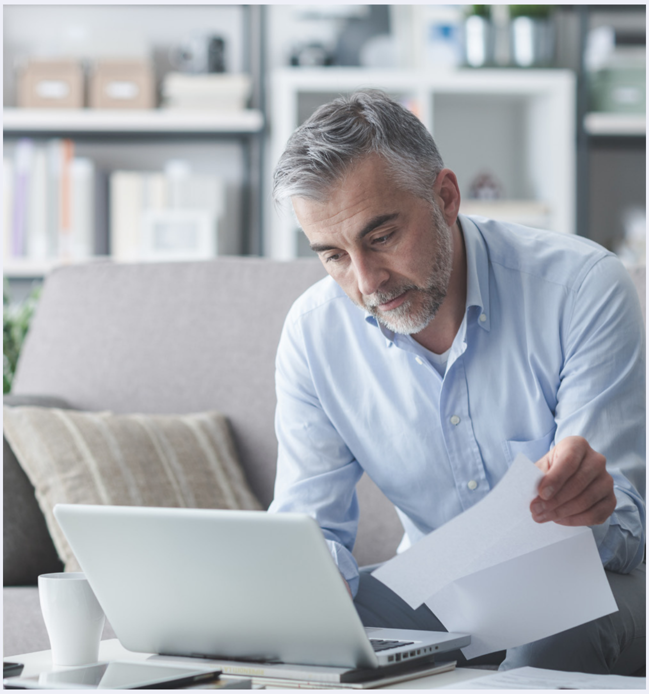
In other headlines, the lifetime allowance (LTA) has been frozen at £1,073,100 until April 2026, and the triple lock on the state pension put on ice for 2022/23.

The LTA is the maximum figure for tax-relieved savings in a pension fund. Where the value of the scheme is more than this when benefits are drawn, a tax charge can occur. This is 55% of the excess, if taken as a lump sum, and 25%, if taken as a pension. With recent HMRC figures showing tax yield from LTA charges increasing significantly, freezing the LTA will bring more people within scope of the charge.

To make tax efficient decisions as regards any additional investment, it's important to know if savings will exceed the LTA. If so, alternative investment routes, such as Individual Savings Accounts (ISAs), or tax advantaged schemes like the Enterprise Investment Scheme, may be preferable.

Working with you

To discuss the best way to plan for retirement, and the tax consequences of any decision, please contact us.



Drilling down: Mr Tooth and the tax return

A complex Supreme Court case in 2021 ended in taxpayer victory - and two takeaway messages.

1. Importance of full disclosure to HMRC. Unable to get software to enter key information in the right box on the right page of his self assessment tax return, Mr Tooth and his advisers decided to crack the system. Using an 'obviously artificial' tax reference number, 99999 99999, they put it on the partnership page of the return, instead. Detailed disclosure was then made in the white space on the return.

HMRC maintained that the return was deliberately inaccurate. Deliberate inaccuracy is the green light for HMRC to assess any loss of tax for up to 20 years after the end of the tax year concerned: it also opens the door to higher penalties. The Court, however, held that Mr Tooth had no deliberate intention to mislead, but had done his best 'in the context of an intractable online form'.

2. HMRC bite. The Court upheld HMRC in the important area of discovery assessments. These can be used where HMRC believes the wrong amount of tax has been assessed. The Tooth case makes it easier for HMRC to access extended time limits, even where it has delayed using available information, to raise additional tax bills, subject to the normal statutory time limits and principles of public law.

Ouch.

HMRC sets sights on cryptoassets

For proof that cryptoassets are high profile, see Collins Dictionary's 2021 word of the year. It's NFT - non-fungible token.

NFTs are the crypto-world equivalent of certificates proving you own a digital (or physical) asset: a collectible, like digital artwork, or digital sports cards.

Collins Dictionary isn't alone in registering public interest in cryptoassets. So, too, is HMRC, and it's been writing to taxpayers it believes hold cryptoassets to point out potential tax liability.

Disposing of cryptoassets, such as cryptocurrencies like bitcoin, brings a potential charge to capital gains tax (CGT). Disposals include the sale of assets for fiat currency, like pounds or dollars: the exchange of one cryptoasset for another, such as bitcoin to ether: or the use of cryptoassets to buy goods or services.
The annual CGT exemption can be used to cover such gains, up to £12,300. If gains exceed this, or chargeable assets worth more than £49,200 (in 2020/21) are disposed of, HMRC should be notified, usually via the self assessment tax return.

The tax position is not always intuitive. Where, for instance, different types of cryptoasset are exchanged, there can be a chargeable taxable gain, even if the assets aren't converted back to fiat currency. We are happy to advise on cryptoasset transactions to help establish if a tax liability has arisen.

Gift Aid: 5 own goals to avoid

There's no doubt that Gift Aid is good for charities. Latest statistics reveal that the average Gift Aid donor gives £360, though Northern Ireland tops the list, with an average gift of £750. But it's also an area where close attention to the rules matters.

It's a message underlined by a High Court case in 2020, involving a charitable gift of £800,000. Taxpayer, Mr Webster, inadvertently entered the gift as £400,000 on his tax return, although he had in fact increased the donation to £800,000. The aim was to use special Gift Aid carry back rules (below) as he hadn't enough tax in charge to cover the donation in the current tax year. But because of a variety of errors, the verdict went against him. And that resulted in a £215,000 tax bill.

Own goal one. Not enough tax in the tax year in which a donation is made

Gift Aid allows a charity to claim back the basic rate tax (currently 20%) that you have paid on your donation, so your chosen charity ends up with a bigger gift.

Always check you will pay enough tax in the tax year you make the donation. You must pay enough tax – income tax or capital gains tax - to cover the amount reclaimed by the charity. As a rule of thumb, donations should qualify if they're not more than four times what you have paid in tax during the tax year.

As happened in Mr Webster's case, it's the taxpayer who would be asked to make up any shortfall, not the charity. If in doubt, contact the charity to cancel the Gift Aid declaration for future donations.

Own goal two. Mind the gap: Scottish tax rates are different

Different rates of tax apply in Scotland, but the basic Gift Aid principles are the same. Scottish taxpayers paying at 19% should check that enough tax has been paid to cover their Gift Aid claim.

Own goal three. Unclaimed additional tax relief

If you pay tax at more than basic rate, you can reclaim the difference between this and basic rate on the donation. However, research suggests many people don't claim the additional tax relief to which they're entitled.

Higher rates of tax relief would normally be claimed on the self assessment tax return, or by asking HMRC to amend a PAYE tax code.

Own goal four. Lost paperwork

Don't throw away the paperwork. It's important to keep records of all Gift Aid donations in order to substantiate claims for higher rates of relief.

Own goal five. Mistakes with the small print

Higher rate tax relief is usually given in the tax year in which you make the donation. So a Gift Aid payment made by 5 April 2022 would get tax relief against income of 2021/22. This in itself can be a useful tax planning tool.

But it may be possible to elect to have a Gift Aid donation treated as if made in the previous tax year. This can be a plus if you want to speed up tax relief, or paid higher rates of tax in the previous year. To carry back a donation made between 6 April 2022 and 31 January 2023 against 2021/22 income, strict timing rules apply. The election would be made on the 2021/22 tax return, for which the final filing deadline is 31 January 2023.

Carry back elections are best made on the self assessment tax return. Correct procedure is essential, as Mr Webster found to his cost. Once the tax return is filed, the window to make a carry back election closes. The election can't be made on an amended return: something HMRC has recently been writing to taxpayers about. Neither can an election, once made, be amended. A further point is that carry back elections can't be used for part of a gift: they must be used for the whole sum.

For a discussion of charitable giving and the implications for tax, please contact us.

Tax Tip

Have you considered a dividend over a salary or a bonus?

Some may choose to take a dividend over a salary or bonus. Dividends are paid from the profits available after Corporation Tax is paid. A salary or a bonus generally creates tax charges for the company and currently carries up to 25.8% in combined employer and employee national insurance contributions (NICs). Dividends, however, are paid free of NICs.

The Dividend Allowance (DA) currently sits at £2,000 per year. The DA charges £2,000 of the dividend income at 0% tax: this is called the dividend nil-rate. The rates of tax on dividend income above the allowance until April 2022 are 7.5% for basic rate taxpayers; 32.5% for higher rate taxpayers; and 38.1% for additional rate taxpayers.

In September 2021 the government published its proposals for new investment in health and social care in England.

An increase was announced to the rates of tax paid on dividends by 1.25% from 6 April 2022 to help fund the new planned investment in health and social care. The new rates will therefore be 8.75% for basic rate taxpayers, 33.75% for higher rate taxpayers and 39.35% for additional rate taxpayers.

The new Health and Social Care Levy will lead to a UK-wide temporary 1.25% increase to both the main and additional rates of Class 1, Class 1A, Class 1B and Class 4 NICs for 2022/23. From April 2023 onwards, the NIC rates will decrease back to 2021/22 levels and will be replaced by a new 1.25% Health and Social Care Levy.

Reminders for your diary

March 2022

1 New Advisory Fuel Rates (AFR) for company car users apply from today.

3 5% late payment penalty on any 2020/21 outstanding tax which was due on 31 January 2022 and still remains unpaid.

19 PAYE, Student loan and CIS deductions are due for the month to 5 March 2022.

31 End of corporation tax financial year.

End of CT61 quarterly period.

Filing date for Company Tax Return Form CT600 for period ended 31 March 2021.

Last minute planning for tax year 2021/22 – please contact us for advice.

April 2022

1 Making Tax Digital (MTD) record keeping required for VAT return periods starting on or after 1 April 2022.

VAT Return information to be provided to HMRC through MTD compatible software.

5% late payment penalty on any 2020/21 outstanding tax which was due on 31 January 2022 and still remains unpaid.

5 Last day of 2021/22 tax year.

Deadline for 2021/22 ISA investments and pension contributions.

Last day to make disposals using the 2021/22 CGT exemption.

14 Due date for income tax for the CT61 period to 31 March 2022.

19 Automatic interest is charged where PAYE tax, Student loan deductions, Class 1 NI or CIS deductions for 2021/22 are not paid by today. Penalties may also apply if any payments have been made late throughout the tax year.

PAYE quarterly payments are due for small employers for the pay periods 6 January 2022 to 5 April 2022 if paying by cheque through the post or by 22nd April if paying online.

PAYE, Student loan and CIS deductions are due for the month to 5 April 2022 if paying by cheque through the post or by 22nd April if paying online.

Deadline for employers' final PAYE return to be submitted online for 2021/22 if paying by cheque through the post or by 22nd April if paying online.

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