

A Matter of Tax

Autumn 2018



Welcome

This edition covers a variety of topics relating to tax matters for individuals and businesses.

The column on the right lists the articles covered in this quarter's edition, but here is a flavour of the content available.

Every year HMRC reconciles taxpayers' tax liabilities and our first article provides information on how this may affect you. If you have taken a lump sum from your pension fund, you may have had excess tax deducted by the pension company and our pension lump sum article discusses how you can reclaim it.

Since 1 April 2018, changes to the rules for land fill tax means businesses could find themselves liable for penalties or criminal prosecution for non-compliance, so check this out. This article is followed with an update on the stamp duty land tax (SDLT) supplement in England and if you paid the SDLT supplement you may want to check if a refund is due.

Other topics this month include a discussion on how to ensure you avoid penalties for late PAYE and an article discussing the tax implications of electric company cars or vans and how the landscape is changing on this.

Details of our tax specialists who can provide further information and advice in relation to these articles are shown below. Please do contact us for advice on these or other tax-related planning advice.

Peter Warren

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Income tax calculations

Every year HMRC reconciles taxpayers' tax liabilities to the tax reported as paid for the individual via PAYE. This is happening now for the 2017-18 tax year.

If the calculation for your tax position shows tax owing, or a tax repayment due, you should receive a copy of the calculation on a form P800. If you are newly retired and have tax to pay you may receive a simple assessment form PA302. In this case the tax will be payable by 31 January 2019.

If you complete a self assessment tax return each year you should not receive a tax calculation on a form P800 or PA302, as all your tax should be dealt with on your tax return. However, sometimes the HMRC computer does not link the PAYE record to the self assessment return, so duplicate tax calculations are issued. If you receive a form P800 or PA302 for a year for which you have submitted a tax return, please contact us immediately.

If you have other income such as rent, dividends or interest, those amounts may be estimated on the P800 calculation, so check the figures carefully against your bank statements. HMRC often uses estimated figures of pension contributions or charity donations based on what was paid in previous years. It is important to check that any tax relief given for such payments relates to the correct year to avoid underpaying tax.

Pension lump sum

If you have taken a lump sum from your pension fund you may have had excess tax deducted by the pension company, but you can reclaim it.

Although 25% of your pension savings can be drawn out tax free, the pension company normally interprets this as being 25% of any single withdrawal, leaving 75% of the lump sum to be taxed at your marginal tax rate. What's worse, if the lump sum is the first withdrawal you have made from the pension scheme the company will apply an emergency PAYE code. This results in you having far more tax deducted under PAYE than is due.

There are two ways you can get this tax back:

- if you are not expecting to take further pension payments in the same tax year you can reclaim the tax on the lump sum using form P53Z or P53. We can submit those forms for you; or
- if you expect to take further pension payments in the same year your tax repayment should be dealt with through your PAYE code. The tax refund should be made when your next pension instalment is paid.

The second method requires an adjustment to your PAYE code, which you can request through your online personal tax account. Alternatively, you can phone HMRC to ask for your code to be changed. We can phone HMRC for you if we have authorisation to act on your behalf.

Landfill tax

As an ordinary business you may think that landfill tax is someone else's problem. You pay for your waste to be taken away and the waste disposal company is responsible for paying the landfill tax when the waste goes into a hole, rather than to incineration or recycling.

However, since 1 April 2018 you could be responsible for landfill tax if you allow your business waste to be disposed of illegally, even if you do not dump it yourself. Anyone involved in the waste chain such as a haulier, broker, waste originator or landowner can be liable for landfill tax if they allow disposal of waste at an unauthorised site, ie one without an environmental disposal permit.

As well as having to pay the landfill tax (£88.95 per tonne for active waste, or £2.80 per tonne for all other waste) you could also find yourself liable for penalties for non-compliance or even face criminal prosecution.

You can avoid such charges if you carry out reasonable due diligence on where your waste is going, as set out in the Defra Waste Duty of Care Code of Practice. If you follow this procedure you will not be penalised even if your waste is found to be illegally dumped.

Reclaim SDLT, LTT or LBTT

If you have acquired a new home since 1 April 2016 you should be aware of the 3% stamp duty land tax (SDLT) supplement which applies to purchases of second and additional homes.

This 3% supplement was copied in Scotland for land and buildings tax (LBTT) and in Wales for land transaction tax (LTT) from 1 April 2018. But there are different conditions for relief from the 3% supplement in each country.

Scotland has recently amended its law to provide relief from the 3% supplement where a couple buy a home together to replace their main home, but their former home was held in the sole name of just

one of the individuals. If you fall into this category, you can now apply for a refund of the additional LBTT paid, right back to April 2016.

If you paid the SDLT supplement on the purchase of your property, it is worth checking whether a refund is due. For example, if the property acquired was not 100% residential the supplement is not due.

Where the new property was acquired as your main home and the old home was disposed of within three years, a refund of SDLT may be due. But don't hang around, as a claim for overpaid SDLT must be

made within three months of the sale of the previous main residence or within 12 months of the filing date of the land transaction return, whichever is later.

Penalties for late PAYE

All payroll payments and deductions must be reported to HMRC under real time information (RTI).

The main RTI report is the full payment submission (FPS), which should be sent on or before the day the payment is made to the employee. If no payments are made for the pay period, you need to submit an employer payment summary (EPS) to HMRC.

To ensure HMRC receives the RTI submissions at the right time, it is good practice to do things in this order:

- 1) run the payroll;
- 2) make the RTI submissions;
- 3) pay the employees.

If the HMRC computer does not log that an FPS or EPS was received when expected, it can be programmed to issue an automatic penalty. However, HMRC has built in a three-day grace period so the computer will not issue a penalty if the RTI submissions are made within three days of the employees' payday.

This grace period is not an extension to the deadline; if you consistently file within this three-day window you may be contacted by HMRC and considered for a penalty. You are permitted one late RTI filing in the year before a penalty is issued.

If you need to file an FPS late, get your excuse in early by including the code letter in the late reporting field in the submission. The code for having a reasonable excuse is "G".

If HMRC has sent you a penalty notice that you do not agree with, you have 30 days to appeal, which can be done by letter or online. We can help you with that.

Company cars

Electric cars are creating a buzz in environmentally-conscious companies, and not just because of the noise they make. They are cheap to run and the price of many models is coming down.

If your employer provides you with an electric company car or van, we have some good and bad news for you.

Good: From 1 September 2018 your employer can pay you 4p per mile for every business journey you make in the electric vehicle. If you charge the vehicle at the company's premises there is no taxable benefit for the use of that

power. So you get paid 4p per mile for absolutely free fuel!

If you own the electric car personally you can also charge it for free at work with no taxable benefit for the use of the electricity. When you undertake business journeys in your own electric car your employer can pay you 45p per mile, tax free, for the first 10,000 business miles driven in the tax year, and 25p per mile for any additional mileage.

Bad: The amount you are taxed on for having free use of a company provided electric car is currently 13% of its list price when new, but this is due to leap to 16% of the list price for 2019-20. Strangely the taxable benefit will drop to 2% of list price from 6 April 2020.

If your company vehicle is an electric van, which you use for private journeys other than commuting, you are taxed on a benefit of £1,340 for 2018-19. This taxable benefit is likely to rise to around £2,000 for 2019-20.

Tax Investigation Policy

HMRC have the power to investigate anyone that submits a tax return. We have seen an increase in the number of enquiries raised on tax returns and the tax authorities now have more powers than ever to investigate UK businesses.

We can recommend you consider a tax investigation policy which will pay for our professional fees should HMRC target you for an investigation.

Find out more... https://www.rickardluckin.co.uk/wp-content/uploads/2018/10/CI_A5-4-Page-Jan-2018.pdf

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