MUHASIB
CHARTERED CERTIFIED ACCOUNTANTS

BULLETIN JULY 2021

AFTER BELIEVING THAT GIFTS WOULD NOT BE TAXED, FAMILIES GET LARGE BILLS

People who thought they were lowering the value of their estates by making gifts have had an inheritance tax break taken away from them.

Individual estates worth more than £325,000 are subject to 40% inheritance tax, which can be doubled for married couples. Other allowances and exclusions are available to raise this level or reduce the inheritance tax rate from 40% to 20%. The seven-year rule is one such remedy, in which people give away assets to lessen the value of their estates and ensure that more wealth is handed on.

However, according to a Freedom of Information request from the Telegraph, 1,830 donations totalling £624 million have been ruled taxable at 40% since 2016. The majority of these 'gifts gone wrong' involved property, with cash gifts accounting for 13% and shares and stocks accounting for 8%. The remainder were classified as "other assets."

If HMRC detects that an individual is still benefiting from an asset they gave away, it is referred to as a 'gift with reservation of benefit.' The clearest illustration is when someone continues to live in, and thereby benefit from, a property they left to a descendent. When this occurs and HMRC discovers it, no tax advantage applies, and the value of the gift becomes part of the gift-estate givers.

Please contact us if you have any questions about inheritance tax.

THE UK'S ONLINE RETAILERS WILL BE AFFECTED BY EU-WIDE VAT REFORMS

Retailers who rely primarily on online sales to EU customers must comply with VAT regulations, which go into effect on July 1, 2021.
The new regulations were intended to prevent an estimated €7 billion in yearly VAT fraud by non-EU ecommerce vendors, mostly those in China. However, since the UK left the EU at the beginning of the year, about 26,000 small and medium-sized ecommerce enterprises in the UK have also been required to comply.

Those who export goods to EU clients would incur the most disruption, as VAT exemptions for SMEs and shipments of €22 or less will be eliminated.

The Federation of Small Businesses' head of international affairs, James Sibley, stated:

"UK small firms will lose exemptions for small consignments, while those within the bloc making cross-border sales under €10,000 a year will continue to enjoy [tax] breaks."

Exporters who use online marketplaces such as Amazon or eBay can now register for VAT in the country where the majority of their goods are sold, which the European Commission estimates will cost up to €8,000. Alternatively, companies can outsource VAT to the internet platforms via which they sell their items, or they might ask the postal service to manage VAT.

The Brexit Support Fund, which concluded on 30 June 2021, allowed small businesses to claim up to £2,000 a piece.

If the VAT change affects your company, please contact us.

314 Caerphilly Road, Cardiff, CF14 4NT
029 2009 9727
info@muhasibltd.co.uk
www.muhasibltd.co.uk
@muhasibuk

OTS THINKS ABOUT MOVING THE END OF THE TAX YEAR FORWARD

The Office of Tax Simplification (OTS) is looking into shifting the tax year end date from 5 April to either 31 March or the end of the calendar year.

Last month, the OTS released a document outlining the scope of an investigation into the advantages, costs, and broader consequences of changing the date. It said that 31 March was the conclusion of a calendar quarter as well as the closest month-end date to the end of the current fiscal year on 5 April. It is also the UK financial year-end date, against which the government compiles its own records and to which UK corporation tax rates are applied.

The OTS is also considering running future tax years to 31 December, comparable to the systems in effect in the United States, France, and Germany. If this is pursued, a transitional tax year might theoretically stretch from April 6 to December 31 - three months and six days less than the standard tax year.

The OTS said:

“For historical reasons, the UK’s tax year for individuals runs from 6 April to the following 5 April.”

“This has been the case for hundreds of years and the UK’s modern tax system and infrastructure has been developed around this date.”

“By contrast, accounting systems used by businesses have been developed around month and quarter-ends.”

“Across businesses and internationally, it is common to account to a month-end date. The UK financial year for government accounting and for companies runs from 1 April to 31 March.”

“While primarily addressing tax simplification issues, the review will also take account of the implications of any change in other areas, such as in relation to tax credits and benefits.”

Self-employed individuals are already required to balance various deadlines for income tax and possibly UK VAT, adding to the administrative burdens they encounter.

Discuss your tax responsibilities with us.

IMPORTANT DATES

JULY 2021

1ST - Due date for payment of Corporation Tax for period ended 30th September 2020

5TH - Deadline for reaching PAYE Settlement Agreement for 2020/21

6TH- Deadline for forms P11D and P11D(b) for 2020/21 to be submitted to HMRC

6TH - Deadline for employers to report share incentives for 2020/21

7TH - Deadline for VAT Returns and payments of Accounting Quarter period ending 31st May 2021

19TH - Monthly deadline for postal payments of CIS, NICs and PAYE to HMRC

22ND - Monthly deadline for electronic remittance of CIS, NICs and PAYE to HMRC

31ST - Second Payment on Account 2020/21 due

31ST - Corporation Tax Returns filed by companies with 31st July 2020 as year end

AUGUST 2021

1ST - Due date for payment of Corporation Tax for period ended 31st October 2020

3RD - Deadline for submitting P46 for employees whose car/fuel benefits changed during the quarter to 5th July 2021

7TH - Deadline for VAT Returns and payments of Accounting Quarter period ending 30th June 2021

19TH - Monthly deadline for postal payments of CIS, NICs and PAYE to HMRC

22ND - Monthly deadline for electronic remittance of CIS, NICs and PAYE to HMRC

31ST - Corporation Tax Returns filed by companies with 31st August 2020 as year end