

INCOME TAX

IT Liability

Taxable Income:

	<u>Non Savings</u>	<u>Savings</u>	<u>Dividends</u>	<u>Total</u>
Employment (W1)	X			X
Trading (W2)	X			X
Property	X			X
Interest		X		X
Dividends			X	X
Reliefs / Trading Losses				(x)
Net Income				X
PA				(x)
Taxable Income				X

Reminders

Employees: Cash and 'cash values' of benefits received from employment - Class 1 NI will apply

Sole trader / Partner profits: trading profits - Class 2/4 NI will apply

Calculate using trading income principles - Rent a room relief? Short lease granted? Income <£1k? 25% Finance costs deductible

ISA and NSC exempt

Charity gifts, Interest, Losses: capped at higher of £50k/25% of income

Over £50k? Child Benefit charge

Income over £100k? Taper away £1 for every £2 over

Tax payable:

SRB @ 0%	X		X
PSA @0%	X		
DA @0%		X	
BRB @20%	X	X	X
BRB @7.5%			X
HRB @40%	X	X	X
HRB @32.5%			X
ARB @45%	X	X	X
ARB @38.1%			X
Tax Liability			X
Tax reducers			(x)
Tax Liability			X
Tax already paid			(x)
DTR			(x)
Tax Payable			X

Only available if <£5k NS Income

£1k (BRB), £500 (HRB), £0 (ARB)

£2k (all taxpayers)

Personal pension cont. / Gift Aid gross up bands

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Child benefit charge, 75% Interest on BTL mortgage, Marriage Allowance

PAYE

Overseas income?



Always work left to right

Employment Income	reminders	Ee - IT & NI	Em - NI
CASH			
Salary and bonus	<i>cash received</i>	IT & Class 1	Class 1
Vouchers	<i>cost to employer</i>	IT & Class 1	Class 1
Lump Sum		IT & Class 1	Class 1
Entertaining allowance	<i>minus amounts spent on entertaining</i>	IT	
Mileage payments	<i>Above 45p/25p pm</i>	IT & Class 1	Class 1
Childcare	<i>Excess above BRB (£55 pw), HRB (£28pw), ARB (£25pw)</i>	IT & Class 1	Class 1
reimbursed expenses	<i>not taxable</i>		
BENEFITS - Taxable			
Accommodation	<i>Annual rent + additional amount if >£75k</i>	IT	Class 1A
Accommodation expenses	<i>Job-related?</i>	IT	Class 1A
Cars	<i>List price x CO2 based %</i>	IT	Class 1A
Car Fuel	<i>Fuel ben charge x CO2 based %</i>	IT	Class 1A
Van	<i>Flat rate</i>	IT	Class 1A
Van Fuel	<i>Flat rate</i>	IT	Class 1A
Loans	<i>>£10k: Interest saved is benefit</i>	IT	Class 1A
Asset	<i>20% x MV</i>	IT	Class 1A
Other	<i>Cost to employer, not MV</i>	IT	Class 1A
BENEFITS - Exempt			
Employer pension cont	<i>To both occupational and personal schemes</i>		
Trivial	<i><£50</i>		
Mobile phone			
Staff canteen	<i>available to all staff</i>		
Social events	<i><£150</i>		
Car parking / charging	<i>near work</i>		
Training	<i>work related</i>		
Bikes			
Health screening	<i>Not private cover</i>		
IT - allowable deductions	<i>must be 100% work purpose</i>		
Travel	<i>To client, on secondment <24m, site-based employee</i>	(IT)	
Mileage payments	<i>Below 45/25p per mile</i>	(IT)	
Professional subs not reimbursed	<i>e.g. ICAEW</i>	(IT)	
Ee pension contribution to workplace scheme	<i>Not personal pension contribution</i>	(IT)	
Ee charity donation to workplace scheme	<i>Not Gift Aid donation</i>	(IT)	

Employers and Employees NI

Class	Paid on?	Paid by?	Paid when?
1 Primary	Gross wages (cash + cash equivalents) (12/2%)	Employees (16-65)	PAYE - monthly
1 Secondary	Gross wages (cash + cash equivalents) (13.8%)	Employers (on employees 21+)	PAYE – monthly
1A	Taxable benefits (13.8%)	Employers	19/22 July – annually
1B	Employees IT Charge on trivial benefits (13.8%)	Employers on behalf of employees	19 /22 October - annually

Capital Allowances proforma

	FYA	MP	SRP	Private use/SLA	Allowances
TWDV b/f	x	x	x	x	
Additions	x	x	x	x	
FYA	(x)				X
AIA		(x)	(x)		X
Disposals		(x)	(x)	(x)	
Balance pre WDAs		x	x	x	X/(X)?
WDAs @18%		(x)		(x)	
WDAs @6%			(x)	(x)	X
TWDV c/f		x	x	x	

Comments

PY c/f - Given in Q

allocate CY additons to pools

100% allowances on Eco friendly / R&D assets

100% addition allowance (£200k/£1m from 01.01.19) - Apply to SRP additions in priority

Deduct lower of cost / proceeds received. Deemed disposal on cessation of business

If amount remaining after disposal of SLA is negative then Balancing Charge (BC); if positive then Balancing Allowance (BA)

If MP<£1k then claim remaining allowance

Prorate for business use for Sole Trader / Partnerships if owner uses asset

8% prior to 04.19

Pools	Assets
FYA:	Eco friendly P&M, R&D, ultra low CO2 cars (<50g)
SRP:	IFs: Electrics, Water systems, Lifts; high CO2 Cars (>110g); Long life assets (UEL>25yrs+£100k)
MP:	F&F, Vans, low CO2 Cars (<110g)
SLA:	Assets with UEL <8 years in a separate pool so BA claimed on disposal
SBA:	2% straight line on commerical buildings and structures

Gift relief

- Gift or below MV sale of a business asset or shares

Applies to:

1. Assets used in the donor's business e.g. L&B and Fixed P&M
 2. Shares in the donor's company
 3. Shares (unquoted) in a trading company
- The gain on the old assets / shares is 'rolled into' the base cost of the donee's assets / shares
 - This will cause a higher gain in the future. This gain will be taxable on the donee, not the donor – GR defers and transfers the tax charge
 - Restriction when shares are transferred to exclude non-trading assets i.e. investment assets
– Trading assets / Total Assets
 - Any cash received is taxable now

Entrepreneurs' relief

- Disposal of business asset or shares

Applies to:

1. Assets used in their business e.g. L&B and Fixed P&M
 2. Shares
- Charges CGT at 10% on disposal
 - Conditions: Owns 5% of shares and is an employee / director; Trading business; 12/24m ownership condition; Assets used in the business for 1 year prior to disposal; £10m lifetime limit

Investors' relief

- Disposal of shares

Applies to:

1. Unquoted shares which were acquired when company was started
- Charges CGT at 10% on disposal
 - Conditions: Trading business; 36m ownership condition; £10m lifetime limit

OUTPUT VAT

UK sales

Taxable supplies	Charge 0%, 5% or 20% to customer
Exempt supplies	No VAT

EU sales - Goods

Taxable supplies to VAT reg business	Always charge 0%
Taxable supplies to non- VAT reg business / individual	Charge 0%, 5% or 20% as normal

Non-EU sales - Goods

Always charge 0%

Overseas sales - Services

Taxable supplies to business	Always charge 0%
Taxable supplies to individual	Charge 0%, 5% or 20% as normal

Charge ourselves UK VAT because EU supplier charged 0%

EU purchases - Goods

Charge ourselves UK VAT because overseas supplier charged 0%

Overseas purchases - Services

INPUT VAT

UK purchases

Used to make taxable supplies	Reclaim 5% or 20% paid to supplier		
Used to make exempt supplies	Not allowed to reclaim		
	Reclaim 5% or 20% paid to supplier for portion (%) used to make taxable supplies:		
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Taxable supplies			
Taxable and Exempt supplies			
Used to make taxable and exempt supplies			

EU purchases - Goods

Used to make taxable supplies	Reclaim VAT we charged ourselves (above)		
Used to make exempt supplies	Not allowed to reclaim		
	Reclaim portion (%) used to make taxable supplies:		
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Taxable and Exempt supplies			
Used to make taxable and exempt supplies			

Overseas purchases - Services

Used to make taxable supplies	Reclaim VAT we charged ourselves (above)		
Used to make exempt supplies	Not allowed to reclaim		
	Reclaim portion (%) used to make taxable supplies:		
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Used to make taxable and exempt supplies			