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Client Newsletter

WILL YOU?!

The current unprecedented times have caused many to consider the need to execute a Will. So why should you do so and what is required?

Why do I need to write a Will?

Executing a valid Will ensures that your estate is divided according to your own wishes rather than by the standard Law of Intestacy. It allows you to:

- Provide for those of your dependents who need it most;
- Benefit non-family members;
- Appoint guardians for minors;
- Direct funeral arrangements;
- Reduce the amount of Inheritance Tax (IHT) payable, thus leaving more to those you care about.

Does it need to be long with lots of legal jargon?

No; your Will is valid as long as it is:

- In writing;
- Signed and dated by you in the presence of two independent witnesses;
- Made when you are of sound mind, able to make your own decisions, and not under pressure as to how to divide your assets.

The need to sign the Will in front of two independent witnesses whilst maintaining proper Social Distancing is the subject of much discussion in the industry with many innovative methods and solutions deployed. We would be happy to provide further advice in this regard.

What do I need to think about?

- Family members that you have a moral or other obligation to look after financially;
- Whether any family members have specific health or other needs;
- Do you wish to leave a gift or a legacy to any non-family members or to charity;
- Who should act as your Executors; those who you trust to look after your affairs when you are gone and carry out your wishes;
- Jointly owned assets – are these held as "beneficial joint tenants" or "tenants in common"? These two types of legal ownership are profoundly different and impact estate planning.

Is IHT charged on everything in my estate?

IHT is levied at 40% on the assets of an estate that are in excess of the Nil Rate Band [NRB]. This currently stands at £325,000 for each individual but can be lower if certain transfers were made by a deceased prior to his or her death.

Assets left to a spouse or civil partner [CP] or charity are exempt from IHT. Indeed, it is common practice for married couples or CPs to bequeath all the assets of the first to die to the survivor, so that there is no IHT payable on the first death. Where the first to die does not utilise his or her NRB, it is normally possible to transfer the unutilised NRB to the survivor, so that there is an effective double NRB (£325,000 x 2 = £650,000) on the second death.

How can leaving a charitable legacy be beneficial?

As mentioned above, assets left to charity are exempt from IHT. Additionally, where 10% or more of an estate is bequeathed to charity, the remaining estate will qualify for a reduced rate of IHT of 36%.

Conclusion

Executing a basic Will is relatively simple and allows you to ensure that your estate is disposed of as per your wishes; yet millions of people fail to do so. Will you?!

The reader of the above should not rely on the contents of this article without seeking specific advice on any relevant maters.

To discuss this or any related matter, please contact Baruch Brenig at baruchbrenig@cohenarnold.com or the Partner dealing with your affairs.

Inside this issue

HELP FOR BUSINESS

Government help for business is being put in place, with schemes evolving in real time. Some measures vary across the UK. Generally, see bit.ly/2UUiFRz. For Scotland, see bit.ly/2VC0tg1; for Wales, see bit.ly/3aypugh and for Northern Ireland see bit.ly/3awR519.

Loan schemes

There are now three schemes, all delivered through commercial lenders to support 'long-term viable businesses . . . respond to cashflow pressures by seeking additional finance'. Businesses need to approach a lender, and it probably makes sense to try your usual bank first.

- Bounce Back Loans: fast-track scheme for small businesses.
- The Coronavirus Business Interruption Loan Scheme (CBILS) for UK businesses with annual turnover up to £45 million: bit.ly/34KRewL.
- The Coronavirus Large Business Interruption Loan Scheme for UK businesses with annual turnover over £45 million.

Bounce Back loans

These provide 100% government-backed loans covering 25% of business turnover. Minimum loan size is set at £2,000 and the maximum at £50,000. Loans are interest-free for the first 12 months, with a repayment holiday for this period. The scheme launched on 4 May, with application online: bit.ly/2xXhOag.

CBILS

The CBILS provides access to loans, overdrafts and other finance. Finance is capped at £5 million, with a maximum term of six years for term loans and asset finance. The government covers interest payments for the first 12 months and any lender-levied fees. The CBILS cannot be used as well as Bounce Back funding, and applicants must 'self-certify' that their business is adversely impacted by COVID-19.

Criticism of the scheme has brought some changes. The most recent viability tests only require a bank to assess whether a business was viable pre-COVID-19, for example, and loans below £250,000 do not require personal guarantees. Any type of business can apply, if generating more than 50% of its turnover from trading activity. There is a quick eligibility checklist here: bit.ly/3e16sC6.

How do I apply for a loan?

The Bounce Back scheme has a short, standardised online application form. Critically, the aim is to provide loans to businesses 'within days'.

The CBILS entails more of an application process than a conventional loan. Lenders should now, however, be focusing mainly on information you can supply at speed, assessing credit and business viability on the basis of this and their own prior information.

Self-employment Income Support Scheme (SEISS)

This supports the self-employed and partnerships and is being developed at pace by HMRC: bit.ly/34N4S2E. The government is signing the self-employed to the Universal Credit system before SEISS payments are made.

What does it do?

Provides a direct cash grant of up to 80% of profits, calculated with reference to specific rules. The grant is taxable and will be paid as one lump sum, covering the three months to May. The maximum payable is £2,500 per month. The first payments should start at the end of May, and it is possible the scheme will be extended.

Criteria

Broadly, you must carry on a trade which has been adversely affected by circumstances relating to COVID-19. You must also have filed all relevant income tax self assessment returns; have traded in the 2018/19 and 2019/20 tax years, and intend to carry on trading in the 2020/21 tax year. Your profits, based on an average of the last three years, must be no more than £50,000, and at least equal to any non-trading income, such as employment income, dividends or rental income.

Directors of personal service companies are not eligible. But if paid under Pay as You Earn (PAYE), government help may be available via the Coronavirus Job Retention Scheme (see employer headlines). Note, however, that only salary costs are eligible for inclusion, not dividend payments. There is guidance on how directors can access this here: bit.ly/3cIXdVB.

What do I have to do?

HMRC will contact you by email, text or letter by mid-May, asking you to claim, but there is an online tool you can use now to see if HMRC thinks you match its criteria: bit.ly/3b0n7mw. If the tool concludes you are eligible, you will be given a date you can claim from. If it finds you are not eligible, you can ask to have this reviewed. Payment directly into your bank account should be made within six working days of completing a claim.

Rent, rates and property

Commercial tenants across the UK, unable to pay rent because of COVID-19, are given protection from eviction. This is not a rental holiday however, and liability to pay remains. Discussions between landlords and tenants are encouraged. Other help, for example with business rates, is also available: bit.ly/3cjR4z9 and bit.ly/3ae9hfO.

Business critical management

This is a time of unparalleled change for business and the wider community. We are privileged to act as your professional advisers, and if there are matters of concern to you, please do not hesitate to get in touch. Some questions may still be under discussion at government level, but we will do our very best to help.

To help businesses remain buoyant amid falling sales and abrupt loss of income, cash in and cash out is key. There are government support measures in place, but the next few weeks, before assistance gets to business bank accounts, will be critical. The importance of up-to-date accounting and management information cannot be overstated, especially to use the Self-employment Income Support Scheme or the Coronavirus Business Interruption Loan Scheme, for example.

Payment of income tax and VAT can be deferred in current circumstances. The second income tax self assessment payment on account, due for payment by 31 July 2020, can be deferred until January 2021. HMRC advises that 'deferment is optional and any persons still able to pay their second self assessment payment on account . . . should still do so'. No action is needed to defer. No penalty or interest for late payment will be charged. VAT payments due between 20 March 2020 and 30 June 2020 can also be deferred, again without the need to apply. This applies to any business with VAT payments due between these dates – but does not cover VAT MOSS payments. Deferred VAT must be paid on or before 31 March 2021. VAT refunds and reclaims will be dealt with by HMRC as usual, and you should continue to send in your VAT return. Those paying HMRC by direct debit should cancel it promptly, so it isn't automatically collected when the return is filed. Where trading is significantly disrupted, VAT registration may no longer be appropriate, and we are happy to advise here. And if you are entering a period in which input tax is more than output tax, and you anticipate regular VAT refunds, you may want to think about moving to monthly VAT returns to accelerate cashflow.

For the latest guidance, see bit.ly/3aVKjDh: information is frequently updated, though this may lessen with time. Please be assured we are on hand to help navigate the days to come.

IR35: change on hold

The IR35 rules had been set to take effect from 6 April 2020, however, they are now on hold until 6 April 2021. This is to help the business community cope with the impact of the coronavirus (COVID-19), and the government emphasises that it is a 'deferral, not a cancellation' of the policy. So, what do contractors do now?

The off-payroll rules, often called the IR35 rules, were introduced because of concern about loss of tax revenue, particularly national insurance contributions (NICs), arising through the use of intermediaries in the labour chain. Intermediaries are most often a worker's personal service company (PSC), though they can also be an individual, partnership or unincorporated association. The government believes many off-payroll workers are wrongly classified for tax purposes, and should be treated as employees.

From 6 April 2021, therefore, if you work for a medium or large client through a PSC or other intermediary, responsibility for determining employment status passes from your PSC to your client. Further information can be found here: **bit.ly/2VdiFes**.

But for now, it is as you were. If you work for a client in the private sector, you determine employment status on your contract, not the client. Deduction of tax and NICs remains your responsibility. To help with questions around employment status, HMRC has enhanced its online Employment Status Checker Tool, CEST, although there are still reservations about its ability to cope with the nuances of real life.

But the late change may create practical problems. What if you've already been given a Status Determination Statement (SDS), as if the new rules were now in force, for example? An SDS has no legal standing this year. It is up to the PSC to determine its status, and deal with tax and NICs as before. HMRC says it won't use any SDS already issued as evidence if there is a dispute over your employment status in the next 12 months.

If we can be of any assistance with further advice, please do not hesitate to get in touch.

Business Round-up

HMRC extends MTD digital links deadline until 2021

HMRC has delayed the requirement to implement digital links for Making Tax Digital (MTD) due to the coronavirus (COVID-19) pandemic.

Under MTD, the required digital records can be held within more than one piece of software, however there must be a digital link between them: the data cannot be transferred manually between software products.

Participants were given a year from the launch of MTD to have these digital links in place, giving organisations until 1 April or 1 October 2020, depending on their original MTD start date.

HMRC has confirmed that all businesses now have until their first VAT return period starting on or after 1 April 2021 to ensure digital links are in place.

HMRC said: 'We understand that the impact of COVID-19 is creating extremely difficult times for all, and we are committed to helping in every way possible all those businesses facing unprecedented challenges.

'Therefore, we are providing all MTD businesses with more time to put in place digital links between all parts of their functional compatible software.

‘This means that all businesses now have until their first VAT return period starting on or after 1 April 2021 to put digital links in place.'

Rise in contactless card payment limit

From 1 April the contactless card payment limit rose from £30 to £45.

The decision to increase the payment limit was reached following consultation between the retail sector and the finance and payments industry, and echoes similar increases in other European countries.

UK Finance stated that the change had been under consideration before the outbreak of the coronavirus (COVID-19), but was brought forward in order to support consumers during the pandemic.

Commenting on the increase, Stephen Jones, CEO of UK Finance, said: 'The payments industry has been working closely with retailers to be able to increase the contactless payment limit to help customers with their shopping at this critical time for the country.

'This will give more people the choice to opt for the speed and convenience of purchasing goods using their contactless card, helping to cut queues at the checkout.'

UK Finance said that, given the pace at which the change is being rolled out, the new payment limit will take 'some time' to be introduced across all retailers.

Consumers spending more than £45 will be able to make use of many other ways to pay, including Chip and PIN, cash and mobile payments.

Tax Tip

Minimising the capital gains tax bill

There are many ways in which your eventual liability to capital gains tax (CGT) can be minimised, particularly when share prices are depressed. Many of us may currently have some time on our hands to accelerate tax year end planning. Central to this is making use of the CGT annual exemption. Things to consider are:

- selling investments and repurchasing them in an ISA – colloquially known as Bed and ISA
- transferring investments to spouses or civil partners to allow Bed and ISA
- transferring assets to other family members as less CGT cost due to current low prices.

We can help with all your CGT planning needs. Please contact us for more information.

Reminders for your diary

May 2020

19 PAYE, Student loan and CIS deductions are due for the month to 5 May 2020.

31 Deadline for forms P60 for 2019/20 to be issued to employees.

June 2020

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

19 PAYE, Student loan and CIS deductions are due for the month to 5 June 2020.

30 End of CT61 quarterly period.

July 2020

5 Deadline for reaching a PAYE Settlement Agreement for 2019/20.

6 Deadline for forms P11D and P11D(b) for 2019/20 to be submitted to HMRC and copies to be issued to employees concerned.

Deadline for employers to report share incentives for 2019/20.

14 Due date for income tax for the CT61 period to 30 June 2020.

19 Class 1A NICs due for 2019/20.

PAYE, Student loan and CIS deductions due for the month to 5 July 2020.

PAYE quarterly payments are due for small employers for the pay periods 6 April 2020 to 5 July 2020.

31 Second payment on account 2019/20 due.