Sibbalds
CHARTERED ACCOUNTANTS

PayLessTax
2022 Winter Edition

Install Electrifying Grants

It is well reported that electric car sales are on the up. However, along with the expense of either buying or leasing such a vehicle, comes the additional upfront cost of the purchase and installation of electric vehicle (EV) chargepoints.

Depending upon who is incurring that cost and where you are based in the UK, there are a number of grants out there which might help mitigate that expense.

The Electric Vehicle Homecharge Scheme (EVHS)

- This is aimed at homeowners.
- It provides a 75% contribution to the cost of one chargepoint and its installation.
- You may apply for two chargepoints at the same property, if you have two EVs.
- It is capped at £350 (VAT inclusive) per installation.
- The vehicle must be listed on the EVHS eligible vehicles list at the time of installation.
- You must have dedicated off street parking.
- You have to use an approved EVHS installer who will make the claim on your behalf.
- Unless you live in a flat or rented accommodation, the EVHS comes to an end for installations completed after 31st March 2022.
- If you live in Scotland, you may be able to claim up to a further £350 on top of the EVHS grant, through the Energy Saving Trust. The money would come to you direct.

Workplace Charging Scheme (WCS)

- This is based upon similar lines to EVHS, but is for businesses.
- A business can claim for up to 40 chargepoints across more than one site.
- They must only be used for the business and its employees, but not for their customers.
- In this case, the business must apply online for a voucher code, which they then give to the authorised installer, who makes the claim and discounts their final bill.
- The chargepoint installation must be completed and the voucher claimed within 6 months of the voucher's issue date.

TIP...

There are significant tax breaks surrounding EVs which should be balanced against the additional cost of acquiring such a vehicle. We are happy to cover this off with you. Part of the service we can offer in this respect is a company car review. Please do not hesitate to contact us if this is of interest to you.

Regular Pension Tax Review What's the point?

Do you have a date in mind when you would like to retire?
Do you want to have a financially comfortable retirement?
Is a pension one of the important components for you to achieve that goal?
What level of income do you think you will need once you pack in work?
Are you on course for hitting that pension pot target?
Are you aware of the pension tax breaks which could help you on the road?
Could any of the potential pension tax pitfalls scupper your well laid plans?

These questions should be reviewed on an annual basis so that steps can be taken, or avoided in certain cases, to enable you to reach the promised retirement land in the best financial shape possible to enjoy it.

This can be done by yourself or in conjunction with a qualified IFA and a tax practitioner. The IFA can advise on the best pension scheme and guide you as regards the appropriate investment risk which is right for you. The tax practitioner can look at the most tax efficient way to build up your pension and flag up the tax risks if certain injudicious steps are taken.

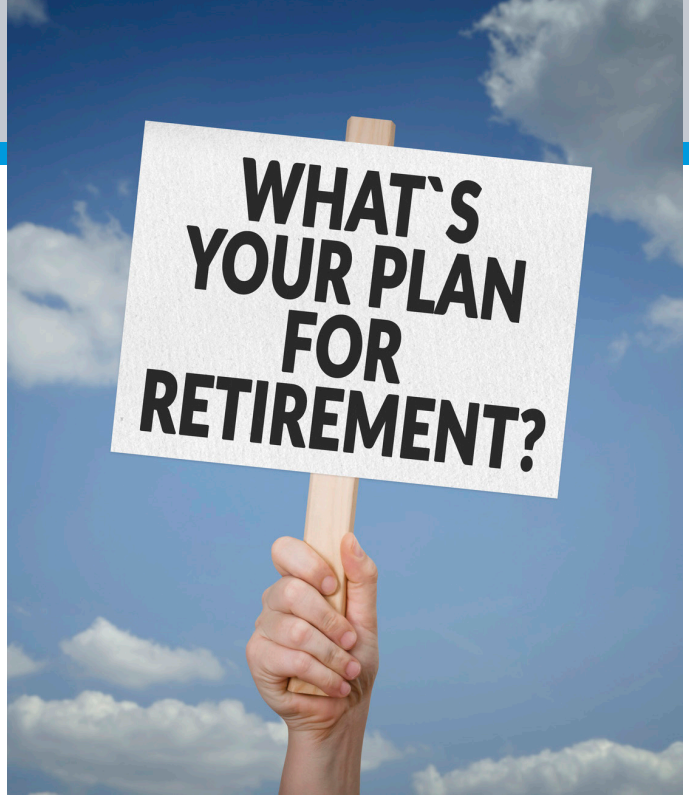
What sorts of things should you look out for on an annual basis from a tax perspective?

► **Is the total value of your pension schemes approaching or over the lifetime allowance limit of £1,073,100**? If it is, you may not want to make any further pension contributions. Upon activating that pension, any capital withdrawal in excess of the lifetime limit will attract a 55% punitive tax charge and any income taken out, above that threshold, would also be hit with an additional tax liability of 25%, above and beyond what you are normally taxed at.

► **The maximum annual pension allowance you have available is £40,000**. If you have been a member of a UK registered pension scheme in the previous three tax years you could bring forward unused pension allowance from those years and utilise in the current tax year. Potentially, if it was a dormant pension scheme during those year, you could make a maximum pension contribution in the present tax year of up to £160,000. **However, be careful, the maximum an individual can pay into a pension scheme would be the equivalent of their earnings in that year.**

► **However, an employer can make a pension contribution, subject to the pension allowance limit, in excess of an employee's earnings.**

► If you have already flexibly accessed a money purchase pension scheme, going forward, it will restrict your annual pension allowance for that type of scheme to only £4,000.



► Be careful, if your 'adjusted' income has, or is about to exceed £240,000, you might find yourself hit with a pension tax charge at your highest rate of tax. For every £2 over that limit, you lose £1 of your pension allowance for that year down to a minimum threshold of £4,000.

► If your total income is between £100,000 and £125,140 you start to lose your tax-free personal allowances (£1 for every £2 over £100K). **You might therefore want to personally pay the pension contribution, rather than the employer, as that could effectively save you 60% (61% in Scotland) tax.**

► The same approach could be adopted if your total income is in excess of £50,000 and you are caught by the high-income child benefit charge.

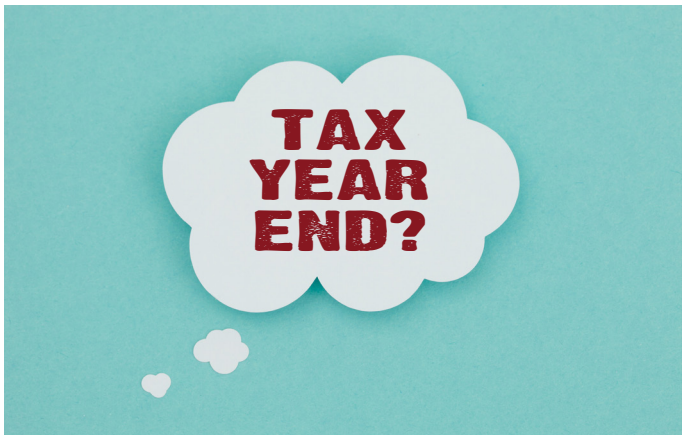
► If you are thinking of leaving the UK and are a member of a UK registered pension scheme, then you might want to consider maximising your pension contributions prior to doing so. Otherwise, you would be restricted for the next 5 years to only being able to contribute £2,880 on annual basis. The Government would top it up each year to £3,600.

► **You could consider paying into a pension scheme for your children or grandkids up to £2,880 per year (with tax relief £3,600)**. This could also immediately help your inheritance tax position and provide a nice pension nest egg for the children.

TIP...

These are just some of things which should be reviewed on an annual basis to make sure that you hit the goal you want to achieve with the minimum of fuss and in the most tax effective way. If you would like a pension tax review, either on its own, or as part of an overall year-end tax planning exercise, please do not hesitate to contact us.

Pre 6th April considerations



Before you commence singing Auld Lang Syne and toasting the start of the new tax year (6th April), you may want act upon one or more of these ideas before it is too late.

► **Utilise the annual IHT gift exemption of £3,000**. If you didn't use up the exemption in the previous tax year you could make a gift of up to £6,000 now, which will provide an immediate IHT tax saving.

► **Top up your ISA** - The annual limit is £20,000. A Junior ISA and the Child Trust Fund are limited to £9,000.

► **Transfer assets between you and your estranged spouse/civil partner, if you have separated during the course of this tax year**.

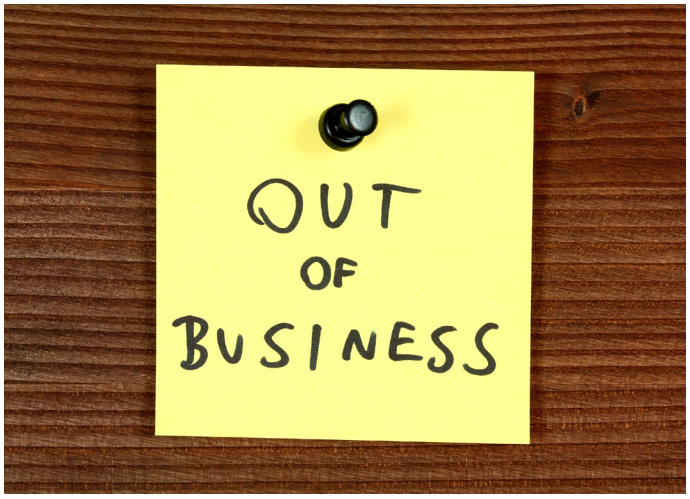
► **Have you utilised your capital gains tax annual exemption of £12,300? You are unable to carry that exemption forward to the next tax year**. If you have an asset pregnant with gain, which you wish to retain, consider bringing in your spouse/civil partner to help you to utilise your annual capital gains tax exemption whilst mitigating or wiping out the capital gains tax liability when you truly decide to sell it further on down the line.

► Is either you or your spouse/civil partner's income likely to be below your annual tax free allowances of £12,570? If so, consider if it is feasible to transfer your marriage allowance, of £1260, to the spouse with the higher income. This is a potential tax saving of £264 (Scotland) and £252 (rest of the UK). It may be possible to go back up to 4 tax years, if the circumstances are right.

TIP...

These are just some of the small number of points we would consider with clients if they wish to take up a year-end personal tax review. Please let us know if you would be interested in one.

Beware the Director's Insolvency Trap



Bearing in mind what has gone on over the past couple of years, it is perhaps not too surprising to hear that **the number of companies going into liquidation or administration has increased significantly.**

To some extent for the directors, but maybe not the creditors, the fallout following the demise of the business is soften because they are protected by the limited liability status of the corporate structure.

This is not always so. **When the insolvency practitioner (IP) is appointed, part of their statutory duty is to investigate what caused the company's downfall.** Were the director's actions dishonest or fraudulent? **If the IP can prove that was the case, then the repercussions for the director could be:**

- Disqualification from being a director.
- A penalty being imposed.
- Civil proceedings being taken resulting in the director paying monies back into the company.
- Criminal charges potentially resulting in imprisonment.

The sort of areas the IP will delve into might be:

• **Did the director abuse Covid funding** such as the furlough scheme, local authority grants or the Bounce Back Loans (BBL)? For example, did the company genuinely fit the eligibility criteria for a BBL? Were the funds used for the economic benefit of the business?

• **Should the company have gone into liquidation earlier**? Did the business carry on trading and make matters worse? What was the rationale behind the director's decision making and where is the evidence to support that?

• **Were assets transferred out of the company, for free or under market value**, at a time when it was insolvent? If so, why? The IP can potentially go back up to 2 years, prior to the onset of insolvency, and look at transactions.

• **At the time the business was insolvent, were certain creditors preferred to others when it came to payments**? If so, why? Were these creditors connected to the director? This might be where the directors have paid themselves or a family member or a creditor for whom they have provided a personal guarantee. The IP can again look back 2 years in the case of connected parties and 6 months as regards anybody else, prior to the onset of insolvency.

• Has the director been dishonest or in breach of their directorial duties in any other way, such as paying out an illegal dividend to shareholders?

It is important for a director that they have kept proper financial records and evidence of the raison d'etre for any decisions taken at any point in time in order to respond to any queries raised by the IP. Otherwise, there is a potential chance the IP will successfully argue to remove the corporate veil and seek redress from the director themselves.

TIP...

Please contact us, preferably before the company goes into liquidation, to see if there are ways of saving the business, but also to ensure that you have all your ducks in order just in case the IP comes calling.

We are here to help

We can help you by ensuring that you're aware of the changes that will affect you, your family and your business. To find out more about the ways that we can help you, do not hesitate to contact us.

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