Sibbalds
CHARTERED ACCOUNTANTS

PayLessTax
2024 Summer Edition

Health and Wellbeing

On the basis that it is estimated that 1 in 4 people each year will sadly experience mental health issues, it is fair to say most employers will have employees who are struggling to overcome these challenges. It is of benefit to both the business and the individual concerned that positive steps are taken to tackle mental illness, but at what cost?

Normally where access to counselling services is provided by the employer to an employee it is a taxable benefit based upon the cost to the business. **However there are some notable tax exemptions where welfare counselling is concerned, assuming the business meets those costs direct rather than simply reimbursing their member of staff for expenses they have incurred**. In the latter case that would still be taxable.

This exemption covers a range of specific issues including, for example, stress, problems at work, debt, alcohol and other drug dependency, bereavement, harassment and bullying and personal relationship difficulties. In general the counselling is only exempt if provided to an employee and not to any family members.

The employer can also provide one health screening or one medical check-up per employee per year. The former is more likely to be a questionnaire type exercise whilst the latter is usually a physical examination.

Where a member of staff is struggling to view a computer screen, the employer can pay for an eye test and the cost of any glasses or contact lenses needed for Visual Display Unit (VDU) use, without triggering a taxable benefit in kind. However, the cost has to be specific to VDU issues and not relate to general eyesight problems.

If the business is worried that flu might impact upon their workforce then the employer can either provide onsite flu jabs or give the employee a voucher to have such an exercise be carried out at the local pharmacy. Again the cost must be incurred directly by the business for a tax charge to be avoided. Disappointingly the provision of covid jabs under similar circumstances remains taxable.

TIP... These are specific health and wellbeing tax exemptions. You might find that other 'counselling' costs incurred by an employer which strictly would be treated as taxable on the employee, could be covered by the trivial benefits legislation and therefore fall out of charge. Any queries please do not hesitate to contact us.

MTD - Act Now

Are you a sole-trader who expects your turnover (gross income before expenses) to exceed £50,000 in this current tax year?

Are you a property landlord who expects your gross rental income to be in excess of £50,000 in this present tax year?

If you are both self-employed and rent out property, will your combined gross income surpass £50,000?

If you can answer 'yes' to any of those questions, then you are likely to be caught by the Making Tax Digital for Income Tax Self-assessment legislation from April 2026 onwards.

From that date you will:

a) **Be required to maintain your trading and rental records in a digital format**. The software you use will need to be compliant with that adopted by HMRC.

b) **Need to make quarterly submissions** for each sole-trader business and each type of rental business you have.

c) Not be required to file an annual self-assessment tax return anymore.

d) **Have to submit a finalisation statement by 31st January** following the end of the tax year to declare any other income and gains made in that year.

If you fail to submit the quarterly returns or finalisation statement on time, a new penalty regime will come into effect which could, subject to the number of failures incurred, result in a penalty of £200 per submission deadline missed.

If you commence as a sole trader business or start renting out property during the course of this present tax year then you could still be required to follow the MTD rules from April 2026 even though your turnover figure for this year falls below the £50,000 threshold. This is because HMRC will annualise your gross income to see if the criteria has been met.

For example:

- Mary commenced self-employment on 1st January 2025. Her turnover to 5th April 2025 is £15,000.

- On the surface she is below the £50,000 threshold at which point MTD kicks in.

- However, HMRC will annualise that turnover figure, effectively multiplying that by 4 which provides an annualised turnover figure of £60,000.

- Mary is now above the £50K threshold and will need to be MTD compliant from April 2026.

For those of you whose turnover is likely to exceed £30,000 in the 2025/26 tax year, MTD compliance will come into effect from April 2027.

Now is the time to review whether or not you will be caught by these new rules. If so:

a) Are you digitally ready?

b) Do you need any training or help with accessing the correct software?

c) Is it worthwhile taking on board a partner or incorporating as that would defer MTD indefinitely. Although that should not be the only consideration for adopting one of those options.

d) Are you aware of the additional compliance issues in the crossover year (2026/27) where you will need to submit quarterly returns for that year whilst also submitting a self-assessment return for the prior tax year.

TIP... Do not leave this until the last minute. We would advocate having an MTD review to see if you are going to be caught by MTD and then put planning processes in place to ensure a smooth transition or to avoid it completely.

Trivial Things

Certain benefits, referred to as trivial benefits (TB), provided by an employer to an employee, which would normally be taxable, can be treated as exempt if all the following conditions are met:

- **The benefit is not in the form of cash** or a cash voucher.

- The employer must not be under any contractual obligation to provide such a benefit.

- It is not given as a recognition of particular services that have or will be provided by the member of staff as part of their employment duties.

- The cost of providing it does not exceed £50 (VAT inclusive). If the benefit is dished out amongst more than one employee and it is impractical to work out the exact cost per person then the average amount per individual is calculated. If the expense is more than £50 then the whole of it is taxable not just the excess above that threshold. This exemption applies to benefits provided both to the employee or their family. Where there are more than two parts to the benefit, it is the total aggregated cost which has to be within the £50 limit.

For example

Tom buys each of his employees a £20 bottle of wine and a £15 box of chocolates. The total value is £35 per person. This is less than £50 and can be treated as a trivial benefit and therefore is tax exempt.

As long as the conditions above are met there is no limit on the number of TB an employee can receive during the course of any given tax year, unless they are a director or office holder of the company. The maximum TB value which can be provided in a tax year is then restricted to £300. The TB which takes the director over the £300 limit will be taxable but the remainder which falls below the threshold will continue to be exempt. If the cost is incurred by the employer in an earlier tax year to when it is given to the director, you take account of it, when looking at the £300 figure, in the year it was provided to the individual not in the year of purchase.

For example

Shakira is a director of Hips Don’t Lie Ltd. Over the course of the tax year she receives 7 TB each amounting to £50. The total value is £350. The final TB is taxable as the £300 limit has been breached. The previous 6 TB are still tax exempt.

TIP...

Please do not hesitate to contact us if you want to make sure the benefits you are providing fall within the Trivial Benefit rules.

Words are important

The importance of having the appropriate wording on a VAT invoice in order to substantiate a business's right to claim back the VAT input tax suffered has been highlighted by 3 recent tax cases.

The VAT legislation states that, amongst other things, to be a valid VAT invoice it should show:

- **A description sufficient to identify the goods or services supplied**.
- For each description, the quantity of the goods or the extent of the services supplied.

Failure to meet this requirement can result in:

a) **A HMRC enquiry** for evidence to be provided to support your VAT input claim. This naturally is inconvenient both as regards time wasted and administrative costs plus perhaps the ignominy on some occasions of going back to the supplier to provide a breakdown of invoices received.

b) **Worse case scenario HMRC denying your VAT input claim** on the basis there is insufficient evidence to support it.

Example

Hinton Ltd carried out building work for Clough Ltd and sent an invoice for £100,000 + VAT (£20,000). **The description on the invoice states 'For building work carried out at the above address'.**

Dependent upon the nature of the building work being carried out, VAT could be charged at either 20%, 5% or 0%.

Based upon that wording, HMRC would be quite within their rights to challenge that invoice and VAT input claim by requesting evidence about the building work carried out by Hinton Ltd such as site plans, quotations, purchase orders, job sheets or correspondence.

Example

Flynn Accountants issued a VAT invoice to Rudgie Ltd for £10,000 + VAT (£2,000) centred around a capital allowances review. **The description on the invoice was for 'Consultancy services'**.

Again HMRC could attack the VAT input claim on the grounds that services could be personal to the director and not the company. Even if the wording was changed to 'Tax consultancy services' it could still be construed in the same way.

Appropriate wording in this case might be 'Tax consultancy services regarding your capital allowances claim on property improvements at your office in 4 Hamil Road".

Assuming all the other conditions towards what constitutes a valid VAT invoice are met, that wording should be sufficient to avoid the hassle of a Revenue challenge to the VAT input claim.

If the wording on the invoice is insufficient then this makes it invalid and it would be wise to go back to the supplier to request one that meets the requirements laid down by the VAT legislation.

TIP... If you are unsure that the wording on an invoice is sufficient, whether that be one you have received or one you are issuing, please do not hesitate to contact us.

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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