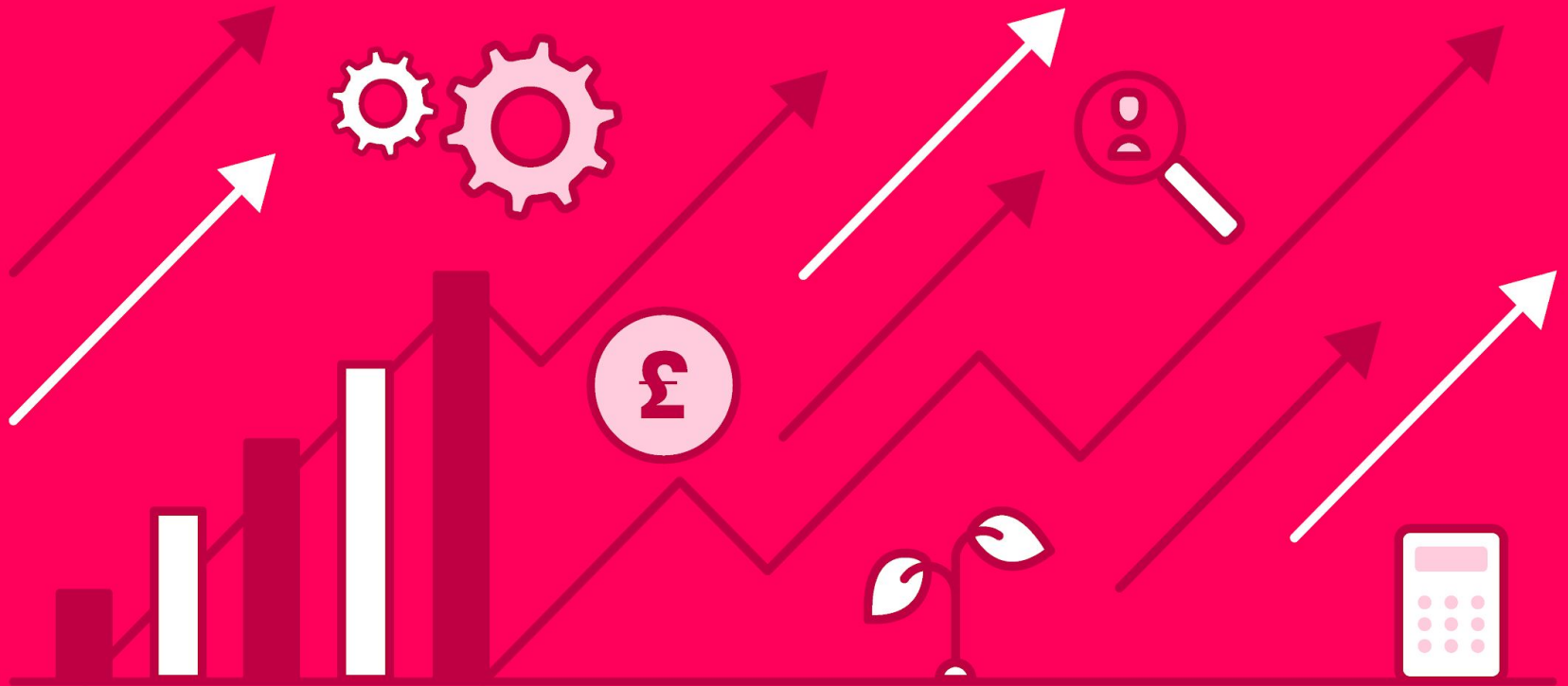


Out With The Old And In With The New (Tax Years)! And other breaking news



Hosts:
Jake Smith
Head of Content



Michael Awuye
FCCA
Technical Senior Accountant



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Today's Webinar:

Covers the end of 2019/20 and start of 2020/21 Tax years.

Will also cover recent announcements from the government

Send us your questions!

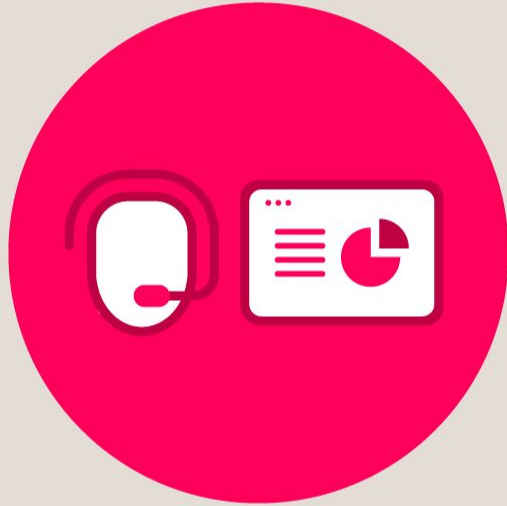
If there isn't enough time to answer, we'll follow up with you directly.

For informational purposes only - contact us directly for bespoke advice



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About Crunch: what we do



Accountants & Accountancy
Software



Self-Employed
Mortgages



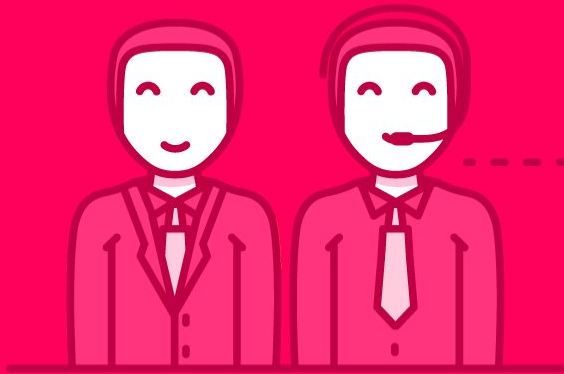
Small Business
Insurance



Investments &
Pensions

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Award winning customer service



Client Managers and Expert
Chartered Accountants



Contractors, Freelancers & Small Businesses

**Breaking news - government
support for the economy
throughout the Covid-19
emergency**

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Government announces financial measures amounting to £330bn to support business from 16th March 2020

- Support by way of loans, cash grants, business rates holiday and other measures, targeted at the retail, leisure and hospitality sectors
- Support amounts to £330bn in addition to announcements in the March 2020 budget
- Additional measures to support jobs and incomes expected in coming days
- We'll update our website with any specific measures the government announces to support freelancers, contractors and small businesses and how to access support
- We'll be posting latest updates in our [Coronavirus Support](#) article and on our Twitter feed [@TeamCrunch](#)

**Breaking News - IR35 changes
deferred for 12 months to
April 2021**

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Government announcement 17th March 2020

- IR35 changes for the PRIVATE sector 'deferred' for a year
- Public sector arrangements remain as introduced in April 2017
- Personal Service Companies will continue to be responsible for assessing employment status of an assignment and for all employment taxes
- End Client no longer has to assess assignment for IR35 - no Status Determination Statement needed
- Government is clear this is only a **deferral** due to the extraordinary challenges facing the country and the economy from the Covid-19 pandemic
- Our advice has always been to keep your limited companies trading and this remains
- If you've recently changed your working arrangements to Umbrella or PAYE speak to your end-client
- Crunch still offers a fully flexible solution to cover any employment status and associated taxes

Preparing for the end of the 2019/20 tax year

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Dividends and Salary to maximise tax efficiency

- Your personal allowance is £12,500 and recommended salary is £8,632*
- You can issue up to £41,368 in dividends (up to basic rate allowance)
- This would mean £2,662.50** in income tax due 31st January 2021

* Assuming no other income

** Need to budget for payment on account on 31st July

Take Dividends and Salary (ii)

- The £41,368 is broken down as follows:
 - £3,868 tax free as part of your personal allowance (£12,500 less £8,632)
 - £2,000 tax free as part of your dividend allowance
 - Remaining £35,500 is taxed at 7.5%
- Any dividends issued over £41,368 are taxed at 32.5%

Your Salary Responsibilities

- For you (this year and next year)
- For Employees
- Reporting Full Payment Submission etc.

Claim all your expenses

- Logging / using an app
- What can you claim?
- Reporting
- How long to keep receipts

<https://www.crunch.co.uk/knowledge/category/expenses/>

Don't Lose Your Tax Breaks

- ISAs - if you have money to invest don't lose your ISA allowance (£20,000 in the tax year)
- Normally more tax-efficient to make pension contributions through your limited company
- Pension contributions up to £40,000 tax free allowance
- May need to take specialist advice on pensions

What are the main tax changes for 2020/21?

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Changes to National Insurance and tax

- Tax-free personal allowance remains £12,500
- Basic Rate threshold for earnings remains at £50,000
(there are different rules for Scottish residents)
- Primary Threshold for National Insurance now £9,500
- Secondary Threshold for National Insurance now £8,788

Salary

- Recommended tax-efficient salary for 2020/21 is at the Secondary NI threshold of £8,788
- £4,000 Employment Allowance towards NICs available when more than one employee if you're eligible

Dividend tax in 2020/21

- Tax-free allowance remains at £2,000
- Tax payable is same as 2019/20
- Basic rate - up to £41,212 in dividends and a £8,788 salary
- £2,662.50* in income tax to be paid by 31st January 2022

*Need to budget for payment on account due 31st July each year

Changes to IR35 rules from 6th April 2021

- Government has **deferred the following changes to April 2021**
 - New Rules apply to medium and large sized private sector businesses and all public sector organisations
 - End Client determines IR35 status of an assignment (not the Personal Service Company)
 - End Client issues a Status Determination Statement with the IR35 status of an assignment
 - If inside IR35, Fee Payer (End Client or Agency) deducts all employment taxes
- See our [IR35 Hub](#) for more information
- Try our [IR35 Navigator Tool](#) to assess your IR35 risk for free

Minor changes to new rules announced on 7th February 2020 as a result of the government review including:

- If an end-client is based wholly overseas, with no UK presence, the new rules do not apply
- 'Soft-landing' for first 12 months
- No looking back to previous years (except fraud or criminal behaviour)
- Only apply to services carried out after 6th April 2020
- End-clients legally obliged to requests for information about their size

All changes deferred to April 2021

Company Cars or Vans

- Increases in Benefit in Kind rates for company cars in 2020/21 tax year with new emission rates and percentages being used for cars registered after 6th April 2020.
- The Benefit in Kind (BiK) cash equivalent on fuel for a company car provided for personal use increases to £24,500 multiplied by the relative BiK rate
- The BiK on company vans increases to £3,490 (from £3,430)
- BiK on fuel for a company van provided for personal use increases to £666 (from £655)

Student Loans and Postgraduate Loan

- Plan 1 loans repayment threshold will rise to £19,390 (from £18,935)
- Plan 2 loans repayment threshold will rise to £26,575 (from £25,725)
- Repayment at 6% for students in England and Wales with income above £21,000
- Repayment at 9% for Scottish and Northern Ireland students with income above £18,330

Other changes

- Minimum wage increases
- Lifetime allowance for pension savings increases to £1,073,100
- Capital Gains Tax annual exempt amount increases to £12,300
- Entrepreneurs Relief lifetime allowance limit capped at £1 million
- Annual Investment Allowance expected to reduce to £200,000 from 1st January 2021
- VAT reverse charge in the construction industry

Recommended Reading

[Get ready for end of tax year](#)

[Tax changes for new tax year from 6th April 2019](#)

[Small Business taxes - what you need to know](#)

[Changes to IR35](#)

[How much should I take as a salary from my limited company](#)

[Dividends - what are they and what taxes do I pay on them?](#)

[Taxation of company cars](#)

[Expenses articles](#)

Q&A

Send us your questions!

Our advisors will be in touch to answer your questions.

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Crunch Chorus

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Access to webinars, business guides, invoicing software and document templates.

Regular meetups and events, giving the self-employed the chance to meet like-minded people.

A range of benefits, including exclusive discounts on products and services.

crunch.co.uk/chorus

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