

Ellacotts Tax Newsletter – December 2018

Our newsletter this month includes: information on director disqualification, tax-free perks at Christmas, Authorised Economic Operator status and the Marriage Allowance.

Our next newsletter will be published on Thursday, 10 January 2019.

Disqualified from acting as a director

When a director has been found guilty of mismanagement verging on fraud, one of the remedies that the courts can impose is disqualification as a director. But what does this actually mean?

A disqualified director has to abide to the following restrictions:

- While the order or undertaking is in force, it stops a person acting as if they were a director. Accordingly, you cannot avoid the order, or undertaking by simply changing the job description.
- The order or undertaking also means that you must not get other people to manage a company under your instructions. If you do, those people may also be prosecuted for assisting you in contravening the order or undertaking.

The order or undertaking does not stop you having a job with a company, but unless you have court permission it does stop you:

- Acting as a director of a company
- Taking part, directly or indirectly, in the promotion, formation or management of a company or limited liability partnership
- Being a receiver of a company's property.

You also cannot act as an insolvency practitioner.

In addition to companies, you must not do any of the prohibited acts in relation to the following organisations: Limited liability partnerships (LLPs), Building societies, Incorporated friendly societies, NHS foundation trusts, Open-ended investment companies, Registered societies and Charitable incorporated organisations.

A disqualification order will not stop you carrying on a business as a sole trader. You could also trade in a partnership, but not a Limited Liability Partnership (LLP).

Tax-free perks at Christmas time

This article is our usual reminder of the tax breaks available if you are organising a Christmas party for your staff.

Many businesses take time out to provide their employees with a work based party or similar event. If you are concerned about the tax consequences of Christmas celebrations, read on. We have included in this article ways to organise these events without falling foul of HMRC.

December gives us an excuse to let our hair down and enjoy a well-earned celebration with our work colleagues and partners. The cost of an annual staff party or similar function is allowed as a deduction for tax purposes. However, the cost is only deductible if it relates to employees and their guests, which would include directors in the case of a company, but not sole traders and business partners in the case of an unincorporated organisations. Also, it does not include ex-employees.

If the criteria below are followed there will be no taxable benefit charged to employees:

1. The event must be open to all employees at a specific location.
2. An annual Christmas party or other annual event offered to staff generally is not taxable on those attending provided that the average cost per head of the functions does not exceed £150 p.a. (inc VAT). The guests of staff attending are included in the head count when computing the cost per head attending.
3. All costs must be considered, including the costs of transport to and from the event, accommodation provided, and VAT. The total cost of the event is divided by the number attending to find the average cost. If the limit is exceeded then individual members of staff will be taxable on their average cost, plus the cost for any guests they were permitted to bring.
4. VAT input tax can be recovered on staff entertaining expenditure. If the guests of staff are also invited to the event the input tax should be apportioned, as the VAT applicable to non-staff is not recoverable. However, if non-staff attendees pay a reasonable contribution to the event, all the VAT can be reclaimed and of course output tax should be accounted for on the amount of the contribution.

Merry Christmas...

What is AEO?

Businesses that presently trade with the EU block may like to consider applying for Authorised Economic Operator (AEO) status. The following notes explain why this may be helpful.

AEO status is an internationally recognised quality mark that shows:

- your role in the international supply chain is secure
- your customs controls and procedures are efficient and meet EU standards

It's not mandatory, but gives quicker access to some simplified customs procedures and, in some cases, the right to 'fast-track' your shipments through some customs and safety and security procedures.

AEO status is for businesses that:

- are a legal entity
- are established in the territory of one of the 28 member states of the EU
- are actively involved in customs operations and international trade
- have an Economic Operator Registration and Identification (EORI) number

Anyone involved in the international supply chain that carries out customs related activities in the EU can apply for AEO status, regardless of the size of their business.

This includes:

- manufacturers
- exporters
- freight forwarders
- warehouse keepers
- customs agents
- carriers
- importers
- others (for example, port operators, secure freight parking operatives and airline loaders)



Types of AEO authorisation and their benefits

You can apply for AEO status customs simplification (AEOC), AEO status security and safety (AEOS), or both.

AEOC status

If you hold AEOC status, you could also benefit from:

- a faster application process for customs simplifications and authorisations
- reductions or waivers of comprehensive guarantees
- completing self-assessment (when implemented)

Whatever the outcome from the current Brexit impasse, AEO status does seem to offer advantages to importers and exporters.

Are you eligible to claim the Marriage Allowance?

Marriage Allowance lets you transfer £1,190 of your Personal Allowance to your husband, wife or civil partner - if they earn more than you.

This reduces their tax by up to £238 in the tax year. To benefit from this arrangement, you (as the lower earner) must have an income below your Personal Allowance - this is £11,850 for the current tax year.

You can backdate your claim to include any tax year since 5 April 2015.

If your partner has died since 5 April 2015 you can still claim - phone the Income Tax helpline. If your partner was the lower earner, the person responsible for managing their tax affairs needs to phone.

Who can apply?

You can benefit from Marriage Allowance if all the following apply:

- you're married or in a civil partnership,
- you do not pay Income Tax, or your income is below your Personal Allowance (£11,850 for 2018-19),
- your partner pays Income Tax at the basic rate, which usually means their income is between £11,851 and £46,350.

If you're in Scotland, your partner must pay the starter, basic or intermediate rate, which usually means their income is between £11,850 and £43,430.

It will not affect your application for Marriage Allowance if you or your partner:

- are currently receiving a pension
- live abroad - as long as you get a Personal Allowance.

If you or your partner were born before 6 April 1935, you might benefit more as a couple by applying for Married Couple's Allowance instead.

Tax Diary December 2018/January 2019

1 December 2018 - Due date for Corporation Tax due for the year ended 29 February 2018.



19 December 2018 - PAYE and NIC deductions due for month ended 5 December 2018. (If you pay your tax electronically the due date is 22 December 2018)

19 December 2018 - Filing deadline for the CIS300 monthly return for the month ended 5 December 2018.

19 December 2018 - CIS tax deducted for the month ended 5 December 2018 is payable by today.

30 December 2018 - Deadline for filing 2017-18 self-assessment tax returns online to include a claim for under payments to be collected via tax code in 2019-20.

1 January 2019 - Due date for Corporation Tax due for the year ended 31 March 2018.

19 January 2019 - PAYE and NIC deductions due for month ended 5 January 2019. (If you pay your tax electronically the due date is 22 January 2019)

19 January 2019 - Filing deadline for the CIS300 monthly return for the month ended 5 January 2019.

19 January 2019 - CIS tax deducted for the month ended 5 January 2019 is payable by today.

31 January 2019 – Last day to file 2017-18 self-assessment tax returns online.

31 January 2019 – Balance of self-assessment tax owing for 2017-18 due to be settled on or before today. Also due is any first payment on account for 2018-19.