

Appointeeship – The option of last resort?

Sadly, more often than not, families find themselves in difficult situations where perhaps, say a parent, for example, has become mentally incapacitated and there is nothing legally in place to enable the family to take control of the decision making for that loved one. Effectively, it is too late to put Powers of Attorney (POA) in place. Note that POAs have slightly different titles depending upon which part of the UK you reside in. If a POA had been in situ, the family, a member of it or a trusted friend, acting in the best interests of the individual concerned, would have had control over deciding their health, welfare and financial concerns.

If it is too late, what else can be done? One option is to apply to a specialist court to be appointed as a deputy under a Court of Protection (COP) order. Assuming the Court agrees to the application, the COP broadly achieves the same end result as the POA. It could take many weeks before this application is heard by the Court and, if successful, for the order to be processed. The costs of doing so can also be high, such as fees on application and for the hearing itself. If the boat has been missed on the POA front, then on the surface this may seem to be the only other option.

If certain circumstances prevail, that is not necessarily the case. If a family member or even a friend has become mentally incapacitated and is in receipt of state benefits, such as, for example, state pension, attendance allowance, disability living allowance or personal independence payments, you can approach the Department of Work & Pensions (DWP) to request an appointeeship. Assuming the DWP agree, you would then take responsibility for the state benefit going forward.

- ▶ Only one person can be made an appointee.
- ▶ This can also be used where the individual concerned has severe disabilities.

- ▶ The DWP will carry out what they call a B56 interview, either remotely or in person, with the applicant.
- ▶ If successful you will receive a B57 notification confirming the appointeeship.
- ▶ That notification will enable you to set up an Appointeeship bank account in the name of the person concerned, but with you in control.
- ▶ The DWP, upon receipt of the new account details, will then, going forward, pay across the state benefit into it.
- ▶ As an appointee, you can then spend that money for things such as care home fees, taxes or holidays, as long as it is in the best interest of that relative/friend.
- ▶ You are responsible for keeping the DWP up to date with any changes of circumstances.
- ▶ You are liable to refund any overpayment of benefits paid across.
- ▶ If the person concerned has liabilities arising prior to the appointeeship account being set up, there may be insufficient funds going into it to cover them. Other options such as the COP or taking a charge over the person's assets may have to be considered.



TIP... The appointeeship is really the option of last resort in most cases. The understandably difficult, yet sensible discussion with certain close members of the family, such as parents, regarding POAs and Wills should be covered off sooner rather than later. It is hard enough dealing with the emotional aspect of things whilst also struggling with the administrative bureaucracy regarding your loved one's financial affairs. Please contact us if you want to take matters further on this.



The competitive edge - VAT precipice

If you are a business whose customers are, predominantly or solely, non-VAT registered businesses or are members of the general public, it can make you more competitive if your taxable sales have not, or will not in the next 30 days, take you over the threshold (currently £85,000) where you need to register for VAT. From that point on you would have to charge your customers VAT on top of your fees which they can not recover. The VAT precipice has been reached and maybe the competitive edge has been lost.

The **two trigger points for registering for VAT** are:

A) The end of the month – where your taxable supplies in the previous 12 months or earlier, are **£85,000 or over**.

B) At any time – where you expect the taxable supplies in the next 30 day period are going to take you over the **£85,000 VAT threshold**.

There may be some circumstances where you are on the edge of the precipice but can legally pull back from it.

For example:

▶ Bob the builder historical taxable turnover is £35,000. Bob is not VAT registered.

▶ He has been asked to do a one off job, carrying out major repairs on a factory roof, for Clarke Ltd, which is also a non-VAT registered business. **The work will cost around £90,000.**

▶ **On the face it Bob would be caught by B) above and have to register for VAT immediately. This could upset Clarke Ltd as they would be incurring a further £18,000 VAT charge** on top of Bob's fees which the firm could not recover.

▶ **Bob could perhaps get around this problem by invoicing for 50% of the work now and then billing the remaining amount 31 days later.** Clarke Ltd would be very happy.

▶ However, after having raised the second invoice, **would Bob have to register for VAT at the end of that month on the grounds that he has got caught by A) above?** If that was the case he would have to charge VAT in respect of future business.

▶ The answer to the question is that it depends. **Bob could avoid registering for VAT if he, or his accountant, approaches HMRC and can legitimately demonstrate that over the next 12 months his taxable supplies will be less than the VAT de-registration threshold (currently £83,000).** Assuming sufficient evidence is given, HMRC may then grant Bob an exception to register for VAT going forward.

TIP...

It is important to keep a regular eye on your level of taxable supplies, both looking back up to 12 months, as well as projecting forward over the next 30 days, as the failure to comply on the VAT front can result in penalties and interest. As part of our service, we endeavour to keep our clients VAT compliant, whilst looking at ways, within the confines of the tax legislation, to mitigate the VAT impact upon their business.



Power cut or light bulb moment?

Despite the pandemic resulting in the new car market shrinking by 10.9% during 2020, the popularity of the pure electric vehicle shows no sign of abating, having increased its sales by 185.9% in comparison to 2019.

This is in part due to the incentives offered by the UK Government. For example:

- ▶ A plug in grant now of up to £2,500 for new electric cars priced under £35,000.
- ▶ The vehicle excise duty (VED) for fully electric vehicles being reduced to nil until at least 2025.
- ▶ In Scotland there is an interest free loan of up to £20,000 to cover the cost of purchasing a used vehicle.

But some of the real incentives can be found on the tax and National Insurance side.

Let us look at an example:

Mary is a higher rate taxpayer. She is contemplating buying a car through her company. It will be for both business and personal use. **Mary is looking at two cars, each one has a list price of £35,000.**

Car 1 – Is a pure electric car

▶ Her company car taxable benefit for 2021/22 would be £350. **Tax liability of £140 (Scotland £144).**

▶ The company would incur a **Class 1A National Insurance liability of £48** because of the benefit Mary receives.

▶ **If the company pay for a charge card of £100 per year** to allow Mary unlimited access to local authority vehicle charging points, there is no taxable benefit on her.

▶ Likewise, if the company allow her to charge up her car at work, again there is **no taxable benefit**.

▶ **There is no Class 1A National Insurance liability** for the company in respect of the 'free' charging up of the electric car for private use.

▶ **Mary can still also, on top of that, claim 4p per mile for business mileage** off the business with no tax consequences for her.

▶ There is no taxable benefit even if the company install a charging hub at Mary's home.

▶ **The company can claim a 100% capital allowance deduction** against their corporate profits in the accounting year they incur the cost. **An upfront tax saving of £6,650.**

Car 2 – Is a new petrol car, 1400CC, with Co2 emissions of 95g/km.

▶ Mary's company car taxable benefit for 2021/22 would be £8,050. **Tax liability of £3,220 (Scotland £3300).**

▶ The company would incur a **Class 1A National Insurance liability of £445** because of the benefit Mary receives.

▶ If the company meet the cost for private fuel, Mary's car fuel taxable benefit would be £5,658. **Tax liability of £2,264 (Scotland £2,320).** The Company's **Class 1A National Insurance liability would be £313.**

▶ The company can claim a capital allowance deduction against their corporate profits relating to the cost of the car but spread over a number of accounting periods resulting in a cash flow disadvantage. **The initial upfront corporate tax saving in year one would be £399.**



There are many other things which Mary should consider before choosing which option to go for such as, for example:

- ▶ What are the implications if she buys the car personally, both for herself and the business?
- ▶ Should either she or the company lease purchase or lease hire the vehicle?
- ▶ What are the projected other running costs of the car such as car insurance and repairs?
- ▶ Which car is likely to hold its residual value for onward sale or part exchange?
- ▶ Could taking up one option over another, cause Mary to lose her tax free personal allowances or trigger off a child benefit tax charge or take her into the additional higher rate tax bracket (45% (46% in Scotland)) because her total income has gone over £100,000, £50,000 or £150,000 respectively?

It would be wise for Mary to carry out a company car review before making such a big decision.



If you use your own electric car for business purposes you can claim up to 45 pence per mile from the business.

Please contact us if you would like a company car review to be carried out.

Help for Heroes – Veterans Relief (VR)

The Government has recently announced a **VR incentive for businesses who employ people who have left the armed forces**. This relief covers the first 12 months of the veteran's employment after having left.

From 6th April 2021 onwards, where an employer takes on a 'veteran' from the armed forces they will be able to claim a 100% VR against the employer's National Insurance liability in respect of earnings up to a limit of £50,270 (2021/22 tax year). For that tax year, **the business could make a potential saving per 'qualifying' employee of up to £5,717**.

To qualify:

- ▶ They must have served at least one day in the regular armed forces. This includes anyone who has completed at least one day of basic training.
- ▶ The individual must not have previously been employed in a civilian capacity.

It is also **important to note** that:

- ▶ The VR is for each employee who fits the qualifying criteria.
- ▶ **If the employment commenced prior to 6th April 2021, the employer can still claim VR** for any of the first 12 months employment which falls after 5th April 2021.
- ▶ **If the 'veteran' leaves employer A after 3 months and joins employer B for the remaining 9 months then both employer A and B can claim VR** for the time the individual was employed by them during that first 12-month period.
- ▶ **For the 2021/22 tax year a business will be able to claim the VR retrospectively in April 2022**. For tax years 2022/23 onwards, the VR will be claimed in real time through the PAYE system.
- ▶ The exemption will initially be available for a three year period until 5th April 2024.



TIP...

To substantiate your claim for VR it is imperative to keep records to evidence that the individual qualifies as a 'veteran' of the armed forces. These records must be kept for at least 3 years following the end of the tax year for which the claim is made.

We can help you review whether the qualifying criteria is met as well as ensure that the correct evidence is obtained and retained so that the business can benefit from VR.



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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.