Your Strategy?



# Bounce Back Loans

Businesses affected by the Virus can apply to their bank for a Bounce Back loan of up to £50,000 or 25% of turnover whichever is smaller. The loan is for 6 years and there is no interest payable in the first year. Thereafter it is 2.5%.

You should apply for this to add to your liquidity. Remember for business survival cash is king. Another option is to repay VAT postponed and other taxes where interest is running or repay other loans that incur interest. The overriding aim is to ensure you do not run out of cash as we do not know how long the pandemic will go on and the attendant restrictive measures.

Usually the application form is very simple and payment of the loan very rapid.

# Self-Employment Income Support Scheme

This is for the self-employed only not companies. It is a taxable grant of 80% of your average monthly trading profits, paid out in a

Spring 2020

single instalment covering 3 months and capped at £7,500.

# Employees working from Home

Your employer can pay you £6 per week tax free for the time you are working from home.

# Planning ahead of the Autumn Budget

Three things are expected ahead of the Autumn Budget due to the extra expenditure caused by Covid19

* The tax rate for dividends may go up. So we need to pay as much as possible in dividends prior to the budget. This is now much more likely. So where possible pay dividends which are subject to the 7.5% tax rate.
* The tax relief on pension premiums cost £38bn a year may be limited to basic rate tax at 20% saving £10bn a year or even removed altogether. So it may be wise to pay pension premiums ahead of the budget. New pensions may be like ISAs not tax relief on premiums but grow tax free and be tax free when you take the money out. If you can you should pay pension premiums NOW to get tax relief at your highest marginal rate.
* National Insurance rates for self-employed are likely to go up. Currently 9% while employees pay 12%. Raise your sales sooner rather than later.

# IR35 Tax changes now expected from 6 April 2021

For more details see the winter newsletter.

# Entrepreneurs relief

From 11 March it is to be called Business Asset Disposal Relief and the life time limit has been reduced from £10m to £1m. The Capital Gains Tax rate remains at 10% on the gain.

# Private Residence Relief Changes from 6 April 2020

Lettings relief is abolished unless there is shared occupancy with the tenant. The final period exemption is reduced from 18 months to 9 months.

VAT reverse charge

This comes in from 1 October 2020 for subcontractors subject to the Construction Industry Scheme. The contractor must issue a notification to the subcontractor informing them they are subject to the reverse charge scheme. That means they do not add 20% VAT to their bills. This may mean it is worthwhile submitting monthly rather than quarterly VAT returns if you are in a VAT recoverable position.

# Current investment market

The stock market crashed in March and then partly recovered. The FTSE went from 7,500 to 4,923 and is now at 5,800. The US index the S&P 500 went from 3,389 to 2,766 then back to 2,864.

Our view is that this is probably a rally in a bear market. When the full enormity of the economic and fiscal damage is ascertained it may well fall more. For many of our clients who were not already invested in Gold or gold mining companies we recommended putting 10% of their portfolio into this as it has been shown in previous stock market downturns to increase in price during a bear market. This is especially true when interest rates are low. Also at times of crisis. At the time of writing it has gone up over 30% for some of our clients

and we expect it may go up more. However, past performance is not necessarily a guide to the future and the value of stocks go down as well as up.

We are ensuring that clients in drawdown have 3 years’ worth of withdrawals in cash or term deposits so that they do not have to sell investments when prices are low to support their income.

If markets go down again as we expect this will present a buying opportunity. We are currently phasing in new investments over a 12 month period.

We are happy to advise those wondering what to do in these volatile low interest rate times.

# Possible Wealth Tax

It has been muted that a wealth tax of 2% on net wealth will raise some £300bn which will pay for all the extra borrowing the government need to make for the Corona Virus pandemic.

# Inheritance Tax

This may be changed to a Capital Transfer Tax as we had some decades ago. This will mean both gifts made during life time or on death will be subject to the tax.

Inheritance Tax is being reviewed by the government at the moment and this may be a possible way of simplifying it and raising more revenue.