



Perception Accounting
Accountants with Vision

Perception Accounting

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INHERITANCE TAX

Inheritance tax is a tax on the 'estate' of someone who's passed away. How much you pay depends on the value of the deceased's estate – which is worked out based on their assets (cash in the bank, investments, property or business, vehicles, payouts from life insurance policies), minus any debts. Importantly, there is normally no tax to pay if:

- The value of your estate is below £325,000, OR
- You leave everything over £325,000 to your spouse, civil partner, a charity or a community amateur sports club

If neither of the above applies, your estate will be taxed at 40% on anything above the £325,000 threshold when you die (or 36% if you leave at least 10% of the value after any deductions to a charity in your will).

However, this £325,000 tax-free threshold might be even higher depending on your circumstances – in some cases it can be as high as £500,000, or even £1 million. We'll explain more on this below.

Why do we have to pay inheritance tax?

The politics of inheritance tax are controversial. The idea is that without it you perpetuate inherited wealth, so the children of the rich stay rich. Inheritance tax redistributes income so some of the money goes to the state to be distributed for the benefit of all.

The argument against it is that when money's earned, tax is paid at the time, so to pay tax on it again isn't fair.

After years of rocketing property prices, many more people have been caught by the inheritance tax threshold, raising it higher up the agenda. Yet whatever your views politically, inheritance tax is a financial fact, so it makes sense to know how it will affect you, and whether you can soften the blow.

What happens if I inherit my parents home?

In the current tax year, 2023/24, no inheritance tax is due on the first £325,000 of an estate, with 40% normally being charged on any amount above that.

However, what is charged will be less if you leave behind your home to your direct descendants, such as children or grandchildren. This is because you will then have two tax-free allowances:

£325,000 – this is the basic inheritance tax allowance, which still applies.

£175,000 – since 2015 you've also been able to take advantage of something called the 'residence nil-rate band', commonly known as the 'main residence' band. This is an additional allowance you'll receive ON TOP of the existing £325,000 inheritance tax allowance if you pass on a main residence to your children or grandchildren.

This means inheritance tax might not be due on the first £500,000 of your estate (£325,000 + £175,000), depending on who you leave your home to.

However,

The £175,000 main residence allowance only applies if your estate is worth less than £2 million.

On estates worth £2 million or more, the main residence allowance will decrease by £1 for every £2 above £2 million that the deceased's estate is worth.

Your home won't qualify for the £175,000 main residence allowance if it's in a discretionary will trust, even if the beneficiaries of the trust are your children or grandchildren.



Inheritance tax

An example may help...

Let's say you've got an estate worth £525,000. You've decided to leave your home to your children. This means no inheritance tax will be charged on the first £500,000 (£325,000 basic allowance + £175,000 main residence allowance). There'll be a 40% charge on the remaining £25,000, giving a total of £10,000 in tax (presuming you're not leaving anything to charity). If you weren't leaving your home to your direct descendants, you'd pay nothing on the first £325,000 of your estate, and 40% on the remaining £200,000, meaning a total of £80,000 to pay in inheritance tax.

Are the rules different if I'm married?

There are special rules for married couples or those in civil partnerships – they state:

When you die, assets left to your spouse or registered civil partner, provided they're living in the UK, are exempt from inheritance tax.

On top of this, your partner's inheritance tax allowance rises by the percentage of your allowance that you didn't use, meaning together a couple can currently leave £1 million tax-free (2 x £325,000 tax-free allowances + 2 x £175,000 main residence allowances).

This can sound complicated, so here's an example...

Mr and Mrs Youngatheart have assets worth £1 million between them. Mr Y dies first in 2023/24 – leaving everything to Mrs Y – so his £325,000 tax-free allowance is passed on, as well as his £175,000 main residence allowance. In total, this means Mrs Y may have up to a £1 million tax-free allowance: her allowance, plus her inherited allowance from her deceased husband.



A man in a white shirt and blue tie is leaning against a light-colored wall. To his left is a dark doorway with a sign above it that reads "TAX OFFICE". The man is looking up and to the right with a thoughtful expression.

TAX OFFICE

Tax avoidance What to look out for..

Even though tax avoidance is normally legal, it can quite easily turn into tax evasion.

And tax evasion - a deliberate plan to cheat the taxman - is most definitely an offence.

So what is the difference between avoidance and evasion, and how can you still go wrong with avoidance?

Avoidance

Of course everyone is allowed to avoid paying tax if they possibly can. It is perfectly legitimate - indeed the government encourages us - to save in a tax-free Individual Savings Account (Isa), for example.

That means you do not pay any income tax on the interest you receive, or capital gains tax when you come to sell.

There are also tax-saving advantages to putting money into a pension scheme, donating to charity via the gift aid scheme, or claiming capital allowances on things used for business purposes.

But tax reliefs and rules are open to abuse.

"Tax avoidance is bending the rules of the tax system to gain a tax advantage that Parliament never intended,

It often involves contrived, artificial transactions that serve little or no purpose other than to produce a tax advantage. It involves operating within the letter - but not the spirit of the law.

Warning Signs

To help taxpayers, HMRC advises UK residents to look out for the following warning signs:

- it sounds too good to be true and cannot have been intended when Parliament made the relevant tax law (for example, some schemes promise to get rid of your tax liability for little or no real cost, and without you having to do much more than pay the promoter and sign some papers)
- the tax benefits or returns are out of proportion to any real economic activity, expense or investment risk
- the scheme involves arrangements which seem very complex, given what you want to do
- the scheme involves artificial or contrived arrangements
- the scheme involves money going around in a circle, back to where it started
- the scheme promoter either provides any funding needed to make the scheme work or arranges for it to be made available by another party
- offshore companies or trusts are involved for no sound commercial reason
- a tax haven or banking secrecy country is involved
- the scheme contains exit arrangements designed to side-step tax consequences
- there are secrecy or confidentiality agreements
- upfront fees are payable or the arrangement is on a "no win, no fee" basis
- the scheme has been allocated a Scheme Reference Number (SRN) by HMRC under the Disclosure of Tax Avoidance Schemes (DOTAS) regime.





Corporation Tax

Marginal Relief

From 1 April 2023 the Corporation Tax rate changed to:

- 19% for taxable profits below £50,000 (small profit rate)
- 25% for taxable profits above £250,000 (main rate)

Marginal Relief provides a gradual increase in Corporation Tax rate between the small profits rate and the main rate — this allows you to reduce your rate from the 25% main rate.

Who can claim Marginal Relief

Your company or organisation may be able to claim Marginal Relief if its taxable profits from 1 April 2023 are between:

- £50,000 (the lower limit)
- £250,000 (the upper limit)

If your accounting period is shorter than 12 months these limits are proportionately reduced. These limits are also proportionately reduced by the number of associated companies your company has.

For example, if your company has 3 other associated companies, the limits are divided by 4. The lower limit becomes £12,500 and the upper limit becomes £62,500.

Corporation Tax

Who cannot claim Marginal Relief

You cannot claim Marginal Relief if:

- you're a non-UK resident company
- you're a close investment holding company.
- your profits (including distributions from unrelated, unassociated companies) go over £250,000

Check how much relief you can claim

You can calculate Marginal Relief for Corporation Tax to check how much Marginal Relief you may be able to claim.

You should only use this service to calculate Marginal Relief on Corporation Tax profits from 1 April 2023.

HMRC news....

HMRC closed the VAT helpline on 22nd May 2023, meaning that you now have to call the general enquiries line for all VAT related issues.

This means the HMRC general enquiries line is now over burdened with some calls taking up to 2hours on hold.





How to become a successful business leader

The success of a company often rests in the hands of its leaders. Business leaders are responsible for setting goals, motivating team members, and embodying the spirit and culture of the company that they work for. Becoming an effective business leader means possessing a diverse set of skills and qualities.

The 5 Qualities Every Good Business Leader Demonstrates

Whether you're the co-founder of a giant, successful business like Salesforce, General Motors, Netflix, or Nike, or are simply trying to get your own company off the ground, a good business leader possesses a number of key qualities that allow them to succeed in a leadership role:

1. Curiosity: Great leaders remain curious at all stages of their career. They are always seeking out new ideas and innovative tactics in hopes of continuously improving their business. This curiosity and willingness to try new things can have a trickle-down effect on company culture, as the best leaders encourage their team members to be ever-inquiring and inventive as well.

2. Self-assessment: Successful business leaders occasionally pause to survey their own strengths and (more importantly) weaknesses. A good leader will examine their vulnerabilities and shortcomings. Doing so makes the team stronger, allowing them to delegate tasks to team members with the abilities they lack. Successful leaders will also identify their weaknesses so that they can improve upon those areas in the future.

3. Communication: Successful leadership requires open communication with the rest of your team. That means not only clearly articulating business goals and expectations for your team, but also being responsive to the group's needs. Clear communication is especially important with a decentralized workforce—these days, it's not uncommon for leaders to be responsible for team members scattered everywhere from New York to Los Angeles to Omaha. Great leadership occasionally involves laying down the law, but it more often requires the emotional intelligence to detect the subtle wants and needs of a diverse and dispersed team. Strong teams are forged through clear, effective communication from the top-down.

4. Goal setting: An essential aspect of good leadership is setting clear business goals for your company, your team, and yourself. Successful entrepreneurs and business leaders are more likely to motivate their team to do the hard work necessary to achieve big picture goals when they are able to clearly articulate their step-by-step vision for how to produce the desired results.

5. Risk taking: The business world is full of challenges, and effective business leadership entails knowing when to take risks in order to solve problems. A true leader is willing to try unconventional or risky strategies in order to boost performance or achieve goals. Risk taking is not the same as recklessness, however, and anyone in a leadership role should be collecting data and running scenarios to inform their decision-making, even when it's risky.

2 Unusual business ideas to make money



Glamping

Glamping is like glamorous camping. You get the best of worlds. “Rough it” in the outdoors in a camping environment but with the modern-day luxuries, many of us have grown accustomed to.

According to this resource, glamping is a 1.8 billion dollar industry, expected to grow at a compound rate through 2028.

Now is a great time to build your glamping resort business idea, providing modern amenities mixed with the experience of nature and the great outdoors.

Think massive luxury tents with bedroom furniture and electronics (like a TV and radio) or clear plastic domes that let you sleep under the stars in an enclosed capsule-like fortress.

Glamping is done around the world in places like Thailand, South America, Slovenia, and various parts of the U.S. like Texas, Colorado, and other states.



Cat Cafe

This is probably what you're thinking of, a cafe with cats. Each cat cafe can be a little different but many are just that, a coffee shop with cats roaming freely throughout.

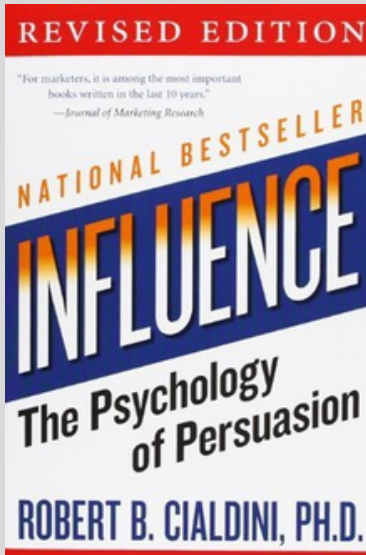
What's the benefit of a cat cafe?

Relax, drink a cup of coffee and enjoy interacting with these furry companions. Not all cat cafes serve drinks and food as an actual coffee shop but they exist for entertainment purposes.

People can play with and be in the presence of cats which can bring relaxation and de-stress you. Cats can bring happiness, improve well-being and provide relief, help people cope with mental challenges, stress, and burdens in life.

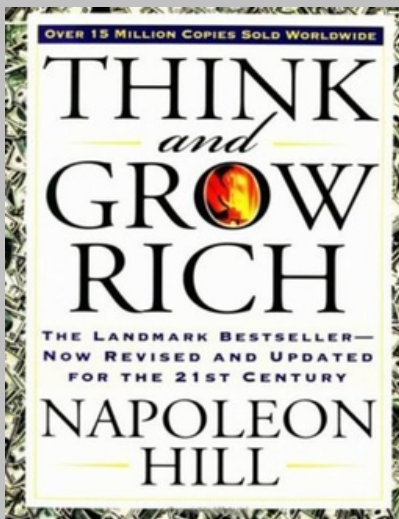
Why wouldn't cuddling a soft, cozy cat make you feel better?

Our favourite business reads



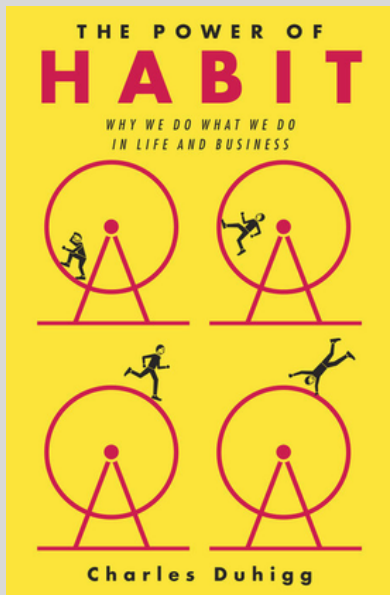
Influence: The Psychology of Persuasion **Robert B. Cialdini**

Influence, the classic book on persuasion, explains the psychology of why people say "yes"—and how to apply these understandings. Dr. Robert Cialdini is the seminal expert in the rapidly expanding field of influence and persuasion. His thirty-five years of rigorous, evidence-based research along with a three-year program of study on what moves people to change behavior has resulted in this highly acclaimed book..



Think and Grow Rich: The Landmark Bestseller Now Revised and Updated for the 21st Century

Think and Grow Rich has been called the "Granddaddy of All Motivational Literature." It was the first book to boldly ask, "What makes a winner?" The man who asked and listened for the answer, Napoleon Hill, is now counted in the top ranks of the world's winners himself. The most famous of all teachers of success spent "a fortune and the better part of a lifetime of effort" to produce the "Law of Success" philosophy that forms the basis of his books and that is so powerfully summarized in this one..

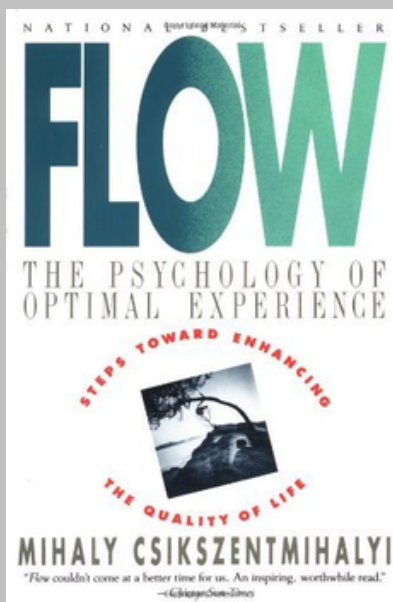


The Power of Habit: Why We Do What We Do in Life and Business

Charles Duhigg

A young woman walks into a laboratory. Over the past two years, she has transformed almost every aspect of her life. She has quit smoking, run a marathon, and been promoted at work. The patterns inside her brain, neurologists discover, have fundamentally changed.

In *The Power of Habit*, award-winning New York Times business reporter Charles Duhigg takes us to the thrilling edge of scientific discoveries that explain why habits exist and how they can be changed. With penetrating intelligence and an ability to distill vast amounts of information into engrossing narratives, Duhigg brings to life a whole new understanding of human nature and its potential for transformation.



Flow: The Psychology of Optimal Experience Mihaly Csikszentmihalyi

Psychologist Mihaly Csikszentmihalyi's investigations of "optimal experience" have revealed that what makes an experience genuinely satisfying is a state of consciousness called flow. During flow, people typically experience deep enjoyment, creativity, and a total involvement with life. Csikszentmihalyi demonstrates the ways this positive state can be controlled, not just left to chance. *Flow: The Psychology of Optimal Experience* teaches how, by ordering the information that enters our consciousness, we can discover true happiness, unlock our potential, and greatly improve the quality of our lives.

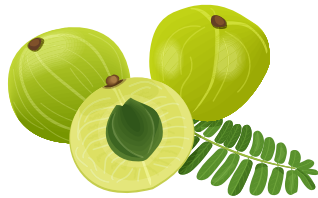
Gooseberry Fool



Ingredients

- 250g gooseberry, topped and tailed
- 3 tbsp caster sugar
- 200g Greek yogurt
- 1-2 tbsp icing sugar
- 1 tsp vanilla extract
- 200ml double cream

Method



STEP 1

Put the gooseberries and sugar in a pan with a splash of water. Heat gently, stirring, then bring to a simmer and cook until the fruit starts to burst. Squash the gooseberries with a potato masher or fork until pulpy. Cool then chill until cold in the fridge.

STEP 2

1. Put the yoghurt in a bowl and beat with the icing sugar and vanilla until smooth. Gently whisk in the cream (it will thicken as you whisk so don't overdo it). Ripple through the gooseberry pulp then spoon into pretty glasses or bowls to serve.

Enjoy

Company News

**WELCOME
BACK!**

We are thrilled to welcome Louis back to the office and are pleased to see him looking so well.

Hello

We are excited to be bringing onboard Louie as our admin apprentice and Jake who will be our new accounts junior

Congratulations!

Huge congratulations to Georgie who is now a fellow of the ACCA having been a qualified member for over five years. Plus further congratulations to Georgie for completing an Autism course for understanding autism

COMPETITION TIME



Everyone who has sent/sends their tax return information to us by 31st July will be put into a prize draw to win a bottle of Bollinger! with 4 runner up prizes on offer also! What are you waiting for? send the info over now:


info@perceptionaccounting.com



Final thoughts from the MD

It has been a busy couple of months since the last newsletter with lots going on to get our team back to full strength. I am looking forward to welcoming our new starters next month and hope that anyone that speaks to them will find them friendly and helpful.

I hope that anyone with teenagers (like me) have survived the last 4 weeks of GCSE's. Fingers crossed that they get the results they are hoping for.

 Thank you to everyone who has been sending their tax return information over to us, and for those who haven't yet don't forget there is a bottle of Bollinger up for grabs if you get it in by the end of July!

We will have news on this year's chosen charity in the next edition and will let you know what we are doing this time.

It is lovely to see a bit of sunshine, hopefully it is making everyone feel full of optimism and get up and go!



Finally, if anyone is calling over the next couple of weeks my daughter Jazz may well answer the phone to you. She is helping with some admin to earn some summer holiday funds!



Lisa Brown



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