Tax Talk

Simplifying the complexities of Tax

February 2023

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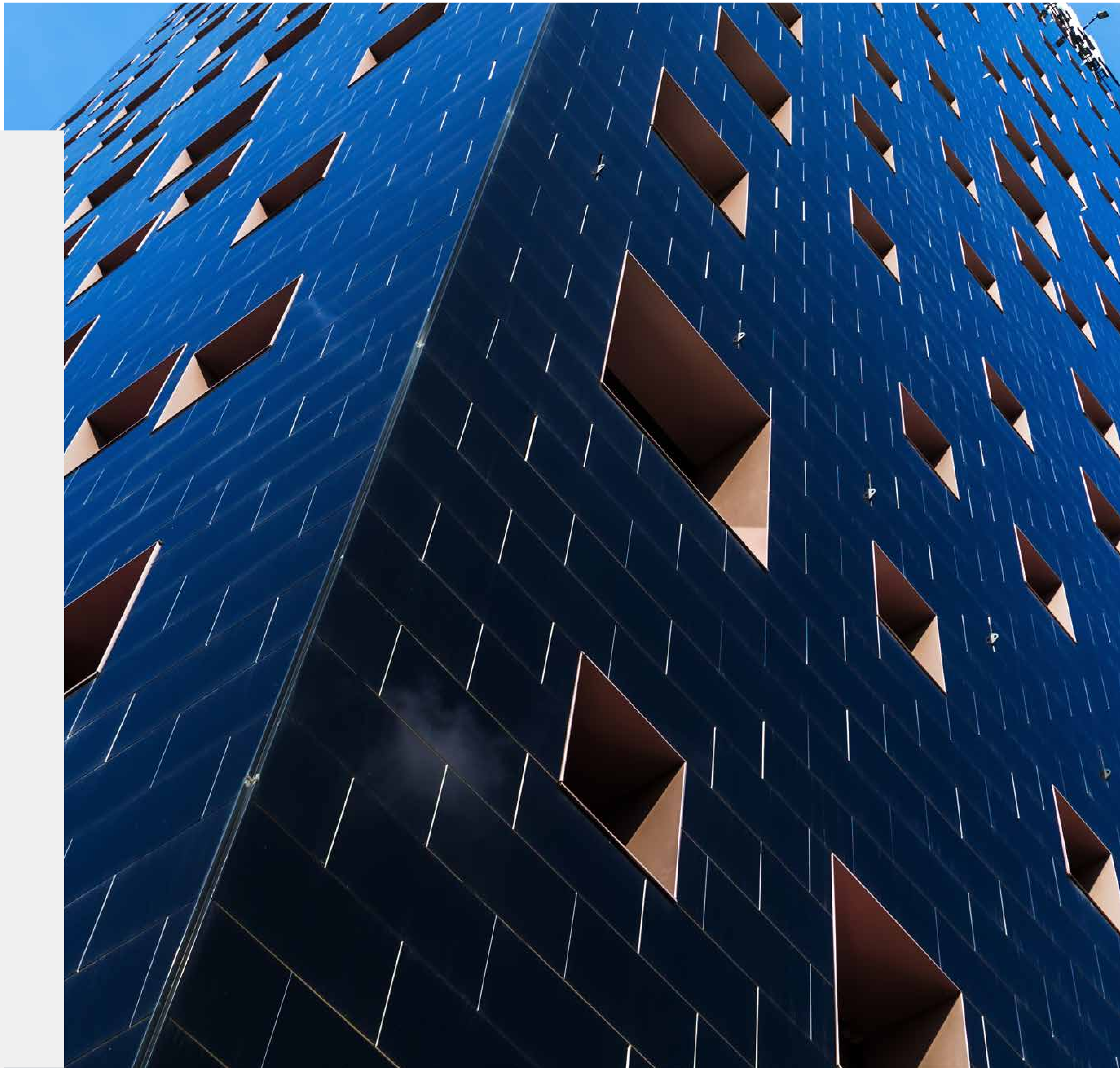
Tax Talk: February 2023



Making Tax Digital for Income Tax

The government has recently announced that Making Tax Digital for Income Tax will be pushed back 2 years and will not coming to force until April 2026.

Details of the announcement can be found here.

We will be fully exploring the impact of this for tax payers in our next edition of Tax Talk.

The employment tax cycle: growth and expansion

In our December edition of Tax Talk, we followed the life cycle of a company that grew from being a one-person operation, to a company with employees.

In this edition, we continue to follow the company through a period of continued success, which has given rise to fast growth in all aspects of the business, including income, profit, number of employees and the number of countries in which the company operates. We'll look at some of the new Employment Tax obligations and liabilities that the company will need to consider when it reaches certain milestones.

Congratulations, now pay more tax!

When it comes to Government rhetoric on the rates of tax that individuals pay, we are all probably familiar with the statement that "those with the biggest pockets bear a bigger slice". Therefore it probably comes as no surprise that a similar discourse is applied to employers, but with a few subtle changes.

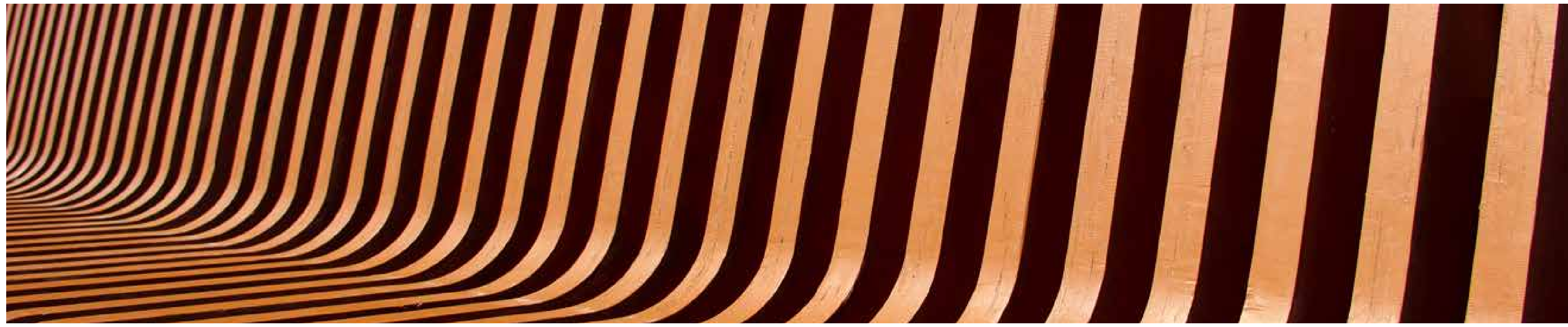
As a result of expansion, growing businesses bear subtly increasing employment tax costs coupled with increases in their administrative payload. Employment taxes and administrative obligations are almost always tied in one way or another to a company's size and rarely to the actual profit of the company.

The costs of being an employer creep up

By the end of our previous article, our company had hired its first employee, and had begun fulfilling its new obligations in terms of payroll, pension and employment law. As the company continues to grow year on year, so do the number of employees, increasing not only wage costs (with it proportionally increasing liability for secondary class 1 NICs) but also the progression of the company's pay structure.

Milestone	Effect	Impact
Employers NIC exceeds £100,000 for the first time	Loss of Employment Allowance	Increase in cost/ reduction in profit

To date, the company has been enjoying the £5,000 Employment Allowance, which helped reduce the company's NIC liability each year. However, with continued growth and payroll costs, the company's NIC liability reaches the threshold of £100,000 during a tax year, meaning that the useful Employment Allowance is no longer available in the subsequent tax year. Whilst £5000 is not a huge additional cost for a company to absorb, this is the first clear example of an increase in the tax/NIC a company must pay with no reference to how much money (profit) the company makes.



Milestone	Effect	Impact
Employee Benefits start to be provided	New reporting requirements to inform HMRC of non-cash remuneration	Increase in year end administration

Providing staff benefit as part of an employee's remuneration policy has many positives, not only for employees, but for the company also. As with paying cash to an employee however, the added cost of NIC is lurking, which increases the company's costs of providing a benefit. Although this is expected and well budgeted for, the real impact of this milestone is the increased administration that comes hand in hand with providing staff benefits.

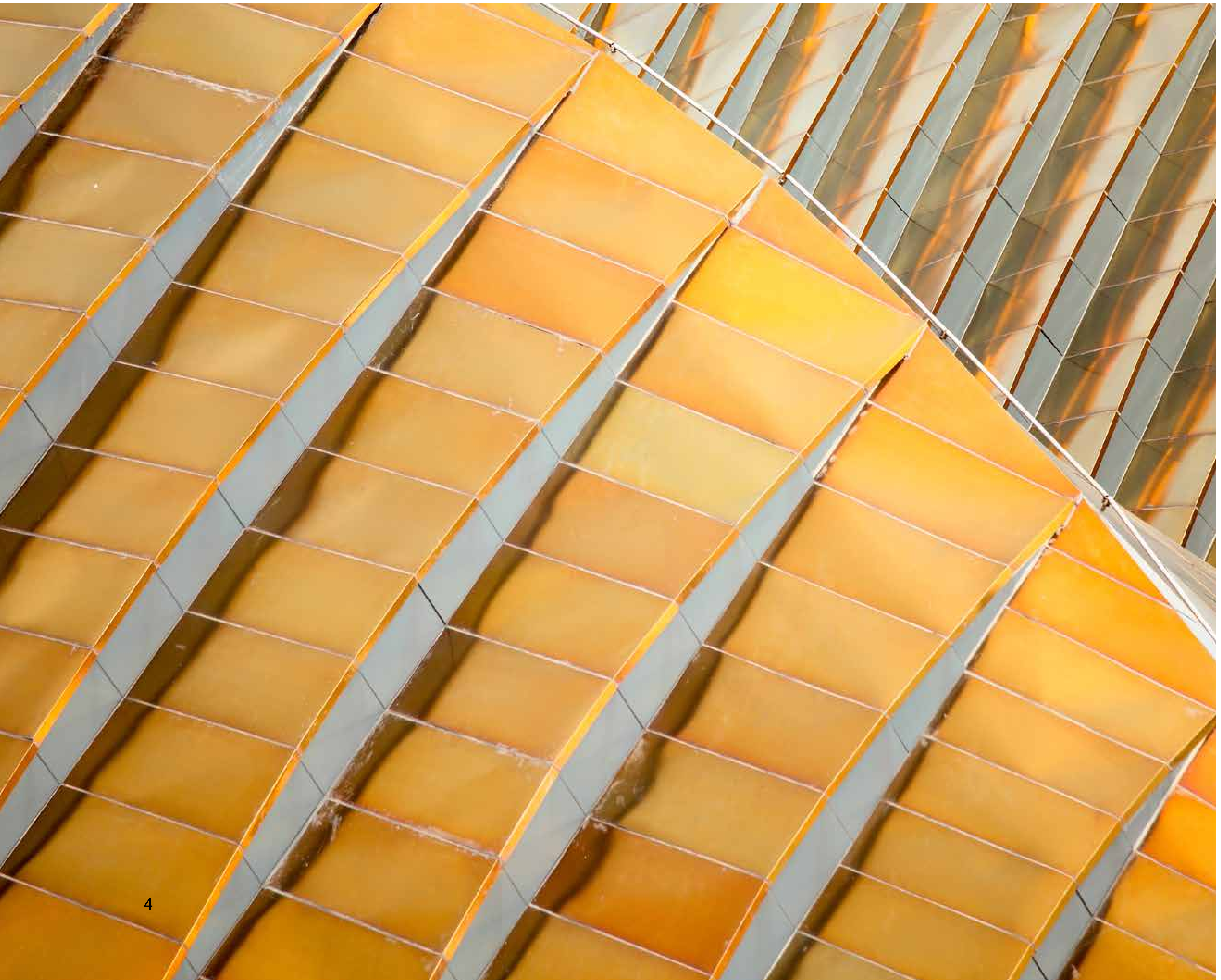
Most, but not all, benefits are subject to Class 1A NIC, which is an employer only liability (there is no employee element to 1A) charged at the same rate as secondary Class 1 at 13.8%.

Unlike the secondary Class 1 NICs due on payroll earnings, which is charged on a payments basis, Class 1A is payable annually. The deadline for payment of a company's Class 1A NICs is 19 July, following the end of each tax year, and following the submission of the Employers Annual Class 1A Deceleration which needs to be filed by 6 July following the end of the tax year.

The majority of benefits have to either be reported to HMRC via the PAYE system), or via an annual P11D form, which has to be filed with HMRC (and provided to employees) no later than 6 July following the end of the tax year.

There are a host of exemptions which might apply to different benefits provided in different scenarios.

The employment tax cycle: growth and expansion



The treatment of employee benefits does however have extensive HMRC guidance (which requires a level of tax knowledge to understand) so correctly determining what benefits are taxable and the taxable value of that benefit is often more complicated than companies expect, and presents a significant compliance risk to manage.

When our company started providing benefits to its employees, it not only became liable for a new class of NIC (Class 1A) which further increased their costs and reduces their profit, but they also took on a new administrative obligation to report the benefits to both employees and HMRC.

Milestone	Effect	Impact
Wages exceed £3 million per year	Company starts to be pay the Apprenticeship Levy	Increase in cost / reduction in profit

The apprenticeship levy is a 0.5% charge that companies start to pay when their wages are subject to Class 1 NIC, exceeding £3 million per tax year. Technically all companies are liable to the levy but, due to a £15,000 annual levy allowance, do not start paying this until staff wages exceed £3 million per year.

The levy was introduced to stimulate an increase in the number of apprenticeships companies offer, and following the rollout of the scheme, many common qualifications have been redesigned to meet the specific criteria for the training/ qualification that the scheme requires. The levy is not a direct tax cost and once paid, the funds remain available to the company to fund training costs for staff towards an approved apprenticeship qualification.

Not only do the funds remain available to the company, but the government contribute 10% towards the apprenticeship training cost.

Incentives for companies who do not pay the levy (or who exhaust their levy fund) are significant, with the government meeting 95% of the training costs. There are limits and criteria surrounding apprenticeships and whilst these are used by many companies to assist with the funding of their training costs, there remain large numbers that do not access their levy fund at all and view the 0.5% levy as an additional cost only.

The employment tax cycle: growth and expansion

Milestone	Effect	Impact
Introduction of employee share incentives	New reporting requirements for the company	Increase in administration

As the company's growth continues and remuneration policies develop further, share incentives schemes are introduced.

Most share schemes need to be registered with HMRC when they are introduced, and some tax approved schemes also require HMRC to be notified within a set time frame when shares are granted/awarded under the scheme.

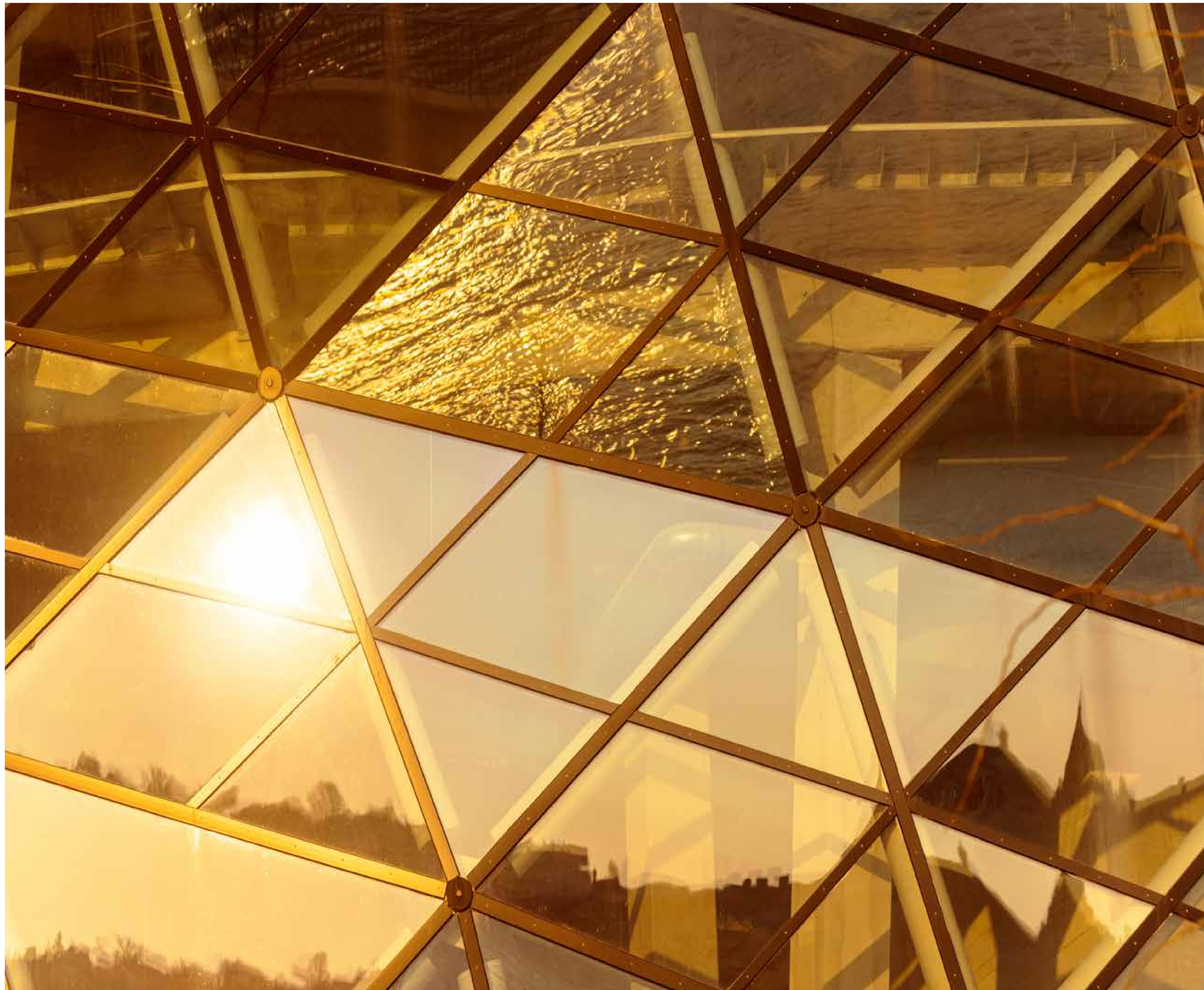
All schemes carry a requirement to file an annual "Employment Related Securities" (ERS) return (often referred to as form 42) even if there are no transactions during the tax year concerned. ERS returns are complex and many companies overlook their obligation to file these on an ongoing basis. Failure to file the annual return by the deadline of 6 July following the end the tax year carries statutory penalties which become progressively severe the longer a return remains unfiled.

Milestone	Effect	Impact
Company meets the criteria for being considered a medium/large company for UK accounting purposes	Company now has to follow the Off Payroll Working legislation in respect of contractors engaged via a personal service company	Increase in administration and potential increase in cost

The Off Payroll Working (OPW) legislation was introduced for private companies in April 2021 and has been the topic of many of our articles. For anyone not familiar with these rules, read this article for a detailed overview.

The OPW rules require companies who engage with contractors via the workers' personal service company to fulfil certain obligations regarding the assessment of the contractors "Employment Status for tax".

Once the assessment is complete (which is far from straight forward at the best of times) it needs to be communicated to the contractor and any other intermediary involved in the chain of engagement with the contractor. If the Employment Status is assessed as to be one akin to an employment then the company is required to operate PAYE and are liable for the employer's Class 1 NIC which will be due on payments to the contractor.



The employment tax cycle: growth and expansion

For companies that utilise a high number of contractors, the OPW rules can create significant amounts of administration in order to manage the risk. For companies that may only utilise contractors infrequently, an awareness of the rules and designating responsibility for what to do when a contractor is engaged is key. Many companies remain unaware of their obligations and therefore carry a compliance risk associated with this.

Milestone	Effect	Impact
Company expands overseas and establishes subsidiary companies in various countries	Requirement to track overseas visitors or operate PAYE on their earnings	Significant increase in administration

The company's expansion of entities overseas has many tax implications, with Employment Tax often being overlooked.

As part of a now international organisation, visitors from related overseas companies begin visiting the UK for business purposes, and with this comes potential tax and PAYE issues that the UK company must navigate. Most business visitors to the UK will come from countries with whom the UK has a double tax agreement, which contains clauses to ensure the individual is not liable to UK income tax unless certain conditions are not met.

Despite the fact that the individual themselves may not ultimately be liable to UK income tax, the UK company remains liable for the operation of PAYE on any employee who visits the UK to conduct business activity.

The PAYE obligation exists on even a single day worked in the UK and, without the following concession, would create an administrative nightmare for companies to remain compliant with.

HMRC recognise that operating PAYE withholding on individuals that ultimately are not liable to UK tax causes issues for both employers and the individual themselves (who would need to file a UK tax return to recover the tax withheld) and allow for a relaxation of these rules for employers who enter into a "Short Term Business Visitors Agreement (STBVA)".

An STBVA allows an employer to forego the need to operate PAYE on visitors to the UK who come from countries with which the UK has a double tax agreement. The primary information required under a STBVA is the number of days each visitor to the UK worked in the UK. This therefore requires the UK company to have some means of tracking and recording visitors to the UK from overseas associated companies.

There are many ways that this can be done, ranging from simply using the signatures in the office visitor book, to technology solutions that utilise GPS tracking of employees via an app.

In addition to the number of days each visitor works in the UK, further information is needed the more days that an employee is present in the UK with this escalating to a requirement to obtain residency certificates from the visitor's home country if they exceed 120 days in the UK per tax year.

The STBVA does not apply to all visitors to the UK and visitors from a branch of a UK company, a country with which the UK does not have a double tax agreement or for anyone that the UK company bears some cost of the employees pay are excluded and tax will be due in respect of such employees. There are however some relaxed PAYE rules which may apply to such individuals but navigating these can be complex.

As organisation's grow in size and increase their global footprint, managing the compliance obligations (in the UK and overseas) around international business travelers creates a significant administrative burden for companies to manage in order to mitigate the tax risks.

The employment tax cycle: growth and expansion

Milestone	Effect	Impact
Company employs more than 250 employees	Gender Pay Gap reporting is required	Increase in administration

GPG requires companies to calculate, report and publish figures for:

1. percentage of men and women in each hourly pay quarter
2. mean (average) gender pay gap using hourly pay
3. median gender pay gap using hourly pay
4. percentage of men and women receiving bonus pay
5. mean (average) gender pay gap using bonus pay
6. median gender pay gap using bonus pay

A written statement regarding the companies gender pay gap is also required and most companies use this to provide some commentary regarding what steps they are taking to narrow the pay gap.

Manipulating pay data in a way that provides the necessary information (and in ways that provides more explanation than the bare minimum for the GPG report) can be a time consuming and administratively heavy exercise.

Whilst some companies put significant time and effort into this (with the view of creating a more positive public image), for others it is just another task that the company have to fulfil in order to satisfy the UK government and regulators.

Milestone	Effect	Impact
Turnover exceeds £200 million per year and/or balance sheet shows assets of £2 billion or more	Senior Accounting Office regime applies	Increase in administration and personal accountability for tax compliance introduced

By the time that a company grows to such a size that the Senior Accounting Officer (SAO) rules applies, the management of tax risk should (we would hope) be a board level agenda and already have significant resource devoted to it. The company should already have a published tax strategy and is likely to have a dedicated team who are responsible for managing the company's tax affairs, obligations and relationships with tax authorities in the countries in which they operate.

The SAO regime impacts all taxes not just employment tax and requires a lot of work to fulfil the obligations compliantly on an ongoing basis. More details of the SAO rules can be found here.

Conclusion

As you can see, as our company grows it encounters relatively small increases in the amount it pays as a proportion of its staffing costs. This does however equate to significant increases in the administrative burden it must fulfil. With increasing administrative expectations comes increased risks for the company, all which require an increase in costs (more staff, external service providers) to manage, fulfil and ultimately maintain the company as a compliant employer in the eyes of HMRC.

For detailed information and advice on any issues raised, please contact Dan Kelly.

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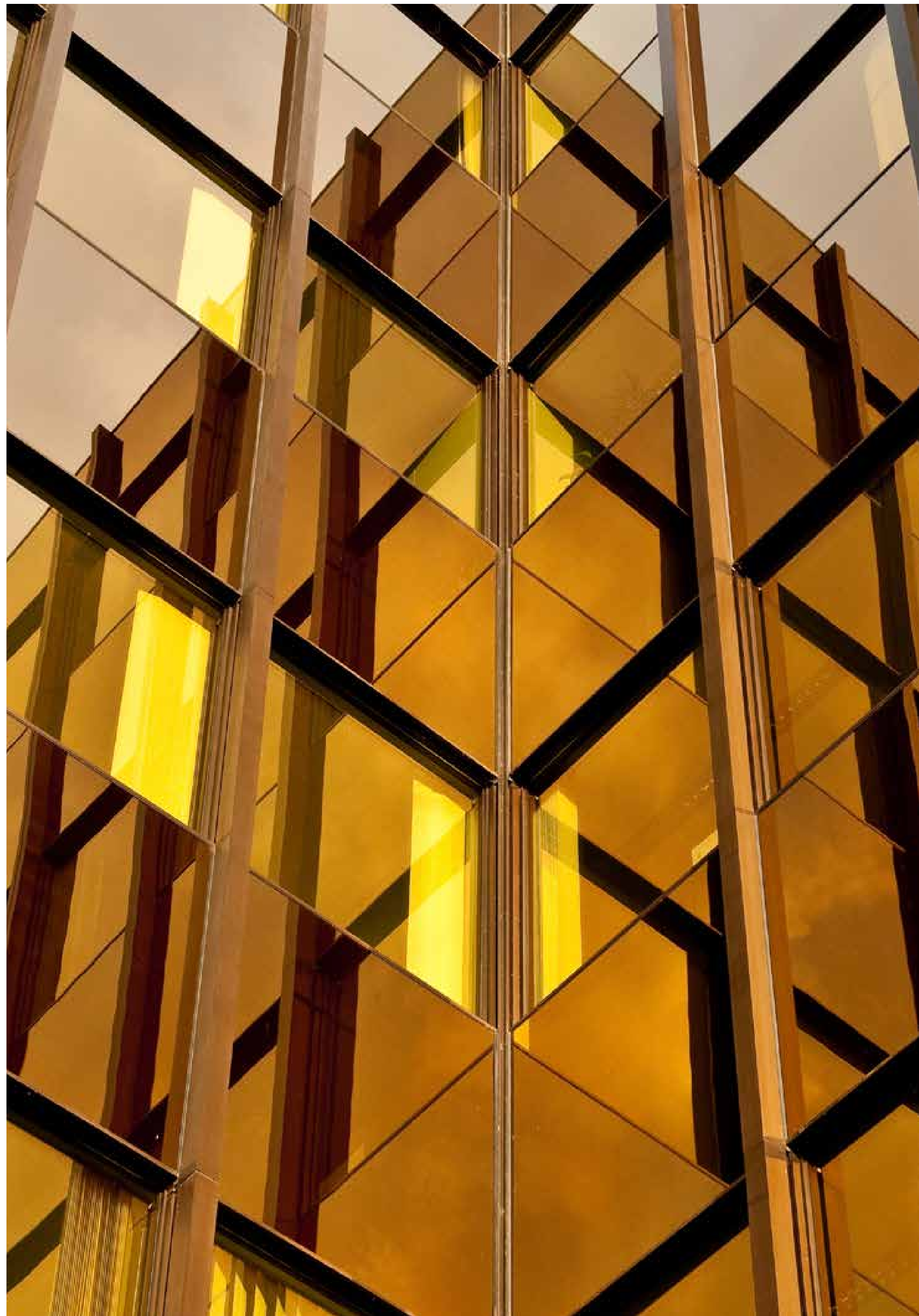

Overseas expansion: what should you consider?

There are many reasons why a business may decide to operate internationally. But it's important to take tax advice before going any further. Chris Riley sets out some key priorities.

When expanding into overseas markets, it is vital to understand the taxation considerations involved so that liabilities can be reported and payments settled at the correct time.

But, first of all, will you be operating overseas, or selling overseas? It is fundamental to distinguish between selling (from the UK) to overseas customers, and 'setting up shop' in another jurisdiction.

Generally speaking, another country can only expose you to Corporation Tax if you have actual physical operations there – meaning you are represented by premises and employees – or if you have set up a new company located there.

Similarly for payroll taxes, this may seem obvious, but only employees actually working in a country will be subject to tax on their wages. So if you're merely shipping products to overseas customers, or providing services remotely, these areas of tax are unlikely to be a risk.

Our excellent article by Nadav Shayovitz considers in more detail the specific complexities that will arise from a VAT perspective, particularly in respect of expansion into EU markets.

Local legislation will govern which tax exposures are relevant, and which reliefs are available, which must also be balanced against the needs of the customer where options arise. In some cases involving physical goods, you may be able decide not to deal with the local indirect tax consequences and leave that for the customer to resolve on delivery. But anyone who has had to traipse to the post office to settle a £5 duty charge before they can receive a t-shirt ordered online will know that this is not a way to build long-term customer relationships.

Branch versus subsidiary

Assuming you'll be operating overseas, consider whether to set up the overseas operation as an extension of the UK business (creating an overseas branch as a result). Alternatively, you may ringfence the activities in a standalone subsidiary.

As a new legal entity is not required, it's usually easier and cheaper to initially form a branch. That way ongoing costs may also be lower. But a subsidiary may bring greater benefits, such as ease of opening a bank account or entering into legal agreements (like a lease for premises).

From a Profits (Corporation) Tax perspective, the treatment of profits arising overseas should not normally give rise to an additional cost over that chargeable locally, due to various UK tax exemptions. But a branch overseas may be considered riskier, as profits are calculated on an apportionment of the total profits. In a subsidiary, by contrast, they are based on clear individual transactions. What's more, it may not be possible to access local tax reliefs with a branch.

You should also consider additional costs of extracting profits back to 'home', which may occur. A subsidiary may be required to pay withholding taxes on dividends and interest payments, whereas a branch may suffer a higher rate of tax than a resident company in some jurisdictions.

The existence of a tax treaty between the UK and the overseas jurisdiction may reduce, but will never increase, these overseas exposures.

For Payroll tax purposes, employees overseas will likely be treated similarly (I.e. taxed locally) whether they work for a branch or subsidiary.

Overseas expansion: what should you consider?

In all cases however, where an employee moves between jurisdictions, personal tax is likely to be a consideration in both (or all) jurisdictions, and care is required to ensure that where income is potentially taxable twice, advance planning is undertaken to ensure accurate data is captured so that double tax relief operates effectively.

Don't ignore transfer pricing

The UK offers a very generous exemption from transfer pricing requirements for SMEs that transact with connected businesses based in jurisdictions that have a tax treaty with the UK. This includes most of the developed (and developing) world.

The exemption also extends to transactions within the UK, so transfer pricing doesn't appear on the radar for many purely domestic groups.

Transfer pricing is the requirement that transactions between related parties are entered into on an arms-length basis. If they aren't, and profits are understated as a result, the Corporation Tax calculation is required to amend the figures to reflect this alternative price.

Most jurisdictions apply transfer pricing rules, and few have an exemption regime for SMEs that is as generous as the UK's.

So you ignore transfer pricing at your peril. The risk is that in several years' time, the overseas tax authority increases your profits and tax liabilities for the transactions between their jurisdiction and the UK, with no automatic right to reduce the UK profits by the same amount. This could lead to a double tax charge.

Similar adjustments may also arise using transfer pricing principles for local VAT, Customs Duty and – where employees work in more than one jurisdiction – the split of salary costs (and payroll tax exposures) between the two.

Beware of local taxes

Although the UK tax system may be very complex, many UK domestic businesses are only regularly affected by national level Corporation Tax, VAT and employment taxes, together with business rates for the properties they occupy. These three key taxes are replicated at a national level in most overseas jurisdictions. The main exception is that sales taxes, rather than VAT, are relevant in some countries (such as the US).

Nevertheless, in many jurisdictions, significant further tax exposures and complications will also arise locally. Businesses operating in the US, for example, will be exposed to state taxes, and potentially also city taxes. These could be in the form of additional profits-based taxes or sales taxes, for example, together with additional charges on employment costs.

If you have a choice when deciding to take your first steps in a new country, you should find out about the potential exposures (and in some cases, available incentives) in each location, as they may have a significant impact on the tax costs of operating your business.

Further support

So it's always valuable to take advice before expanding your business to a new country.

You can search online for the headline rates of key taxes. But you really need a local expert who knows your business to learn about the application of those taxes locally, and potentially other lower-profile taxes. That will allow you to plan and structure efficiently from the outset. Through our membership of PKF International, PKF Littlejohn has access to local experts in 150 countries around the world, so a clear answer is never far away.

If you would like further advice, please contact Chris Riley.

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Expanding abroad? How to establish the VAT position

We look at the role of fixed establishments and how they relate to VAT liabilities arising from overseas operations.

Businesses which begin to operate in additional territories should check if they are at risk of creating a VAT fixed establishment (FE) outside their home jurisdiction. This is key to determining their VAT obligations. But confirming either way is often not straightforward, and recent legal cases have created more questions than answers. Here's our guide.

What is a fixed establishment?

For VAT purposes, an FE is an establishment of a business in a country other than where the principal place of business is located. An FE typically exists when a business has sufficient human and technical resources in a particular territory to enable it to both 'receive' and 'use' the services supplied to it for its own business activities in that territory.

Note that there are different criteria for a business to have a permanent establishment (PE) for Corporation Tax purposes. So the presence of an FE will not necessarily mean the existence of a PE, and vice versa.

Why does the presence of an FE matter so much?

Typically, a business which supplies B2B cross border services is not required to register for VAT outside its home jurisdiction. But there can be exceptions to this, depending on the kind of services and the extent to which the VAT reverse charge is permitted in the customer's territory.

Most such businesses are only required to register for VAT outside their home jurisdiction if they're deemed to have a separate FE, and if that FE is judged to be most 'closely related' to making and/or receiving a supply of services.

Take, for example, a UK business contracting with a business customer in France to provide IT services. Ordinarily, this supply would be outside the scope of UK VAT. The customer in France would apply the VAT reverse charge, so the supplier would not need to register for VAT in France.

But if the UK business has an employee living in France who undertakes the services, it would need to consider whether it has an FE in France for VAT purposes.

Expanding abroad? How to establish the VAT position

In this case, and if that 'establishment' was most closely associated with the supply to the customer, the supplier would have to register for VAT in France. The position would always depend on the details.

What if the person in France undertaking the services is a subcontractor of the UK business, rather than an employee? In the past this would not have created the necessary 'permanent human and technical resources' for an FE. But the European Court of Justice (ECJ) case of Welmory held that an FE can exist where a business has as much control over the third-party activities as it would over its own employees.

There was another challenge to this principle in the recent ECJ case of Berlin-Chemie, where it was held that an FE should not exist where the same resources are used to provide and receive the same services.

So it's vital to understand the contractual position between the contractor and the supplier to decide whether the business needs to register for VAT locally.

In the age of remote working and geographically dispersed employees, it's especially important to determine whether the business has any additional VAT obligations.

A local tax authority can backdate a VAT registration indefinitely. So businesses that fail to VAT register can be charged late registration penalties and interest. There may also be difficulties receiving payment of local VAT due from the customer for historic supplies.

Supply and receipt of services

So for an FE to exist there must be sufficient presence in that territory for a business to effectively 'receive' and 'use' services there. Using the example above, this means that if the UK company's employee in France procured services from an established supplier outside France, the UK company may have to apply the reverse charge and register for VAT in France.

This is the case even if it didn't provide any services to customers in France on which it had to charge local VAT. So a company may need to register for VAT not only based on supplies made by an FE, but also based on its own receipt of services.

Expanding abroad? How to establish the VAT position

The position of the customer

Where a customer has more than one establishment, the supply will be subject to VAT at the establishment most closely associated with the receipt of that service. This means the supplier must consider where the customer is receiving and using the services.

A UK company entering into a global contract with another UK company may have to ascertain whether its services are received by a non-UK FE of that customer, to decide whether it should apply UK VAT. Not only must it check whether the customer has an FE outside the UK, but the terms of the contract would show whether it's seen as a UK-to-UK supply or a supply to the customer's overseas establishment.

Does a branch registration create an FE?

Typically, a supplier would know the customer's location from its business address. But recent legal cases in the EU and UK have indicated a move towards a 'substance over form' approach to determining the presence, or not, of an FE.

In the recent case of Dong Yang Electronics, the ECJ held that the mere presence of a subsidiary in the EU did not indicate the creation of an FE. It also said the presence or otherwise of an FE did not depend on the legal form, but on the particular facts of the economic and commercial reality.

What's more, in the UK case of HSBC Electronic Data Processing, the Upper Tribunal held that for a UK registered branch of a foreign company to join a UK VAT group, that branch must be undertaking economic activities in the UK. So a UK branch registration alone is not enough to be deemed an FE.

It is therefore important to consider each case on its own merits to determine whether a business, or its customer, has an FE, and clarify the VAT implications.

If you would like advice and support on any issues raised in this article, please contact Nadav Shayovitz.

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Bringing managers into the partnership: the tax benefits

Partnerships are common among professional services providers such as law firms and accountants, but they're increasing in other sectors too. We look at the tax implications for partners versus employees.

Partnerships are useful for businesses with a large number of owner/managers. The introduction of Limited Liability Partnerships (LLP) gave partnerships broadly the same limited liability protection as limited companies. So the choice between limited company and LLP depends on the aims and aspirations of the business. In this article we focus on businesses structured as LLPs, and we use the terms partnership and LLP to mean the same.

A limited company and an LLP share most of the same running formalities, such as preparation of annual accounts. But one fundamental difference is that a partnership is transparent for tax purposes. This means the members are directly taxable on the profit of the partnership as it arises, whereas a limited company is opaque for tax purposes.

Introduction of the new member

Growth, or promoting an employee to partner, is always exciting news for a business and for that person's career. So what are the implications of admitting someone from the management team as a member of the LLP, both for the partnership and for the individual?

Partners are not considered employees in law, even though in practice the position of many partners at larger professional services firms can in many ways be akin to employment. They are therefore not protected under unfair dismissal legislation. But they do benefit from important protections under discrimination and whistleblowing legislation.

But what about tax? The introduction of a new member of the LLP, and the resulting changes in profit shares, usually won't give rise to a tax liability on the individual involved. By contrast, giving an employee equity in a limited company would be considered a taxable event under the employment-related securities regime. So it would be possible to promote a member of the management team to partner without triggering a dry tax charge.

Implications for the partnership

A partnership bears no tax itself. Instead, all the tax is paid by the member of the LLP.

There is an advantage for the partnership of having a member instead of employee. When someone is partner there is no PAYE or employer's National Insurance.

There is also a small saving to the individual, as the main rate for National Insurance is slightly lower for partners than employees (9%, compared to 12%).

The example below shows the difference between someone being paid £100,000 as an employee or as a member of an LLP.

	LLP Member	Employee
Remunerations	100,000	100,000
Employer's NI		13,800
Cost to business	**100,000**	**113,800**
Individual tax	32,304	34,040
Net available to individual	**67,696**	**65,960**

So promoting members of the management team to the partnership can provide incentives for both business and individual.

Status of a member

This shows there is a clear tax incentive for the business to introduce as many members as possible. As a result, in 2014-15, HMRC introduced anti-avoidance salaried member rules to ensure only genuine partners are treated as members of the partnership.

If a member is caught by these rules they are treated as an employee for tax purposes.

In most cases, new partners of an LLP will be joining as a fixed share or salaried partner. This means they are entitled to a fixed amount through a profit share, more like an employee receiving a salary. So it's important that firms are aware of these rules. We considered these in our October Tax Talk article.

Moving to self-assessment

Once an employee is promoted to member of an LLP, they must register for Self Assessment by completing a Form SA401, notifying HMRC that they are now a partner. From the date of their promotion, the individual partner starts paying tax on their share of the partnership profit. As an employee, they would previously have been subject to Income Tax and National Insurance (Class 1 Primary and Class 1 Secondary payable by the employer).

The profits from the partnership taxable on the members are not the same as drawings. So they can be different from the amount paid as a drawing from the partnership.

Bringing managers into the partnership: the tax benefits

Partners who are treated as self-employed are required to file a UK Self Assessment tax return — unlike most employed individuals.

The Income Tax rates applied to partnership income are the same as those for employment income, using the progressive rates of 20%, 40% and 45%.

Crucially, while employees have taxes deducted at source from their monthly pay through the PAYE system, partners do not. Their allocations of partnership profit are typically paid out gross in the form of drawings and bonuses, with no taxes withheld. Instead, a partner is likely to fall within the system of payments on account, requiring them to pay tax twice a year:

- 31 January (within the tax year)
- 31 July (after the tax year ends)

Each payment on account is usually 50% of the previous tax year's tax bill.

Capital contributions

One of the tests for the salaried member rules is the capital contribution. This could also be required by a partnership.

If a capital contribution is needed, it should be reported on the LLP's balance sheet and will have no annual tax consequence.

The capital contribution might be used for the firm's general cash flow and to fund the business' working capital. If the members are asked to pay any contribution, they might use a personal loan from a bank (or this may be arranged by the firm). The loan interest to buy into a partnership will usually be a qualifying interest and deductible against taxable income of the individual members in the year. This relief is available on a 'use it or lose it' basis. If there is unused qualifying interest, this cannot be carried forward to the next year.

In a professional partnership, there is a substantial difference in the way partners and employees pay tax. For many promoted to partner, it will be their first experience of self-employment. So it's important to be aware of the change in tax status and the requirements that such a promotion brings.

The information in this article is intended for general guidance only. It should not be regarded as comprehensive.

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At a glance

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Corporate and business taxes

Our Business Tax team will ensure that you are both tax compliant and efficient.

We provide specialist corporate and business tax advice on both a local and international level, which includes senior accounting officer and large business compliance, transaction services, due diligence, R&D tax relief, employer solutions and global mobility. We also support both the personal and business affairs of partnerships and LLPs.

Read more

Personal tax and wealth management

Our team will guide you through the complex world of taxes, helping you meet all filing requirements and identifying risks and opportunities to help mitigate tax liabilities.

We advise individuals, the self-employed, partners, trustees and executors with their UK and international tax affairs. Our services include all aspects of tax, including Self Assessment, Capital Gains Tax, Inheritance Tax, property (both residential and commercial), trusts, family wealth and estate planning, residence and domicile issues.

Read more

VAT and Indirect taxes

Our indirect tax team will support you in meeting your VAT compliance objectives and advise you on any VAT issues that your business faces.

We can ensure that your VAT risk is assessed and managed, and that your VAT recovery is optimised. We can also provide advice and compliance services on other indirect taxes, such as Insurance Premium Tax, Customs duty, and Air Passenger Duty.

Read more

Tax disputes

HMRC is increasing the number and scope of tax investigations into both individuals and businesses, covering all aspects of potential underpayments of tax, including offshore investments, personal and corporate Self Assessment Tax Returns, PAYE and NIC compliance and VAT.

If an issue arises, our trusted advisors will match the right specialists with your needs to provide you the necessary support – whether for a routine HMRC enquiry or a more complex investigation.

Read more

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