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Use your nose when paying your spouse

Many self-employed persons will have entries in their accounts for the wages of family members, especially their spouse or civil partner. Most claims will be bona fide and commercially justifiable, however, in some cases wages are seemingly claimed routinely or on an arbitrary basis either below the Lower Earnings Limit (currently £113 per week) or the Primary Threshold (currently £157 per week).

The reason for paying up to the Lower Earnings Limit is that there is no requirement to set up a payroll scheme and report wages if the maximum employee pay is at this level. The reason for paying up to the Primary Threshold is that there is no national insurance to pay, which makes both business sense and administrative simplicity as it removes the need to remit any money periodically to HMRC for wages.

What is most important to remember is that there is no deduction allowed to the business proprietor for expenses not incurred 'wholly and exclusively' for the purposes of the trade. There have been many disputes over the years between HMRC and taxpayers regarding this issue, which has resulted in a number of tax cases. These cases set a precedent that, for the deduction of wages to be a valid business expense, certain conditions need to be met.

Firstly, the amounts must be realistic and not excessive for the work performed. Secondly, the payments must be recorded in business records and PAYE operated appropriately (if required). Finally, the amounts must be actually paid to the spouse and not be mere accounting entries.

Even if the above are satisfied, in order to claim a trading deduction for the period of account in question, the amount charged in the accounts must be 'paid' within nine months of the end of that period.

Many arguments between HMRC and taxpayers regarding this issue have focused on what is deemed to be 'excessive'. In a recent tax case of *McAdam v Revenue and Customs* (2017) a self-employed plumber claiming £90 per week for his wife's wages was considered unreasonably high. The taxpayer argued that £90 per week was not excessive for the duties carried out 'to maintain the administrative and accounting functions and these duties extend, and are not restricted to, taking telephone enquiries, processing orders and checking part prices'.

HMRC accepted that the taxpayer's wife had done some work but calculated that £8 per hour was a fair rate with no more than 3.23 hours per week seen as reasonable for the work involved, equating to only £1,344 per annum. In summary, the First-tier Tribunal concluded that insufficient evidence had been provided for the wife's working activities and, as such, found in favour of HMRC.

So clearly, get your house in order and your evidence in place to protect your finances from the wrath of the fiscal fiend!

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Property showcase

One-of-a-kind maisonette in Victorian coastal property



Located close to Blakeney's quay, this attractive and well-proportioned maisonette is set within a sympathetically restored Victorian home.

Offering three bedrooms and contemporary, open-plan living space, the home is packed with luxurious touches. However, the real show-stopper is the master bedroom; encompassing a dressing room and en suite bathroom, it also includes a large picture window offering views over the marshes and out to sea.

On the first floor, a spacious kitchen/diner enjoys a large south-facing bay window which makes for a delightful dining space. The contemporary kitchen includes Carrera marble-style quartz worktops and beautiful oak flooring. With a separate living room, notable features include a high ceiling and south-facing bay window, while extra privacy is provided by a snug/study/third bedroom. There is also a sizeable second bedroom adjacent to the bathroom. In the second floor master bedroom is a glazed northern aspect overlooking Blakeney saltmarshes, Blakeney Point and Blakeney Quay – all of which can be viewed while lying in bed. The room is generously proportioned, with a large dressing area – with built in-storage – and en suite bathroom.

Outside, the apartment benefits from a private garden laid to lawn and bordered by the original brick and flint wall. There are also two private parking spaces.

An area of Outstanding Natural Beauty, Blakeney is filled with flint cottages, narrow streets and hidden alleys. Offering panoramic views across the estuary and saltmarshes, it enjoys big skies and tranquil walkways. It is also just 10 minutes from the busy market town of Holt.

If you're looking for the perfect coastal retreat with sea view, this could be it.

Greencroft is part of the Fleur Developments projects and is being sold for £699,000 by Sowerbys Holt. For more information email greencroft@sowerbys.com or call 01263 710777.

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Sorting out the empties

You probably saw the story in Monday's EDP about the number of empty homes in Norfolk, and you may be among those who are asking why, if there are really so many homes not being used in the county, do we need to be building new homes at all?

It's a fair question: perfectly good homes not being used when there is an undisputed shortage of places to live goes against all logic. Although I make my living from providing new

homes, I absolutely agree that we should also do everything we can to make the most of the housing stock which already exists.

However, while the headline figure of more than 10,000 empty homes may be eye-catching, it doesn't tell the whole story. There are many reasons why a home might be standing empty, and in most cases, they remain vacant only for a brief period of time. Monday's EDP story acknowledged

that less than a third of that headline figure had been empty for a significant period.

There are all sorts of perfectly legitimate reasons why a home might be empty at any point in time. In the rented sector, there will nearly always be a gap between tenants, either because the landlord is taking the opportunity to carry out maintenance or improvement work, or simply due to delays while new tenants are found,