

THE SMARTA GUIDE TO

TAX

Part 6: Dormant companies and taxes

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The Smarta Guide to Tax is split into 8-parts

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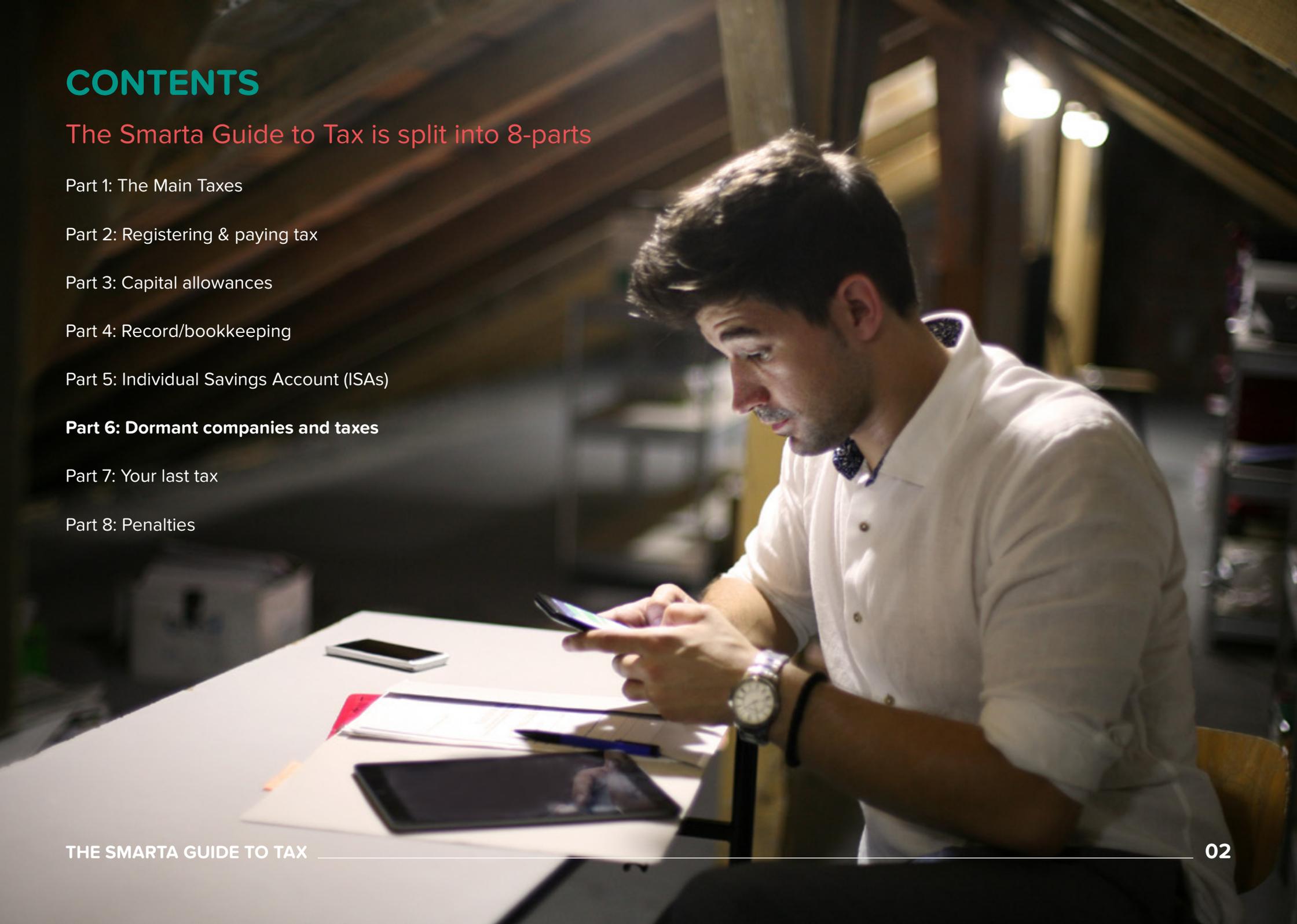
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Taxes are simply unavoidable and, if you're a small business owner, it's best that you know your way around them and their millions of acronyms.

Although there are multiple taxes, each with their own rules and regulations making it seemingly impossible to comprehend these mandatory financial charges; we have put together this comprehensive 8-part guide on all things tax. It covers both the basics and the more complex aspects of the world of taxation and is essential reading for any and all small business owners. Whether you're an expert on tax or a novice to the subject, we hope this guide will have something for you.

If you need further support on your business' tax or accounting, then contact [Smarta Tax Services](#) today.

Smarta also offer further aid for small businesses. We have a thoroughly in-depth and expansive blog site (www.smarta.com) with all the information and help you could possibly need when starting up your own company. Additionally, we offer the Smarta Business Builder, a monthly subscription service that provides you will all the tools you would need to start, manage and grow your business. If you're looking to register as a limited company, then Smarta Formations is one of the simplest and quickest ways to incorporate your business.



Dormant companies and taxes

While many businesses in the UK remain trading for their entire lifespan, some companies that are not involved in any serious economic activity – ergo have ceased trading – may opt to become dormant companies. To become a dormant company, you may not have any sizeable income or investments. You can [read more](#) about the benefits and how to become dormant company – here we are focusing on the tax implications of dormancy.

Generally, if you decide to transition your company or association into dormancy, HMRC will not require you to pay Corporation Tax. In most cases, you must still file a Company Tax Return online, stating that your business is dormant, but following this, you will not have to file another return whilst in a period of dormancy. Annual accounts must still be filed.

Within 30-days of becoming a dormant company, you should deregister for VAT to avoid being taxed. Nonetheless, if you know that your company will begin trading again soon, you should continue to send VAT returns but they should be empty. If you are unaware of whether your company will ever begin to trade again, you can opt out of VAT and simply reapply at a later date.

Additionally, if your company will remain dormant for at least one full tax year, you should close your business's PAYE scheme.

You can form a dormant company with [Smarta Formations](#)

Disincorporation relief

Disincorporation relief exists to allow a business to transfer its assets to shareholders without incurring Corporation Tax, it does this as the value of assets will be qualified as 'below market value', and so avoid taxation. Nonetheless, shareholders must accept this reduced value, which will apply for any CGT that they will incur upon this transaction.

Although this may sound like a good deal, it is only really the business itself that is gaining any advantage as they will not have to pay taxation, which is, obviously, useful for a company that is winding-up. Additionally, there are several conditions that must apply for this business or asset(s) transfer to take place and become what is known as a 'qualifying transfer':

- the transfer should involve all business assets or all business assets apart from cash
- the total, reduced, market value of all assets should not be greater than £100,000
- shareholders must be individuals – so, not other businesses or partnerships
- shareholders must have held shares in a company for at least 12 consistent months prior

Now, even though the transfer itself is considered as a qualifying transfer, a company and its shareholders may still not be able to claim disincorporation relief. Three more rules apply:

- all assets must be transferred to one or more shareholders
- the transfer must be counted as a 'qualifying transfer'
- the transfer must occur between 1 April 2013 and 31 March 2018

As you can see, it is not the easiest relief to claim, however, if your business likely adheres to all the conditions it's worth applying for disincorporation relief soon as there is not a lot of time left to do so. For shareholders, there is not too much benefit in claiming for this relief as they will still be charged CGT, but, it will most likely be at a reduced value. Furthermore, it is likely that if you're selling or closing your business that any assets need to be sold in order to pay debts. If this is the case, you cannot claim disincorporation relief.

To claim disincorporation relief, you can either fill in an online form or write to the Corporation Tax Services. Speak to one of our accountants at [Smarta Tax Services](#) for further details.

Further reading and references

In this section, we have put together a list of the best resources that are set to help you and your small business grow, and answer any further questions you might have about taxation.

[Smarta Tax Services](#)

Smarta Tax Services will provide you with a personal experience with a dedicated Accountant that will ensure you keep track of day to day operations of your business, and you've completed all areas required to comply with HMRC and Companies House. Our trusted accountancy software allows transparency and you'll have 24/7 access online, so you can keep track of your business performance.

www.smarta.com/blog/

Smarta's blog has thousands of articles to help you in your business endeavours. We would recommend our content on how to find accountant, helping your business with tax.

www.gov.uk

The UK's government's website also has guides to help you and your business, additionally, here, you can use HMRC's online portal to pay tax.

www.which.co.uk/money/tax

Which? also offers many different guides to help you save and spend money appropriately; their few guides on taxation go into intimate detail.

[**The Daily Telegraph Guide to Tax**](#)

Every year the Daily Telegraph publish an in-depth

guide to taxation with all the dates and changes made to the taxation for that specific. Usually, they are published in May so, it is worth looking out for the 2018 edition in a few months.

www.uktaxcalculators.co.uk

This site is updated yearly to accurately calculate the amount of any form of tax your business may own.

www.taxguideforstudent.org.uk

The Tax Guide for Students is a site that provides information for university students on taxation, how much they should be paying and if they appeal to HMRC for any reductions. The information they create will be extremely beneficial if you are a student looking to start your own business whilst in education.

www.taxcafe.co.uk

Tax Café is an award-winning website that focusing on the UK tax system – it is of particular use for information about property tax and letting.

www.moneysavingsexpert.com

Martin Lewis offers plentiful advice on all things monetary including tax. Although his guides are quite simple and largely aimed at families, it's worth a look.

www.cartaxguide.co.uk

It does what it says on the tin: the Deloitte Car Tax Guide offers users all the information they could want about the taxation of company cars, including a calculator to help you avoid penalties for inaccuracy.

[**The Bloomsbury Professional Tax Guide 2017/18**](#)

Published bi-annually, The Bloomsbury Professional Tax Guide provides a more complex analysis of UK and global taxation.

www.taxaid.org.uk

TaxAid offers help to anyone with tax-related problems; while their site has blogs on tax, they also provide volunteer helpline advisors who can sort out your problems over the phone.

www.searchaccountant.co.uk

This directory allows you to search for the best accountants up and down the UK, to help with your business's tax returns.

www.tax.org.uk

The Chartered Institute of Taxation is British NGO whose members are all highly qualified in dealing with any tax-related issues.

Glossary of acronyms

HMRC: Her Majesty's Revenue and Customs

VAT: Value-added tax

GST: goods and services tax

NI: National Insurance

NICs: National Insurance Contributions

PAYE: pay as you earn

FPS: Full payment submission

CGT: Capital Gains Tax

SDLT: Stamp Duty Land Tax

PLC: Private Limited Company

UTR: Unique taxpayer reference

LLP: limited liability partnership

PSC: personal service company

AIA: Annual investment allowance

ISA: Individual savings account

NGO: non-governmental organisation

DOR: Debt Order Relief

NT: Nil Tax Code

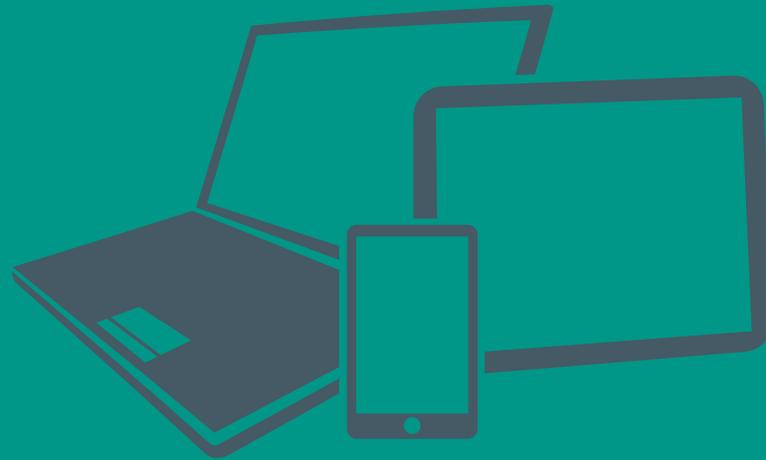
IPA: Income payment agreement

IPO: Income payment order

PLR: Potential loss revenue

TTP: time-to-pay

CIS: Construction industry scheme



Find out more at
tax.smarta.com

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TAX SERVICES