REview

The newsletter of Rayner Essex LLP

RaynerEssex
chartered accountants and business advisers

Winter 2017

www.rayneressex.com

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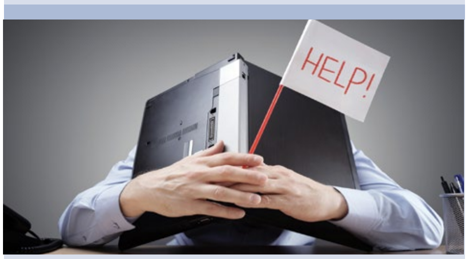

The Chancellor Philip Hammond delivered his first Autumn Budget on 22 November 2017, in what is now a revised financial cycle to include the Budget in Autumn and a Statement in Spring. To be honest it was hard to get excited over the contents in what is a backdrop of Brexit, a now familiar failure to meet the deficit forecast, and the downgraded growth figures, so in reality it had to be "safe". There were however a number of announcements of interest.

- The clear winners were first time buyers with the proposed exemption from stamp duty land tax for purchases up to £300,000. However, laudable as it may sound the report indicates not only will it cost in excess of £500M per annum – but it could result in a knock on effect by increasing value for current homeowners. I am not convinced this was the desired intention.
- Personal taxation announcements of note include a continued increase in the tax free personal allowance and income level upon which the higher rate 40% tax is paid.
- Commentators had expected a reduction in the VAT registration threshold – but this has now been fixed at £85,000 for the next two years.
- Research and Development expenditure credit, generally for larger companies, has been increased by 1% to 12%.
- Increased tax relief for investment in certain Enterprise Investment Scheme companies.
- Proposed changes to Entrepreneurs Relief where the holding of shares falls below the qualifying 5% limit.

Finally, and perhaps following the lead of the EU in questioning why the tax paid by our favourite digital companies is not representative of the revenues generated, there is a proposal to introduce income tax on royalty payments made offshore by these companies. This looks like the start of something …

Our Full 2017 Autumn Budget summary can be found here https://rayneressex.com/resources/budget-report-nov-2017/

I hope you enjoy our latest Newsletter and on behalf of the Partners and Staff at Rayner Essex can I wish everybody a very Happy Christmas and New Year.

If you have any queries, please contact Mark Moore at mark.moore@rayneressex.com

CHANGES TO PENSIONS AUTO-ENROLMENT

The Pensions Regulator (TPR) reports that in the first part of 2017 alone, 136,000 small and micro employers began complying with their new responsibilities under the pensions auto-enrolment regime. That's an average of one every 57 seconds. But with change ahead, it's important to keep up to date with developments.

The latest important deadline is 1 October 2017, as the regime enters a new phase, with no lead-in time for new employers to comply. From 1 October, any employer taking on staff for the first time immediately comes within the rules. Those who have employed staff before 30 September 2017 have different deadlines – see the 'Duties Checker' section on the TPR site, **goo.gl/TXS6T5**

Ongoing duties

The first step in employer compliance involves assessing staff on the basis of age and earnings. Staff aged between 22 and State Pension age, who earn over £10,000 pa, (£833 per month or £192 weekly), must be put in a pension scheme, to which both employer and employee contribute.

But employer involvement doesn't stop there. If staff don't need to be put into a scheme, there's still a declaration of compliance to be made, and ongoing duties, including keeping track of employees' age and earnings each time they are paid, managing requests to leave or join a pensions scheme, and a three-year cycle involving re-enrolling employees who have opted out.

Next developments

The next major change to the regime is the increase in contribution rates from April 2018. From 6 April 2018 to 5 April 2019, employer minimum contribution increases to 2%, and from 6 April 2019 onwards, it rises again, to 3%.

Failure to comply can result in fines and being named and shamed on the TPR website. TPR is particularly vigilant regarding compliance: it has warned that it will prosecute for failure to provide information in the course of its investigations, and has initiated a first prosecution where an employer is held to have deliberately failed to put staff in a workplace pension.

If you have any queries, please contact Pat Strods at ps@rayneressex.com

NEW SCHEME TO FUND SMALL BUSINESS REPORTS SUCCESS

Many small businesses looking to expand can hit a brick wall when it comes to trying to raise business finance from traditional lenders like the high street banks. The government's new initiative to address this problem recently reported a promising beginning.

The government's new matchmaking scheme to help small businesses access finance – the bank referral scheme – was introduced in November 2016. Briefly, it requires the UK's largest banks to suggest a next move to the small businesses they turn down.

The idea is that the details of these businesses are circulated to four finance platforms, who can put them in touch with alternative finance providers. Figures recently released by the Treasury suggest that the scheme has proved good news for some 230 small businesses.

'Over the past 9 months, 230 small businesses from beauticians to forklift truck training companies, which were rejected for loans by some of the UK's biggest banks, have gained £3.8 million from alternative lenders,' the Treasury reports.

The British Bankers' Association publishes a useful factsheet 'Understanding Bank Lending Referrals to Finance Platforms' which sets out eligibility criteria and the process involved - **goo.gl/DUQuHw**

If you have any queries, please contact Antony Federer at af@rayneressex.com

TOP PRESS...STOP PRESS... **FORTHCOMING RAYNER ESSEX EVENTS** ...STOP PRESS...STOP PRESS...

02 FEB – VERULAM LUNCH CLUB
Location: Verulam Golf Club

02 MAR – BLOOMSBURY LUNCH CLUB
Location: Princes Room, BMA House

18 MAY – SPORTSAID LUNCH
Location: Old Albanian Sports Club

08 JUN – LONDON GOLF DAY CHALLENGE
Location: Bush Hill Park Golf Club

ACCIDENTALLY BECOMING A LANDLORD

You may not think of yourself as a landlord - but do HMRC?

From time to time, HMRC run campaigns targeted at specific business sectors to help people bring their tax affairs up to date if they have inadvertently fallen outside the rules. At present, they are running a let property campaign, aimed at individual landlords letting out residential property abroad or in the UK, and recent guidance shows some of the ways that landlords can sometimes make mistakes **goo.gl/hTFbX5**

One of the most common mistakes is that people simply don't think of themselves as landlords. This can happen when someone inherits a property and then lets it out, or if they move in with a partner and then rent out their old house, or rent out a flat just to cover the mortgage payments. In fact, each of these scenarios means that HMRC need to be put in the picture, and the rental income could be liable to tax.

Other problem areas reported by HMRC are, for instance, property bought as an investment and rented out, and divorce situations where the matrimonial home is rented out and both partners move elsewhere. Difficulties are recorded where people relocate for work and rent out their house, or move into a care home and let out a house to help pay for care home fees. Issues can also arise with jointly-owned investment property, or when purchasing a property for a child at university, where other students also live there and pay rent on an informal basis. Members of the Armed Forces posted abroad, who let out a home in the UK, and people living in tied accommodation who let out a house, can also run into problems.

But it's not all bad news. One plus point for individuals (but not partnerships) letting out property on a small scale is the introduction

of a new allowance – the property allowance – from 6 April 2017. There has been quite wide-scale coverage of this in the media earlier in the year. However, the allowance only gives relief for income of up to £1,000 in the tax year.

There can be unforeseen pitfalls – and tax planning possibilities - when letting out property. Please do talk to us if we can be of help in this area.

If you have any queries,
please contact Mark Moore at
mark.moore@rayneressex.com

HMRC COMPUTER FIX FOR PERSONAL TAX RETURNS

You may have heard that HMRC computer systems have had major problems correctly processing some 2016/17 self assessment tax returns. Essentially, there have been so many changes to personal tax legislation that HMRC software has struggled to cope.

One key problem area is the introduction of the Savings Allowance and the Dividend Allowance for the 2016/17 tax year. The main complication for HMRC was identifying and remedying scenarios in which it is not beneficial for a taxpayer to allocate personal allowances in the default order of 'non-savings income, then savings income, then dividend income'. In the new dividend tax regime there are a number of scenarios in which it may pay a taxpayer to reallocate part of the personal allowance to dividends - but HMRC systems were not always picking this up. The commercially provided software that we use as tax agents must follow HMRC specifications (even though some of the specifications may be incorrect), otherwise the returns filed online would be rejected.

Good news

The good news is that HMRC have now taken action to try to fix many of the problems, and amended the specifications for their 2016/17 tax calculator software. Such a late adjustment is unprecedented for HMRC, and the fix should be in place by the time you read this Newsletter. It should then be possible for those taxpayers affected to have their returns filed online as usual.

There will be some situations which will still not be resolved for the 2016/17 tax year but there will be an option for returns to be filed on paper even though the normal deadline for paper returns (31 October 2017) will have passed. We will be able to do this for you if necessary with a covering letter giving various technical details of what HMRC call the relevant 'exclusion' category. The extended deadline for such paper returns will be 31 January 2018. Should HMRC systems automatically generate a penalty for late filing, this will also be cancelled.

Please be assured that we are monitoring the situation closely. Should your affairs be affected, we will act to minimise your tax liabilities.

If you have any queries,
please contact Mark Moore at
mark.moore@rayneressex.com

PAPER PAYSLIPS V EPAYSLIPS

We now provide a self-service payslip facility which enables employees to access their payslips and P60's directly from a secure web site. As well as being environmentally friendly this also offers a higher level of security to comply with GDPR.

To sign up for this service email
epayslips@rayneressex.com

MAKING TAX DIGITAL - PLANS FOR VAT

Earlier this year, the government announced that businesses operating above the VAT-registration threshold, (currently £85,000), would be the first to enter the new Making Tax Digital (MTD) regime.

Now there are indications as to what such businesses will have to do to comply, and when. The detailed rules should be in place by April 2018, with a view to a start date of 1 April 2019. Much work will be going on at HMRC and the software houses to get the scheme off to a smooth start.

Digital records

From 1 April 2019, businesses over the VAT threshold will be obliged to keep digital records and use MTD functional compatible software to give the information for their VAT returns to HMRC. They will have to preserve records in digital form for up to six years.

Software must be able to connect to HMRC via an Application Programming Interface, creating VAT returns and supplying HMRC with information digitally. HMRC are looking to harvest data on a voluntary basis as well, so they can monitor compliance, and also to provide information from their end. Business software would therefore need to be capable of accommodating this two-way information flow.

Supplying HMRC with quarterly information is one of the cornerstones of the MTD regime. But though VAT-registered businesses already supply quarterly VAT information, it isn't always an entirely digital operation. Many businesses use spreadsheets to submit returns, and HMRC may underestimate the change needed. HMRC state that the VAT account will link the underlying records and VAT return, but should a business use more than one software system, or spreadsheets, there could be complications. Add-on submission software will be needed for businesses using spreadsheets.

There are some exemptions from the requirement to keep digital records. These broadly follow those currently in place with regard to electronic VAT returns, covering members of religious societies, insolvent businesses, and those who 'for reasons of disability, age, remoteness of location, or any other reason' are not required to make an electronic return. A right of appeal is allowed if HMRC refuse exemption.

Businesses will have to keep and preserve what is called 'designatory data' digitally. This includes business name, principal place of business and VAT registration number, and information about any VAT scheme used: the VAT account, and information about supplies made and received.

Schemes and returns

HMRC say, 'The information contained with the VAT return will be generated by pulling information from the digital records. This information will contain as a minimum the nine boxes required for the VAT return, but can also contain a specific data set of supplementary information – all of which will be pulled from the digital records.' The procedure to correct errors will mostly be as at present.

Any business currently submitting monthly returns will continue to do so, as will any business submitting non standard returns. Users of the annual accounting scheme will be able to continue to do so. But the requirements for digital record keeping and submission will apply in these cases.

Retail scheme users will be allowed to record electronically sales transaction data based on daily gross takings - rather than having to record details of each sale. For those using the Flat Rate Scheme, digital record keeping requirements will 'mirror' current record keeping requirements.

There will also be the facility for businesses to submit VAT information more often than the VAT return cycle requires, for example to keep HMRC informed of a change in circumstances. In the long run, HMRC are still looking to a scenario where income tax updates are made quarterly and digitally, and this is really what the VAT provisions anticipate.

Monitoring your VAT position

With VAT about to be linked to a new digital record keeping regime, it will be more important than ever to monitor business turnover to see if there is a need to register for VAT, as a business operating over the VAT threshold will enter a more complex regime. The requisite software is not yet available, but as we move towards MTD, many businesses may need guidance to make sure their systems are compliant, and we will be happy to advise on record keeping or in any other way we can.

If you have any queries, please contact Mark Moore at mark.moore@rayneressex.com

CONGRATULATIONS TO CATHERINE CUTMORE

Congratulations go to our client Catherine Cutmore from Gable Construction who is the lucky winner of an Apple iPad after being randomly selected from a draw consisting of Rayner Essex private clients whose tax return information was received by 30th September.