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Accounting and Tax Services

Newsletter - March 2017

Hello and welcome to another issue of my mini newsletter.

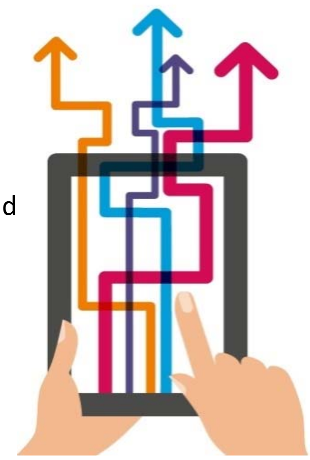
Spring Budget

The headline was the proposed 1% increase in self-employed National Insurance contributions, however as you are probably aware, a week later the government decided not to do this. It illustrates, more clearly than is usually the case, that, with a few exeptions such as alcohol and tobacco duties which change the same day, most of the budget is not final until the MPs have debated it and the Finance Act is passed.

Most of the rest of the budget held few surprises, the main tax rates and allowances were announced in last Autumn and although there were a few tweaks here and there eg to business rates, most will not affect the majority of people.

The one announcement that may affect you is that the new personal dividend allowance is being reduced from £5,000 to £2,000 with effect from April 2018. If you transferred shares to a spouse this may need to be reviewed.

Making Tax Digital (MTD)



MTD is the new requirements that most businesses, **including landlords**, will be required to keep their accounts records digitally and file quarterly updates with HMRC. The budget announced that businesses and landlords whose turnover is below the VAT threshold (currently £83,000) will have an extra year to prepare and so the revised start dates are:

April 2018 - Profits chargeable to Income Tax and turnover above VAT threshold

April 2019 - Profits chargeable to Income Tax and turnover above £10,000 PLUS any one else VAT registered.

April 2020 - Profits chargeable to Corporation Tax

Those with turnover less than £10,000 are exempt. For those businesses that are VAT registered these submissions should replace the need to file VAT returns.

It is likely that businesses using proprietary software (eg Sage) will find this is updated to comply with MTD and, as long as they are used to keeping this up to date on an ongoing basis, hopefully they will not be too greatly impacted. For others HMRC have now indicated that it may still be possible to keep accounting records digitally on a spreadsheet, although in a prescribed format and likely to need some conversion tool to submit. It is also likely that various new apps will appear on the market in the next year or so. The HMRC aims to start a pilot scheme with selected businesses in April this year.

If you are wondering why then HMRC's reasoning for this is they believe it will reduce the tax revenue that is lost due to errors and carelessness (which amounted to an estimated £8.7billion in 2014/15). They say this system will encourage more timely and accurate record keeping and thus help businesses.

It is, however, still unclear exactly how MTD will work including exactly what and how much information HMRC will require you to submit. More updates will follow.

Newsletter - March 2017 - continued

Changes from April 2017

Below is a quick recap of some tax changes previously mentioned that are now coming into effect:

1. The tax free Personal Allowance for 2017/18 is £11,500.
2. The individuals higher rate (40%) tax band starts from taxable income over £33,500. (The additional rate band (45%) is unchanged from a starting point of £150,000).
3. The National Living Wage rises to £7.50ph (for those over 25).
4. VAT - The new rate of 16.5% starts for "limited costs" businesses on the flat rate scheme.
5. The VAT registration threshold rises to £85,000.
6. Corporation tax rate falls to 19%
7. For companies - any losses arising from from 1/4/17 and carried forward can only be offset against up to 50% of the future years taxable profits.

Final Reminder

Deadline 5th April	Last chance to contribute more to your ISA, make pension contributions, utilise this years annual CGT and/or IHT allowances.

Gift aid

If you donate to a registered charity online (eg via Just giving) or by standing order or that sponsorship form that your child brings home or goes round the office then they will often ask you if they can claim Gift Aid. If you agree then the charity is able to claim back the equivalent of the basic rate tax you have paid and so raise more money at no cost to you. Seems good but there are a few things to consider.

The good news - Gift aid is a possible way of extending your basic rate tax band so if you are a higher rate taxpayer then you effectively get a further 20% of tax relief back by reducing your tax liability - do remember to claim on your tax return. You do obviously have to give money away to a registered charity, however it maybe that you are already doing so without realising as many pre-schools, PTA's, Amateur sports clubs and scouts and guides etc are run as charities - check with the secretary or finance officer.

The caution - Gift Aid can only be reclaimed on donations made by individuals who pay UK income or capital gains tax at least equal to the amount reclaimed on their donations in the current tax year.
This means:
1. There has to be a gift - raffle tickets, entrance fees etc don't count as you get something in return.
2. You can't include sponsorship/cash collected from others - they need to claim individually on the form.
3. You have to pay enough tax - if you do not then you should not contribute under gift aid - HMRC do check and **you are liable** to repay the excess tax claimed by the charity.

That's all for now, as always I welcome any comments and please do get in touch if I can help with anything

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