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Accounting and Tax Services

Newsletter - November 2018

Hello and welcome to another issue of my mini newsletter.

Autumn Budget

The chancellor gave his second autumn Budget on 29th October and there was really nothing too major although he did address a few expected issues. The government is still preoccupied with unresolved Brexit issues so the Chancellor had to play it safe. Expect another budget in Spring once the agreement with the EU has been finalised.



Commemorative coin to mark exit from EU

One good piece of news was business rates relief for small retailers. Those shops and restaurants etc. with a rateable value of £51,000 or less will have their business rates cut by a third with immediate effect. This is aimed to help the high streets.

As expected the IR35 "off payroll" rules recently introduced in the public sector are to be extended to private contractors of larger businesses from April 2020. The business hiring the individual will be responsible for assessing the individual's employment status. Small business will be exempt from assessing their contractors but the definition of what will be included as a small business has not yet been announced.

There were various loopholes tightened which are unlikely to apply to smaller businesses other than the fact that in certain cases directors will become personally liable for business taxes owed where a company deliberately enters insolvency to avoid or evade tax.

There were a couple of amendments to the relief on Capital Gains on the sale of a principal private residence where it has been let part of the time (If you have lived in it 100% of the time owned there is no tax to pay.) These are due to come into effect from April 2020:

1. Lettings relief will no longer apply unless the owner lived in the property with the tenants.
2. Only the last 9 months will be exempt regardless of use (reduced from 18 months).

Also related to residential property disposals - from 6/4/20 CGT returns and payments will be due within 30 days. This is an extension to UK residents as it already applies to non-residents.

Changes from April 2019 onwards

1. The tax free Personal Allowance for 2019/20 increases by £650 to £12,500 and will remain the same for 2020/21.
2. The individuals higher rate (40%) tax band increases by £3,000 and now starts from taxable income over £37,500. The additional rate band (45%) is unchanged from a starting point of £150,000.
3. The National Living Wage rises 38p to £8.21ph (for those over 25).
4. Corporation tax rate stays at 19%, and is still due to decrease to 17% on 1 April 2020.
5. The abolition of Class 2 National Insurance (paid by the self-employed) which was set to happen from April 2019 has been cancelled. The rates they pay will stay at £3pw for Class 2 (compulsory when profits exceed £6,365) and 9% for Class 4 NIC - the new band for the latter being on profits between £8,632 and £50,000.
6. The VAT registration threshold was frozen at £85,000 for a further 2 years ie up to 31/3/2022. This is of course an effective decrease in real terms.

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7. **Entrepreneurs' Relief** – This reduces the tax rate applied to Capital Gains on the sale of a business (or shares in your own company). There are certain conditions which must be met for the 12 months prior to the disposal - for disposals from 6 April 2019 this period will be extended to 24 months. In addition to the current requirements on share capital and voting rights, for disposals from 29 October 2018 shareholders must also be entitled to at least 5% of the distributable profits and net assets of a company to claim the relief.

Self-Assessment Tax Return Reminder & Tax due

**Deadline 31st
January**

Individuals who need to file a self assessment tax return must do so online by the end of January or incur an initial penalty of £100. The tax due is also payable by this date - if you filed your return earlier don't forget to pay.

Making Tax Digital (MTD)

Making tax digital is still scheduled to apply from April 2019 to VAT businesses whose turnover is above the VAT threshold. Most accounting software suppliers are now bringing out versions that will comply so you should ensure that the software you use for VAT is up to date.



Tax on Christmas Gifts and Parties for businesses and staff



It seems an apt time to briefly consider what tax position is for businesses and their staff. Generally a business cannot claim entertainment as a tax deductible expense, but there is an exemption for staff entertainment if (a) the party is available to all staff, (b) is an annual event, and (c) the aggregate cost of all such events in the tax year comes to under £150 per head including VAT. If customers also attend the allowable cost should be apportioned.

For staff, if the cost goes above £150 per head then there will be a taxable benefit in kind on the whole cost.

With regard to gifts to staff, cash and vouchers are taxed as salary. It is permitted to give small seasonal presents of up to a cost of £50 that are not performance related.

Staff may also receive gifts directly from third parties as a result of their employment - as long as these do not cost more than £250 they are not taxable for the employee.

Finally I would wish you a Merry Christmas and a Happy New Year.

As always I welcome any comments and please do get in touch if I can help with anything mentioned above, or if you have any other accounting or taxation queries.

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