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Accounting and Tax Services

Newsletter - February 2017

Hello and welcome to the next issue of my mini newsletter.

Hopefully your self-assessment tax return has been filed on time, but if not be aware that in addition to the fixed penalty there are daily penalties from 1st May. Separately any tax and NIC due needs to have been paid by now - there is a 5% surcharge if it's not paid by 1st March 2017. If you are having genuine difficulties contact HMRC for a payment plan which may avoid this charge.

Pre tax year end actions to consider:

- Deadline**
5th
April Do you want to contribute more to your ISA (£15,240 limit for 2016/17) or make pension contributions (limit varies) before the tax year ends. This year, if you are under 40, you may want to wait for the new Lifetime ISA starting in April 2017. This allows contributions up to £4,000pa to earn a 25% government bonus if used to put a deposit on your own home or if left there until you're over 60. It will of course always depend on your personal circumstances whether this is the best option.
- If you run your own Company have you have used your £5,000 personal dividend allowance to extract funds efficiently? The Company must have profits to vote dividends from and dividends must be given to every shareholder in the share ownership proportions. For example if a company is owned by 2 spouses and one spouse has, say, 25% of the shares then a £10,000 dividend would not be split as £5,000 each but as £2,500 to one and £7,500 to the other (of which £2,500 would therefore be taxable.) Please take advice before transferring shares - there are other things to consider.
- If applicable, you may wish to utilise you annual CGT allowance and/or IHT gift allowance before the tax year ends.

Changes from April 2017

Below are a few reminders of things mentioned in previous newsletters:

- NLW - From April 2017 the National Living Wage rises to £7.50ph (currently £7.20) for those over 25. (The various rates for younger people also increase).
- VAT - For anyone using the flat rate scheme whose business has limited costs (mainly labour only business) there will be a new flat rate for VAT from 1st April 2017 of 16.5%. A limited cost business is basically defined as one that spends less than 2% of it's turnover on goods (excluding capital expenditure, subsistence and motor expenses) If you think this might affect you check the full criteria.
- Buy to let - as most landlords are now probably aware the restriction of relief for finance costs is being phased in from April 2017. Gross income will now be before this expense and may affect your tax bands and other matters like eligibility for child benefit. If you are on the margin you may want to consider pension contributions or gift aid to extend your basic rate band going forward.

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PAYE Year end deadlines:

- 1 Employers - don't forget to flag the last "FPS" payroll submission as final for the tax year.
- 2 P60s should be issued to employees by 31 May.
- 3 P11d's should be issued/filed by 6 July 2017 and any Class 1a NIC paid by the 19th July.

Auto-enrolment

Many smaller employers are now reaching or about to reach their staging date. If you have employees who are aged between 22 and state retirement age, are not directors and earn over £10,000 pa then you must open a pension scheme before your staging date. Employees earning over £5,824pa can also ask to join a pension scheme. The government offer a scheme known as NEST, but there are other low cost schemes available and you should choose carefully as it will depend on you and your workers requirements which is best.

You can check your staging date by entering your PAYE reference at the following link:

<http://www.thepensionsregulator.gov.uk/employers/staging-date.aspx>

Keeping tax records - how long for?

The end of the tax year may also mean it's time to dispose of some more old paperwork - I am often asked how long records must be kept.

Firstly records will need to be kept longer for purchases or acquisitions of long term assets (eg shares or property or, for a business, fixed assets) as the time limit for these will be based on the sale or disposal date when any profit or loss is calculated (even if only to prove no tax was due).

Generally, assuming your returns are filed on time and no HMRC queries are in progress, then:

For individuals records for a tax year must be kept for 1 year after that tax return submission deadline (31st January) so 2014/15 papers can now be disposed of.

For the self employed (including partnerships) business records should be kept for 5 years after the tax return submission deadline - so you can now dispose of records for tax year 2010/11 or earlier.

For Limited Companies - records must be kept for 6 years from the end of the last company financial year they relate to.

New £1 Coin

And finally - look out for the new, 12 sided, £1 coin from 28th March. The old coins will still be legal tender for about 6 months until 15th October 2017. If your business handles cash make sure your staff are aware.



That's all for now, 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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