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Accounting and Tax Services

Newsletter - March 2018

Hello and welcome to this issue of my mini newsletter.

Tax year end 5th April is approaching - actions to consider:

April
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Tax Year End

1. Do you want to contribute more to your ISA (£20,000 limit for 2017/18).
2. Do you want to contribute more pension contributions (limit varies) before the tax year ends.
3. If you run your own Company have you fully used your £5,000 personal dividend allowance to extract funds efficiently where the company is eligible to vote dividends?
4. If you are an unincorporated business consider bringing forward any planned asset purchases to gain tax relief sooner.
5. If applicable do you wish to crystalise any Capital Gains to utilise you annual CGT allowance and/or IHT gift allowance before the tax year ends?
6. Also, if applicable, do you wish to use any of your annual IHT gift allowances?

Changes from April 2018

Below are a few reminders of things previously announced which now come into effect:

1. From April 2018 the National Living Wage (NLW) rises to £7.83ph (currently £7.50) for those over 25 and the various rates for younger people also increase.
2. For employees under auto-enrolment the pension contributions increase to 2% for employers and 3% for employees (were 1% each).
3. Personal Allowance increases to £11,850 (for those with incomes up to £100,000) and the basic rate tax band to £34,500. The additional rate band is unchanged at £150,000. The annual CGT exemption rises to £11,700.
4. The zero tax rate dividend allowance is reduced to £2,000 (was £5,000).
5. Payments in Lieu of Notice (PILON) all become chargeable to income tax and NIC regardless of whether or not they are contractual (previously non-contractual amounts were tax free). This does not effect the tax free redundancy entitlement of up to £30,000.

Tax Codes

HMRC say approximately 41 million people are taxed under the PAYE system and typically around 8 million of these have an under or over payment at the end of the tax year. To try and reduce this, that is to collect the correct tax in the right year, HMRC started, in July 2017, to adjust PAYE tax codes "in year" - previously there was a time lag and it could take 2 years to catch up.

Generally this is a good idea, however, if you notice an unexpected change in your net pay which is due to a tax code adjustment it is worth checking the notice they send you which explains why. There have been a few instances of this causing more problems where HMRC get it wrong.

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Self-Assessment and Simple Assessment

HMRC are hoping to take more people out of the system of filing self-assessment tax returns and taxing them under "Simple assessment". If you receive state pension and/or are employed and taxed under PAYE, then, if all your other income is notified to HMRC (for example by banks) you probably will not receive a notice to complete a tax return for 2018/19 even where you have before. Instead you will receive a Tax calculation (P800 or SA302) to check and pay any tax due within the time stated. If you think the calculation is incorrect you have 60 days to tell HMRC.

Which ever way you are assessed you should collect and keep safe relevant paperwork, which you should be receiving in the next few months for 2017/18, such as your P60s (due by 31 May), P11ds (due by 6 July), dividend vouchers and interest received statements etc.

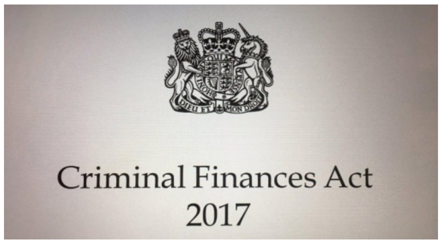
Taxpayers with Overseas interests

If you have overseas assets, income or activities which you know or suspect have not been declared to HMRC, so that there is unpaid tax, then you should disclose these to HMRC before 30 September 2018 under the "Requirement to Correct" (RTC). If you do not there are heafty penalties for non-disclosure under the new regime with a minimum of 100% of the tax owed. There is no de-minimus amount and it applies to Income Tax, CGT and IHT. Examples of such income could be rent from a holiday home, interest from a foreign bank account or interests in family businesses overseas.

HMRC will be using the information provided under the Automatic Exchange of Information (AEOI) agreements, some of which started in 2017 with many more starting in 2018, to identify non-compliance involving offshore matters or transfers.

Criminal Finances Act 2017

This came into effect at the end of last September and makes Companies and partnerships criminally liable for failing to prevent their employees or associates from facilitating tax evasion. Whilst mainly aimed at larger firms and offshore matters it does affect all entities. Firms should make it clear to staff that they should not facilitate tax evasion and should report any concerns straightaway.



There should also be prevention procedures which are monitored and reviewed regularly. Examples of facilitating evasion could include misdescribing goods on an invoice (so they look like a business expense when they are not), misdating documents or agreeing to bill a different person to the customer.

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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