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SPRING NEWSLETTER

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MAKING TAX DIGITAL - THE TSUNAMI HAS ARRIVED !

HMRC have indicated that some **Sole Traders, Partners and Landlords** will be required to submit their financial information **EVERY 3 months from as early as April 2018** using digital accounting software. This means in many cases you will need to change the way you are keeping your business and financial records.

Full details are to be published throughout the coming year but we advise that changes are made at the earliest opportunity to familiarise yourself with the software that will be required. The government's intention is that the use of spreadsheets and manual cashbooks will be phased out and replaced with cloud software products. Please come and discuss with us NOW as we are resellers of SAGE and QUICKBOOKS cloud software at discounted prices.

COMPANY DIVIDENDS - THE NEW SYSTEM

From **April 2016** a new Dividend Allowance of £5,000 per annum has been introduced (falling to £2,000 p.a. from April 2018) although above this limit any Dividend income will be taxed at 7.5% for basic rate taxpayers, 32.5% for income within the higher rate tax band and 38.1% for the additional rate band.



If you receive large dividend payments from your Company, your personal tax liability payable in **January 2018** will be significantly **higher** than previous years. We strongly suggest you allow us to complete your 2017 Personal Tax Returns as early as possible to prepare for this increased liability.

FLAT-RATE VAT SCHEME CHANGES

From **1 April 2017**, if you are on the Flat Rate VAT Scheme, you will have to use **16.5%** as your rate if the goods you buy in your business (excluding capital assets, vehicle expenses and staff costs) are less than **2%** in value of your gross sales. If you are caught by this change, your options are either to stay with the new rate (not advisable), go onto the normal VAT scheme where you pay the VAT charged on your invoices as reduced by any VAT paid on your costs, or de-register for VAT if your turnover is under the VAT limit of £83,000 currently. Please talk to us about the implications for your business if you think this affects you.

LIMITED COMPANIES

- * Director-only companies do not get the Employers Allowance to reduce their employers national insurance contributions unless they have at least one other employee.
- * There are no changes to the well established **IR35** rules but the rules have been tightened if you work in the public sector. You can check your employment status at www.gov.uk/guidance/check-employment-status-for-tax.
- * Changes in the **company car** regime mean it can now be beneficial to have a car in your company as long as it has a very low CO² level.
- * Certain **Life Insurance premiums** can now be set up as tax allowable expenses in Companies and please contact us for more details if this is of interest.

HIGHER RATE TAXPAYERS

For the coming tax year, 2017/18, taxpayers with a total income exceeding **£100,000** per annum will gradually lose the Personal Allowance of £11,500, which will increase their annual tax bill by up to £5,175.



Taxpayers with total income exceeding **£150,000** per annum will pay 45% tax on their income over this limit for 2017/18. There may be some planning possibilities with the use of companies, depending on individual circumstances, which Wendy or Martin will be pleased to review with you.

If a taxpayer or their partner gets **Child Benefit**, and either of them has an income above £60,000 in a tax year you will be able to elect **not** to receive the Child Benefit **or** pay a tax charge through the self assessment Tax system. Taxpayers with income between £50,000 and £60,000 will still find it beneficial to receive the benefit and pay a tax charge. More information is available at www.hmrc.gov.uk/childbenefitcharge. Please note we will require Child Benefit details to complete your **Tax Returns**.

TRANSFERABLE PERSONAL ALLOWANCE

For 2015/16 onwards, married couples & registered civil partners can share some of their personal allowances if unused, up to a maximum of 10%, provided neither partner receives married couple's allowance or pays higher rate tax. A claim can be made in your Personal Tax Return or by application to HMRC.

NATIONAL LIVING & MINIMUM WAGE

From **1 April 2017** all employees aged 25 or over **must** be paid at least **£7.50 per hour** with reduced rates for employees between the ages of 16 and 24. This will impact not only on employers wage bills but on pension contributions under auto-enrolment and who will be eligible for the pension scheme.

SELF-EMPLOYED - CLASS 2 NATIONAL INSURANCE

From 2015/16 Class 2 National Insurance has been declared and paid through self assessment Tax Returns. However the migration to this new system is not working well and there have been many incorrect adjustments made to tax payments due. We are amending these errors as they come to our attention and please let us know if you are not sure as to what payments you need to make.

LANDLORDS—a reminder of the changes!

- * Deductions for **mortgage interest relief** are being reduced over a 3 year phased period from 2016/17 to a maximum of 20% relief affecting all higher rate taxpayers that have significant mortgaged rental property income.
- * **Stamp Duty** payable on the purchase of second homes increased by 3% from April 2016.
- * **Wear and Tear allowance** on furnished rentals has been abolished from 6 April 2016 and instead actual costs of *replacement* equipment will be deductible, so it is important a record is kept of all costs incurred.

AUTO-ENROLMENT EMPLOYER PENSIONS



By the end of 2017 all employers with payroll schemes set up by June 2017 will be brought within the new pension rules. Thereafter all new employers will have between 3 and 6 months to set up a pension scheme if relevant. We are now running these on behalf of many clients so please talk to us if you have concerns about your obligations. A free comparison website of pension providers has been launched at www.payroll.pensions.market.

RETIREMENT PENSION CHANGES

Lifetime pension fund limits from April 2016 have reduced from £1.25M to £1M and those wishing to protect their pension values of up to £1.25M will need to submit a protection claim by **5 April 2017**. Currently the maximum annual contribution into pension schemes is limited to £40,000 although unused allowances from the previous three years can be used to increase this limit. The Contribution limit is reduced if annual income exceeds £110,000.

This Newsletter is a brief synopsis of matters which may affect you. If you would like to discuss any of these items in more detail and their effects on you personally, please do not hesitate to call us.
