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SPRING NEWSLETTER

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MAKING TAX DIGITAL - THE CONTINUING SAGA

HMRC have now stated that all VAT registered businesses **above** the registration limit will be required to submit their VAT Returns **from April 2019** using only digital accounting software. This means, in many cases, you will need to change the way you are keeping your accounting records.

Changes should be made at the earliest opportunity to familiarise yourself with the software that will be required. The government's intention is that the use of manual cashbooks or spreadsheets will be phased out and replaced with cloud software products. Please come and discuss with us **NOW** as we are resellers of SAGE, XERO and QUICKBOOKS cloud software at discounted prices and we can also provide you with bookkeeping and submission services if you would prefer.

COMPANY DIVIDENDS - THE NEW, NEW SYSTEM

From **April 2018** the Dividend Allowance will reduce to £2,000 (falling from £5,000 p.a. in 2017/18) and 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 or other investments your personal tax liability payable in **January 2020** will again be **higher** than previous years.



GENERAL DATA PROTECTION REGULATIONS (GDPR)

This will be coming into effect on **25th May 2018** and will impact ALL businesses who hold personal data. Final regulations are still not in place but it is important you at least have a written plan completed by the deadline reviewing your own systems, the data held, why it is held and for how long. The ICO website <http://www.ico.org.uk> has useful information and there is a helpline you can contact for advice.

LANDLORDS—a reminder of the changes

- * Deductions for **mortgage interest relief** are being reduced over a 3 year phased period from 2017/18 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.

HIGHER RATE TAXPAYERS

For the coming tax year, 2018/19, taxpayers with a total income exceeding **£100,000** per annum will gradually lose the Personal Allowance of £11,850, which will increase their annual tax bill by up to £5,333.



Taxpayers with total income exceeding **£150,000** per annum will pay 45% tax on their income over this limit for 2018/19. 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 the sliding scale 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. This can now save £237 in tax per annum.

NATIONAL LIVING & MINIMUM WAGE

From **1 April 2018** all employees aged 25 or over **must** be paid at least **£7.83 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.



AUTO-ENROLMENT EMPLOYER PENSIONS

The rates for employees and employers pension contributions have changed from 6 April 2018. The minimum employee contribution is increased to 3% of qualifying earnings and employers contributions increased to 2%. Full details of your duties and changes are available at www.thepensionsregulator.gov.uk

RETIREMENT PENSION CHANGES

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.

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 or is electrically powered.
- * 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.

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. If you do not want to receive our newsletters in the future please contact us and you will be removed from this mailing.
