

A·W·G

WARREN
& Son.



June 2017 NEWSLETTER



“In this world nothing is certain except death and taxes”

Benjamin Franklin

After the unexpected election results, death is still certain (but probably with a higher cost) but what about taxes?

One proposal that has been dropped from the 2017 Finance Act, is the increase in Probate fees. It was originally intended that they would rise from a maximum of £215 to £20,000 (for estates exceeding £2 million). It is worth mentioning that applications for Probate, generally only have to be made for estates where assets are held in the sole name of the deceased. Where all assets are held in joint names, no Probate is required, saving not only the fees but the time and expense of obtaining Probate.

However, some investments such as premium bonds and ISAs cannot be held in joint names.

This April a new nil rateband for Inheritance tax of £100,000 was introduced. It is specifically for one's home and is in addition to the standard £325,000 which is available to everyone. This new allowance will increase by £25,000 over the next three years, so that

by April 2020 it will have reached £175,000. However there may be one snag in that to obtain this new allowance you must, in your Will, leave the property to an individual. For this reason it is important to review your Will, as it may state that your property is left to a lifetime Trust, which would not qualify for the new allowance. This is a good opportunity to remind clients that if you have made a Will, then review it, and if you haven't, then make one now.

You may also wish to consider creating a Lasting Power of Attorney so that in the unfortunate but unpredictable circumstance of you becoming unable to conduct your affairs, because of perhaps a stroke or dementia, then your nominated person would be able to act on your behalf. This Power of Attorney can be in three separate sections, with different persons being responsible. These are your financial affairs, including your property, your health and care and a third section for any of your particular needs.

Making Tax Digital (MTD) update



Since our last newsletter, which outlined the basic provisions for MTD, there has been little change of any significance. The March Budget did try to delay the start of MTD for taxpayers with a gross income from rentals or a business of under £85,000. However, this was then withdrawn due to the announcement of the general election, but will probably re-emerge before the end of the year, together with other announcements. It seems likely that partnerships and sole traders, with a turnover in excess of £85,000, will come within the new procedures during the year ended 31st March 2019, dependant on the date of the year end. We will be discussing your particular bookkeeping and reporting requirements with you well before the date that you are due to join. Companies and smaller businesses (including property lets) with a turnover of less than £85,000, will join the new procedures at a later date.

Tax Allowances

For many years, most of us have had just one personal allowance for tax purposes. However now we have five other personal allowances as well. For those who are not taxpayers there is a £5,000 interest allowance, a £5,000 personal savings allowance, a £5,000 dividend allowance, a £1,000 income from property allowance and finally a £1,000 allowance for any other sundry income not taxed elsewhere. So with a little bit of ISA interest you can receive up to £30,000 without paying any tax at all. Compare this to a person in self-employment, earning this amount, who has to give the Government nearly £6,000 in Tax and National Insurance.

Employee benefit

HM Revenue and Customs have never been known for their generosity. However, they have just introduced a benefit that can be given to employees which is not taxable. They call it a 'trivial benefit' even though it can be up to £50 at a time, and several times a year. Yes there is a catch – you can't pay it as cash or as a voucher exchangeable for cash - it must be personal, in other words it must not be work related and there has to be a genuine specific reason for it - and if it's for a director or their family it is limited to £300 each year.

Control of Companies

With effect from 27th June 2017 all changes of persons with significant control must be notified to Companies House, within 14 days, on forms PSC02 to PSC09. Briefly this relates to any shareholder who holds more than 25% of the shares in a Limited Company. If you require us to complete these forms you must contact Gail with the details, well in advance of the deadline.

Agency Workers

The taxman is trying hard to re-categorise the self-employed, who provide just services, into being employees. They seem to have bypassed their previous IR 35 route, and are now trying to prove that these workers are actually agency workers. Their latest approach, is to state that any third party who stands between the engager and the worker will be deemed to be an 'agency'. To fall within the new regulations all the following must apply -

1. The worker personally provides, or is personally involved in the provision of, services to another person (normally the main contractor) as a consequence of a contract between that person and a third person (normally the ultimate customer);
2. The manner in which the worker provides the services is subject to (or to the right of) **supervision, direction or control** by any person.

3. Money is received by the worker in consequence of providing the services;

4. this money does not constitute employment income apart from under the agency legislation.

If the above apply then the workers remuneration from the agency must be taxed as employment income, even though a contract may exist which clearly shows it to be a self-employed contract.

An agency comprises any intermediary between the hirer and the worker. This obviously includes employment agencies, but it can also include a managed service company, or a personal service company, or even an individual or a partnership. If all the above do not apply then instead of referring to the new agency rules a Company may still fall within the IR35 regulations.

Since this April they have introduced their 'Intermediaries legislation for Public Bodies'. Under this new legislation, workers (including those operating through a Personal Service Company) who are engaged by any Government organisation or department (including local government), must be taxed under the agency rules as an employee..

New Salary Sacrifice rules

Salary sacrifice arrangements, used to be a cost efficient way of allowing employees to enjoy tax-exempt benefits without passing the cost of providing those benefits on to the employer.

However, changes in the rules which came into effect from 6 April 2017 mean that salary sacrifice and flexible benefit schemes are no longer as attractive as they once were.

Under the new rules, unless the benefit is one of a limited range of protected benefits, new valuation rules apply the effect of which is that the benefit of any associated exemption is lost where the benefit is provided under a flexible benefit or salary sacrifice arrangement or where a cash alternative is offered instead.

Where the new valuation rules apply, the employee is taxed by reference to the salary forgone or the cash alternative offered where this is higher than the cash equivalent calculated under normal rules.

The new valuation rules do not apply to:

- pension savings;
- employer-provided pension advice;
- childcare and childcare vouchers;
- cycles and cyclists' safety equipment under cycle to work schemes and;
- ultra-low emission cars

Any associated exemptions remain available where benefits on this list are made available through a salary sacrifice arrangement or where a cash alternative is offered instead.

Transitional rules apply where an arrangement was in place at 5 April 2017 which delay the start date of the new rules.

This newsletter deals with a number of topics which, it is hoped, will be of general interest to clients. However, in the space available it is impossible to mention all the points which may be relevant in individual cases, so please contact us for personal advice on your own affairs.

Martyn J. G. Warren	<i>Chartered Accountant</i> - mw@awgw.co.uk
Kandy Pitrola	FCCA, FMAAT, ATT - kp@awgw.co.uk
Simon Jeremy	FCCA, BA (Hons) - sj@awgw.co.uk
Nick Metallinos	AFA - nm@awgw.co.uk
Ken Rock	kenrock@awgw.co.uk
Lorraine Clutterbuck-Jones	lcj@awgw.co.uk
Gail Kurowski	<i>Administration & Company Secretarial</i> - gail@awgw.co.uk
Debbie Lawes	debbie@awgw.co.uk
Amrit L Bhardwaja	<i>Consultant</i> Bsc, FCCA, PGCE, Dip IFR - ab@awgw.co.uk
