

A.W.G

WARREN
& Son.



NEWSLETTER

April 2018

Tax Cases

There have been developments on a few items which I raised in last October's Newsletter. There was a case taken to the Tax Tribunal recently concerning one of the BBC presenters. She had set up her own Personal Service Company, which acted like an agent to provide her services to the BBC. HMRC won their case on the basis that she was in reality an employee, because of the control which the BBC had over her, and the fact that she could not provide a substitute or do similar work for other media companies. As a result she received additional tax demands for in excess of £400,000 over a seven year period. This is the first case of this type for many years. This case could affect those clients who operate on a similar basis, through a service Company, and it may therefore be advisable to review your situation.

See the case at - <http://www.bailii.org/uk/cases/UKFTT/TC/2018/TC06334.html>

The gig economy, and the employment or self-employment status of those working in it, is very much in the news recently, and the Government is due to make a report on it later in the year. They will be influenced by the case above and the more recent case of a self-employed plumber working at Pimlico Plumbers Ltd. It is now a Supreme Court case, and in all the lower Courts, it has been held that the plumber should in fact be an employee and not self-employed. This case might affect clients who take on workers on a self-employed basis, and it is therefore advisable to review your situation.

See details of the case at - <http://www.bailii.org/ew/cases/EWCA/Civ/2017/51.html>

Tax Returns

I simply do not understand why so many clients bring the records for their annual tax return in to us after Christmas each year. They must know that they risk a £100 fine if we are unable to do the work before the 31st January deadline, and more importantly it results in an increased chance of an investigation by the taxman. Well, despite flu and other staff absences we nearly completed everybody's tax returns in time this year. However we cannot take the pressure again next year.

Whilst on the subject of Tax Returns we have compiled a list of items which are frequently omitted from the records given to us. These include repayments of student loans and expenses incurred in respect of employment. For higher rate taxpayers; gift aid donations, pension payments and details of child benefit are the most frequent omissions.

A reminder also of the most frequent difficulties we encounter relating to rents. These include the fact that all replacement and repair of contents are now allowable, but the previous allowance for wear and tear for furnished properties is no longer available. Also from this April higher rate taxpayers lose out on some of the tax relief for mortgage interest. Finally it is important to note that rents are taxable on the owner(s) of a property in their precise share, and not on the person who actually receives the rents. Spouses are treated slightly different in that they can be taxed equally on the rents whatever their joint ownership share is.



Changes This April

The recent Spring Financial Statement by the Chancellor was of little interest to most taxpayers as the rates and allowances for the next fiscal year had already been announced.

Several allowances and tax bands are changing by small amounts, with the only significant change being the reduction in the tax free band for dividends being reduced from £5,000 to £2,000.

The maximum monthly wages that can be paid, normally without deduction of tax or NI, increases from £680 to £700. This has to be reported to HMRC monthly, through a registered PAYE scheme. To avoid the monthly reporting the figure is reduced to £500 per month, and no other employee must be paid more than this. However at this level, no contribution is made towards an individual's State pension.

Ask Ken if you require further details.

Minimum wage increases are –

| | |
|----------|------------------|
| Over 25 | - £7.83 per hour |
| 21 – 24 | - £7.38 per hour |
| 19 – 20 | - £5.90 per hour |
| Under 19 | - £4.20 per hour |

Also from this April there is an increase in contributions for all Auto Enrolment Pension Schemes. The minimum contribution for employers rises from 1% to 2% and for employees from 1% to 3%. There is a further rise in one year's time to 3% for the employer, and to 5% for the employee.

Following immediately after this month, is the May start date for the new Data Protection regulations. You may have noticed that organisations that you receive information from are now asking for reregistration to enable them to continue to supply the information after May. We must now also ask you to do the same and we will shortly be contacting each of you individually.

VALUE ADDED TAX

Value Added Tax

The level of total annual turnover required before registering for VAT is £85,000 and this figure will not be changing until at least April 2020. As a result many businesses, which would otherwise not have to register, will be approaching and possibly exceeding this limit. As a reminder of the procedure; at the end of each month you must add up all gross income for the preceding 12 months and if the figure exceeds £85,000 then you must register for VAT, or contact us to register for you, within 30 days.

Whilst on the subject of VAT, there are three categories where no VAT is included in the income received, and this can be very confusing. *These include*

1. Income that is zero rated (e.g. most groceries, newspapers and children's clothing),
2. Income that is exempt (e.g. health, insurance and the sale or rent of a residential property),
3. Income that is outside the scope of VAT (grants, subsidies, tips, MOT fees and dividends).

The first and last of these items cause few problems; it is the exempt supplies that can catch you out, and they are covered by the 'partial exemption' rules. You cannot reclaim the VAT on direct expenditure relating to this type of income. Furthermore there may be a restriction on reclaiming VAT on any indirect expenditure.

Please contact Martyn if you consider that this may be a problem in your business.

Digital Accounting

'Making Tax Digital' (MTD), for VAT registered businesses with a turnover exceeding £85,000, gets ever closer, with the starting date just 12 months away.

From April 2019 such businesses must record all

output and input invoices on an electronic device, such as a computer or laptop (or even a smart phone for smaller businesses), which then either stores the invoices in the cloud or on the device itself. The computer or phone must then extract the relevant information and automatically send it to HMRC. A software package

will be mandatory, either one that completes the whole operation itself, or alternatively an Excel spreadsheet can be

used, but a software package will still be required to extract the information and send it to HMRC. All other businesses, and this includes property rentals, join the scheme at a later date, possibly April 2020 or April 2021.



From this month any sole trader, and from next month any landlord, can voluntarily join MTD, and these people will in future not have to complete an annual Tax Return. HMRC are not providing any free software and on their list of approved software suppliers there are only two firms, namely Iris and Rhino.

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.

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