

A.W.G

WARREN
& Son.

NEWSLETTER

August 2018

Making Tax Digital (MTD)

Every VAT registered business with an annual turnover of taxable supplies exceeding £85,000 will have to make a change to their bookkeeping system before April next year, when MTD comes into operation, for VAT transactions only (MTD for annual accounts and tax returns is still some years away). More information will have to be recorded than at present, including addresses and the VAT numbers of suppliers. Most businesses will fall into one of three groups -

1. Those which already have a comprehensive accounting package, who will just need to purchase an upgrade for MTD, and will require little additional input from ourselves.
2. Those who maintain their records on Excel, or on an Excel based system such as VT (used by many of our clients). They will have to use a separate 'MTD Link' programme which will enable Excel, or VT, to submit the necessary information to HMRC.
3. Those who currently maintain a manual bookkeeping system will have to end this system next April and either purchase a full accounting package or a simpler Excel based system, together with an MTD Link.

The service that we will be able to offer to clients will firstly be to those in category 2 where the information from the Excel based system can be transmitted to us, to be submitted to HMRC using our MTD link. This process can just be the submission of the figures or a check on the actual transactions.

For those in category 3 we can offer the same service as to those in category 2, or alternatively we can undertake the whole process including the record keeping and the quarterly submission of the VAT figures. We recommend 'VT transactions' as being the most straightforward package, and this can be purchased direct at **www.vtsoftware.co.uk**. They give good support and there is a free trial version. We can also provide additional support where necessary.

All of the foregoing is what we expect to happen and what we hope to be able to do, dependant on whether the packages will be available in time, will do what we want them to do, and indeed whether the start date will still be next April. However you will need to take action before the end of the year in order that the new system is installed and you are familiar with it, well before the start of MTD.



Overseas Income or Gains

In our October 2017 Newsletter we warned about HMRC becoming more vigilant about overseas income or gains, and the fact that it must be reported to them irrespective of whether tax has been paid in a foreign country.

This is primarily because they have obtained the details of any income or proceeds of assets in over 100 countries.

This includes all of Europe, Canada, USA, Australia and even China.

HMRC have now increased the penalties for non-disclosure to a minimum of 100% and a maximum of 200% of the tax. Furthermore if the amount of tax not disclosed amounts to more than £25,000 they can also charge an additional penalty being 10% of the value of the asset, and then name and shame you. And more, they are increasing the period that they can go back to twelve years.



Removing private addresses at Companies House

Earlier this year Companies House announced that where in the past directors or shareholders have provided details of their home address, this can now be removed from publicly

available documents. The details can be removed where the address only relates to the home of the Director or shareholder, but not where it is also the registered office of the Company. It cost £55 for each document for each individual. Please contact Gail if we carry out the secretarial duties for the Company, and you wish to remove your address.



Pimlico case update

In our last newsletter the outcome of the Pimlico case at the Supreme Court had not been decided. It now has, and the result, like that of all the lower Courts, was that the plumber who had been self-employed with the firm for many years was in reality an employee.

The result of this case, and the case of the BBC presenter also referred to in our last newsletter, will influence the Government when they report later this year on those claiming self-employed status, and those with their own personal service Companies.



Tax Investigations

It was back in 2014 that we last referred to tax investigations and the use of the latest weapon in the Revenue's armoury, being their 'Connect' database. Like many other accountants we are noticing a reduction in the number of tax enquiries that just relate to questions on the latest tax return or accounts submitted. Instead the majority of investigations are started as a result of suspicions raised by 'Connect'. A vast number of transactions go through this database, including all credit card transactions, bank loans, investments, mortgages, car or property purchases, and dealings with any national or local government department, even a planning application for an extension. Now to this list add the same details from over 100 other Countries and you end up with the largest database in the UK. The Revenue then compare known income with expenditure, sometimes over a period of many years, and where there is a significant discrepancy you are likely to receive a letter from them.

Importance of Employment contracts

We frequently get asked about the rights of employees regarding holidays, sickness, right to time off, poor timekeeping, sacking them, and similar questions. The answer that we always give, subject to statutory minimums and procedures, is 'what it says in their contract of employment'. If there is no contract we then say that the employee can probably take a holiday or time off when they want to, arrive at work when they choose and they are probably unsackable. By law every employee must be provided with a basic contract, called a statement of written particulars, within two months of the start of their employment. A contract of employment should be drawn up by a solicitor, or employment law specialist, but initially please either discuss this matter with Martyn, or request a copy of his technical notes on the subject.





Working from Home

Before even thinking about tax, one must consider the legal and commercial considerations about working from home.

1. Planning permission, Council tax and Licences – The rating valuation office is part of HMRC and as a result business activities at home cannot be concealed. To be classified as a business the building must have been adapted (eg. garage converted), or equipment installed not normally found in a house, or non-householder members working on premises, or signs outside or a significant number of visitors to the premises. Also unsocial hours, noise or smell emitted or any other aspect that would cause a disturbance to neighbours will be taken into account. Certain business, such as food preparation and taxi operators, always requires a local authority licence. Other business use, such a typical office or workshop, would not be liable to business rates unless the business had exclusive use of a part of the premises.

2. Contents and Buildings Insurance - It is vital that the Insurance company is notified as the whole policy may be invalidated if a claim is made, even though the claim does not relate to the business activity. It may be necessary to have a separate policy for the business risks, including theft of computers etc. A household policy will also not extend to third party liability for business related visitors to the home. It is a condition of all Insurance policies that all unspent convictions of all occupiers are notified. The landlord must be notified if it is a rented property and the landlord pays the insurance.

3. Mortgage - The Mortgagor must be notified and may change the terms of the mortgage.

4. Restrictive covenants in Deeds or Lease - Some deeds prohibit any business activity at the property, particularly if the property is rented or on a long lease.

All these points will normally only require notification (keep evidence) if the work is clerical, not more than one room is used for work, the property has no advert, there are no frequent visitors and the individual has no employee working at the property.

The taxman categorises self-employed people who work from home, or work at home, into four groups. These categories define the methods of calculating the tax allowance for the business costs relating to the home.

1. The business is run exclusively at the address which is also one's home, and the area that the business occupies is used exclusively for the business. All the costs relating to this area, if they can be precisely defined, are allowable for tax. This would include mortgage interest, council tax, insurance, gas, electric, maintenance etc.
2. As 1. above but where there is no area which is used exclusively for the business. The precise costs are likely to be harder to define, in which case the only amounts allowable are likely to be just the additional costs incurred as a result of working at home.
3. The home is the base and the address of the business, although the main place of work is at another premises or site, which is attended on a regular basis.
The only allowable costs would be the additional costs of working from home.
4. Where the work is carried out at various different locations throughout the year, and where there is no base where one normally stops first to collect paperwork, a vehicle, tools or materials. The only allowable costs would also just be the additional costs of working from home.

One can opt to use a simplified basis to calculate the allowable costs in respect of all these categories. This is a fixed rate based on the number of hours worked per month, with a minimum of 25 hours. The number of hours relates to the self-employed person and those of any other person working in the business. These figures also do not include telephone or Internet, which can be claimed separately

25 to 50 hours pm	= £10 pm. tax allowance
51 to 100 hours pm	= £18 pm. tax allowance
Over 100 hours pm	= £26 pm. tax allowance

The four categories above are also used to ascertain the tax allowability for motor and travel expenses. For categories 1, 2 and 4 the costs of travel for business purposes are tax allowable. These business costs can be calculated as a percentage of total annual costs. Alternatively a simplified basis can be used. This is 45 pence per mile for the first 10,000 business miles and 25 pence thereafter. Regrettably the motor and travel costs for category 3 are not tax allowable.



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

Chartered Accountant - 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

Administration & Company Secretarial - gail@awgw.co.uk

Debbie Lawes

debbie@awgw.co.uk

Amrit L Bhardwaja

Consultant Bsc, FCCA, PGCE, Dip IFR - ab@awgw.co.uk

A.W.G. WARREN & SON
CHARTERED ACCOUNTANTS

74 Wyndham Crescent, Canton, Cardiff, CF11 9EF

Tel: 029 20220162 / 029 20390914

Fax: 029 20340189

Website: www.awgw.co.uk