

alwyns
CHARTERED ACCOUNTANTS

helping you achieve your personal & financial goals

Financial news that's relevant to you.



INTRODUCTION

Before the Autumn Budget 2017 is announced later this year, we should, at long last, see the held over sections of the March 2017 budget complete their progress onto the statute books.

It will be interesting to see the scale of any changes announced as government departments accommodate Brexit challenges.

This newsletter includes the usual variety of topics that will keep you abreast of current tax changes and our ideas for countering their effects. As always, if you need more information regarding any of the issues raised please get in touch, we are here to help.

PERSONAL

Misconceptions about letting property

HMRC has published a list of popular misconceptions that taxpayers have about letting property. We have noted below a summary of situations when you will need to declare rental earnings to HMRC:

- If you inherit property and let it out.
- If you buy a property as an investment and let it out.
- Divorcing partners, who decide to let out their jointly owned property, will need to declare their share of any rental profits on their individual tax returns.
- You move to a new house due to employment considerations and let out the house you are moving from.
- You move into a care home and let out your present home to help pay for the fees.
- You buy a property for your son or daughter to use while at university, and they may sub-let to friends on an informal basis and charge a nominal rent, which you use to defray costs. Any surplus monies received from this sort of arrangement will still need to be declared.
- Moving to tied accommodation can



create problems if you keep your existing home and let it out. If the rents you receive cover your mortgage repayments (capital and interest) you may consider that you have not made a profit, but the capital part of your mortgage repayments are not an allowable deduction for income tax purposes.

If you are concerned that you may be required to declare your rental income, and you have not yet done so, we can help. There is a tried and tested process to bring matters up-to-date. Please call for more information.

Home and tax

In most cases, you can sell your home, make a profit, and pay no capital gains tax (CGT); but there are exceptions.

In tax parlance, your home is described as your principal private residence (PPR). If you own one property – either jointly with your spouse or civil partner – or purchased in your own name, if the property is your main residence there should be no tax complications when you sell.

Problems can arise if you own more than one property and if you have occupied both as your PPR. When this is the case there is one issue that will require your attention.

At any point in time, HMRC will only allow you to have one tax advantaged property that is your PPR. Accordingly, you will need to decide when you buy a second or subsequent property: which will be your PPR for tax purposes? To formalise this process, it is necessary to file the details with HMRC.

This notification process must be completed within two years of each occasion your combination of homes change, i.e. you can backdate the claim by two years.

If you are considering the sale of a property that has been your home for only part of your tenure of ownership, the tax implications you will need to consider can be fairly involved. For this reason, we suggest you seek professional advice before completing a sale, in order that the CGT consequences can be fully considered.

Why making a Will makes sense

Many people die without making a Will. In legal terms, this means they die “intestate”. When this happens, the estate must be shared out according to certain rules. Individuals who may benefit under these rules are:

- Married partners and civil partners at the time of death. This includes separated partners but not divorced partners or a civil partner if a civil partnership has ended.
- Children, grandchildren and great grandchildren, if the estate is over a certain amount.
- Parents, brothers and sisters, nieces and nephews.
- Grandparents, uncles and aunts.

The order in which estates are distributed follow strict rules. For example, if there is a surviving partner, a child only inherits from the estate if it is valued at more than £250,000.

Partners who are unmarried, or not in a formal civil partnership, have no claim on their deceased partner's estate.

When family groups are affected by divorce, re-marriage, or co-habiting and there are children involved, the actual rights of family members to share in a deceased's estate can be complex, and may result in assets of the estate being distributed in a way at variance with the unwritten wishes of the deceased person.

The estates of persons who die intestate

and have no relatives, are passed to the Crown under the "Bona Vacantia" rules.

For these reasons, everyone should prepare a Will and make their intentions known and legally enforceable.

Taxation will also need to be considered. Without a Will, inheritance tax may take a disproportionate share of an estate. The current rate applied on chargeable assets on death is 40%.

Readers of this article who have not made a Will or considered the inheritance tax consequences of their death should take advice now. Failure to do so may create distressing situations for surviving family members and result in a large chunk of your hard-won assets being paid over in taxation.

We can help. Please call to arrange an initial fact-find meeting.

Marriage allowance - can you claim?

According to reported stats there are still numerous married and civil partnership couples who have not claimed this allowance.

The marriage allowance (MA) lets you



transfer £1,150 of your personal allowance to your husband, wife or civil partner - if they earn more than you. This reduces their tax by up to £230 in the current tax year, 2017-18.

To benefit as a couple, you (as the lower earner) must have an income of £11,500 or less.

You can claim MA for 2017-18 if all the following apply:

- you're married or in a civil partnership
- you don't earn anything or your income is £11,500 or less
- your partner's income is between £11,501 and £45,000 (or £43,000 if you're in Scotland)

It won't affect your application for MA if you or your partner:

- are currently receiving a pension
- live abroad – and you get a personal allowance

The application process is straight-forward; there is an online application process you can use at www.gov.uk/apply-marriage-allowance.

And don't forget, you can back-date your claim to 5 April 2015, if your circumstances qualified you for the MA in those earlier years.

Married couples and CGT

Transfers of assets that would normally trigger a liability to capital gains tax (CGT) are tax-free if the persons transferring and receiving the chargeable assets are married or in a civil partnership and are living together for CGT purposes at the time of the transfer.

A transfer of chargeable assets between co-habiting couples would not qualify for this relief.

According to HMRC, you and your spouse or civil partner are treated as living together unless you are separated:

- under a court order



- by a formal Deed of Separation executed under seal (in Scotland a deed should be witnessed)
- in such circumstances that the separation is likely to be permanent

In each case the marriage or civil partnership must have broken down. If the marriage or civil partnership has not broken down, but you don't live in the same house, you're still treated as living together for CGT purposes.

If you or your spouse or civil partner were living together at some time in a tax year, you can transfer assets between you at any time in that tax year at no gain or loss. There's no requirement that you should be living together at the time of transfer.

If a transfer occurs between you and your spouse or civil partner after the end of the tax year in which you stop living together, there are rules to decide the date of disposal and the amount of consideration on disposal. These rules depend on your circumstances and the information you will need to consider is the date of:

- any decree absolute or dissolution of the civil partnership
- the court order if the asset was transferred by such an order
- any other contract under which the asset was transferred

The rules defining your CGT status if these circumstances apply, are complicated. Once you hold the necessary information, we suggest you call to clarify your CGT position.

BUSINESS

Making Tax Digital update

HMRC has confirmed a new timetable for the roll-out of their exercise to make business tax a digital process – their so-called Making Tax Digital (MTD) campaign.

Under their original proposals, all self-employed business owners, including landlords, with turnover of more than £10,000 would have been drawn into the MTD net from April 2018. This would have involved making quarterly uploads of summarised accounts data to HMRC’s personal tax accounts.

Advisors and business groups were horrified by this apparently hurried and draconian change in tax compliance and we are pleased to report that HMRC has listened.

The new roll-out timetable for MTD, as published by HMRC 13 July 2017, is reproduced below:

"Under the new timetable:

- only businesses with a turnover above the VAT threshold (currently £85,000) will have to keep digital records and only for VAT purposes
- they will only need to do so from 2019
- businesses will not be asked to keep digital records, or to update HMRC quarterly, for other taxes until at least 2020.

Making Tax Digital will be available on a voluntary basis for the smallest



businesses, and for other taxes.

This means that businesses and landlords with a turnover below the VAT threshold will be able to choose when to move to the new digital system.

As VAT already requires quarterly returns, no business will need to provide information to HMRC more regularly during this initial phase than they do now.

All businesses and landlords will have at least two years to adapt to the changes before being asked to keep digital records for other taxes."

There is still work to do. Readers who are still using manual record keeping for accounting purposes, or are using software that will not be compatible with HMRC’s computer links (APIs), will need to consider their options. We can help you choose a suitable option in good time to meet HMRC’s MTD launch dates.

Finance matchmaking scheme

HM Treasury has released information about the government backed referral scheme, launched November 2016, that supports small business owners obtaining funding for their businesses from the larger banks. They said:

"Over the past 9 months, 230 small businesses from beauticians to forklift truck training companies, which were rejected for loans by some of the UK’s biggest banks, have gained £3.8 million from alternative lenders.

Loans resulting from this scheme ranged from £200 to £500,000, with an average size of £16,000. Many sectors have benefited including construction, retail, technology and science.

A fourth finance platform, Alternative Business Funding, will join the scheme from 1 November 2017 to increase the options available to businesses. The government will continue to work with banks to embed and improve their referral processes.

Research shows that 71% of businesses



seeking finance only ask one lender and, if rejected for finance, many simply give up on investment rather than seek alternative options. In 2016 220,000 small and medium sized businesses sought a loan or overdraft, 25% of these were initially declined by their bank and only 7% of those declined were referred to other sources of help."

Readers who are interested in following up this innovative source of funding should ask their bank (if they are unable to help) to pass on their details to three finance platforms - Funding Xchange, Business Finance Compared and Funding Options.

These platforms will then share these details with alternative finance providers and go on to facilitate a conversation between the business and any provider who expresses an interest in supplying finance to them.

Lending money to your company

If you have lent, or are about to lend funds to your company, you may want to consider how the loan is structured.

If you are a director, any arrangement made with your company should be agreed at board level and documented accordingly. Issues you may want to consider include:

- Unless you can secure your loan by taking a legal charge over specific company assets, your loan will rank as an unsecured creditor.
- Agree repayment terms.
- Agree the rate of interest you are to receive.
- Agree terms if your directorship or other

25 May 2018. The new data protection law will strengthen the rights of individuals and provide them with more control over how their personal data is being used.

According to published research:

- Awareness of GDPR was good, with almost all firms (97 per cent) aware of the new regulation
- Almost three quarters (71 per cent) of firms said they were somewhat prepared to meet the GDPR requirements, with only 6 per cent being fully prepared
- Just 13 per cent said GDPR was regularly considered by their board
- 45 per cent of Boards say they are most concerned with meeting GDPR requirements relating to an individual's right to personal data deletion

The Information Commissioner's Office (ICO) has produced guidance for organisations on implementing the regulation, including a checklist for businesses on the actions they need to take; and a series of interactive workshops and webinars.

The ICO will also produce guidance for organisations about the responsibilities under the GDPR and individuals on their rights under the GDPR.

What is a Company Voluntary Arrangement?

If your business liabilities (amounts owed to creditors) exceeds the funds available to settle those liabilities, your business may be insolvent. If you suspect that this may be the case you should take advice, and sooner rather than later. In most circumstances, continuing to trade when you know that you are insolvent is illegal.

Rather than throw in the towel and wind up your business, you could consider coming to an arrangement with your creditors. This may be an appropriate course of action if you consider that the prospects for your business are favourable.

Firstly, a Company Voluntary



Arrangement (CVA) can only be set-up and administrated by an insolvency practitioner. We can refer you if a CVA is felt to be a workable option.

According to the government website this is what will happen:

1. The insolvency practitioner will work out an 'arrangement' covering the amount of debt you can pay and a payment schedule. They must do this within a month of being appointed.
2. They'll write to creditors about the arrangement and invite them to vote on it.
3. To get a CVA, it must be approved by creditors who are owed at least 75% of the overall debt.

You will need to make the scheduled payments to creditors through the insolvency practitioner until these are paid off.

If you don't get the 75% vote from the creditors, your company could face voluntary liquidation and if you don't meet the agreed payment schedule, any of your creditors can apply to wind up your business.

If you are concerned that you may be insolvent, the first thing to ascertain is your current financial situation. We can help you do this. Once this position is clear, that you are insolvent, we can then look at a referral to an insolvency practitioner and get a formal CVA arrangement underway.

MISCELLANEOUS

VAT – invoice in dispute

Ordinarily, if an invoice sent to a customer, or received from a supplier, remains unpaid after six months, any output tax added to a sales invoice can be recovered from HMRC - by claiming bad debt relief - and any input tax claimed on a supplier's invoice, more than six months old, will need to be paid back to HMRC.

However, when an invoice is in dispute, no input tax adjustment is needed if the supplier has agreed to extend the payment deadline while the problem is being sorted out. The flip side of this arrangement means that the supplier can't claim bad debt relief on the corresponding sales invoice(s). In this way, HMRC will not be out of pocket.

These comments only apply if your business uses the standard VAT accounting method, i.e. it accounts for VAT payments to HMRC based on the difference between VAT added to sales invoices less VAT added to purchase invoices. If you use a cash accounting method, there is no need to consider bad debt relief as you only pay VAT to HMRC when you are paid by customers or when you pay for taxable goods and services from your suppliers.



FINANCIAL CALENDAR

Every month:

- 1 Annual Corporation Tax due for companies with a year ending nine months and a day earlier, e.g. tax due 1 January 2018 for year ending 31 March 2017.
- 14 Quarterly instalment of Corporation Tax due for large companies (depending on accounting year end).
- 19 Pay PAYE/NIC and CIS deductions for period ending 5th of the month if not paying electronically. Submit CIS contractors' monthly return.
- 22 PAYE/NIC and CIS deductions paid electronically should have cleared into HMRC bank account.
- 30/31 Submit CT600 for a year ending 12 months earlier. Last day to amend CT600 for a year ending 24 months earlier.

If the due date for payment falls on a weekend or Bank Holiday, payment must be made by the previous working day. Electronic payments sent using the Faster Payments Service (FPS) are able to clear into HMRC's account on a non banking day – a Saturday, Sunday and most Bank Holidays.

File accounts with Companies House for private companies with a year ending nine months earlier and for public companies with a year ending six months earlier.

October 2017

- 5 Deadline to notify HMRC of chargeability to Income Tax or CGT for 2016/17.
- 14 Due date for CT61 return and CT payment for quarter to 30 September 2017.
- 31 Deadline to submit 2016/17 Self Assessment tax return if filed on paper.

November 2017

- 2 Submit employer forms P46 (car) for quarter to 5 October 2017.

December 2017

- 30 Last day to submit 2016/17 tax return online to have unpaid tax of up to £17,000 collected through the 2018/19 PAYE code. The amount of debt that can be coded out in a year ranges from £3,000 to £17,000 based on a graduated scale.

January 2018

- 14 Due date for CT61 return and CT payment for quarter to 31 December 2017.
- 31 Submit 2016/17 Self Assessment return online. Pay balance of 2016/17 Income Tax and CGT plus first payment on account for 2017/18.

February 2018

- 2 Submit employer forms P46 (car) for quarter to 5 January 2018.

March 2018

- 31 Last minute planning for 2017/18 tax year. Make sure to use any CGT and IHT annual allowances and exemptions.

April 2018

- 5 Last day of tax year (6 April 2018, first day of new tax year).
- 14 Due date for CT61 return and CT payment for quarter to 31 March 2018.

May 2018

- 3 Submit employer forms P46 (car) for quarter to 5 April 2018.
- 31 Last day to issue 2017/18 P60s to employees.



July 2018

- 5 Final date to agree 2017/18 PAYE Settlement Agreements (PSA).
- 6 Last date for returns of expenses and benefits (forms P11D, P9D and P11D(b)) for 2017/18 to reach HMRC. Relevant employees to receive copies of forms P11D and P9D.
- 6 Last date to submit annual returns for employee share schemes and employment-related securities for 2017/18 (forms 34, 35, 39, 40 and 42).
- 14 Due date for CT61 return and CT payment for quarter to 30 June 2018.
- 22 Class 1A NICs for 2017/18 due (19th if paid by cheque).
- 31 Due date for second payment on account of 2017/18 Income Tax and Class 4 NICs.
- 31 Last day to pay 2016/17 tax to avoid second automatic 5% surcharge (unless late payment agreed with HMRC).

August 2018

- 2 Submit employer forms P46 (car) for quarter to 5 July 2018

In Preparing and maintaining this newsletter every effort has been made to ensure the content is up to date and accurate. However, law and regulations change continually and unintentional errors can occur and the information may be neither up to date nor accurate. The editor makes no representation or warranty (including liability towards third parties), express or implied, as to in this newsletter. The accuracy, reliability or completeness of the information published.



helping you achieve your personal & financial goals

- Accountancy
- Audit
- Taxation
 - Business
 - Personal
- VAT
- Payroll
- Bookkeeping
- Wealth and retirement planning
- Business support services
 - Profit improvement consultancy
 - Funding
 - Business purchase or sales
 - Strategic planning
 - Management accounting
 - Outsourcing
 - Company secretarial services

Alwyns Chartered Accountants

Crown House, 151 High Road
Loughton, Essex IG10 4LG

020 8502 0411

www.alwynsllp.com