

# dmc newsletter

## WINTER 2016

### WELCOME

#### DMC News

Over 10 years ago we unveiled our new website - this has now been updated and we hope will provide lots of useful information and contacts. The address is [www.dmcpartnership.com](http://www.dmcpartnership.com). We are also pleased to announce that following Fiona Edward's retirement in the summer, Nicky Sankey, Matt's mum has joined the payroll department. Our employees have included father and son (with the same name!), mother and daughter and now mother and son! We like to think the reason that our staff and clients are so loyal to us is because we make everybody feel special. We may have modernised with our re-vamped website but a warm flickering fire remains in our reception to welcome you to our office.

#### Autumn Statement Highlights

Philip Hammond presented his first statement - but fortunately did not have major changes to announce. He did emphasise that the government wants to create fairness in the tax system. This may affect the tax advantages to trading as a limited company compared with self-employment or even doing the same work as an employee. Certainly, from April 2017 contracting as a company to the public sector will offer few tax-saving benefits and this "attack" could in future extend to the private sector. All we can say is that we will assist you to trade in the most tax efficient way within the scope of the available benefits.

#### Vat Flat Rate Changes

The biggest change announced relates to the use of the VAT flat rate scheme. From 1 April 2017 if using the Flat rate scheme you will need to consider if you are a "limited cost trader" (essentially a labour only business) and so will have to use a flat rate percentage of 16.5%. If you are used to a 12% or even 14% rate you will notice a difference and this could mean that a

move to standard rated VAT or even de-registration will be beneficial although the administrative ease of the Flat rate scheme still has a lot to offer. If you think you could be affected by this change and need some advice do let us know.

#### Pensions

There has been a gradual reduction in the amount that can be saved into a pension fund and then drawn without incurring an additional tax charge. The current limit is now £1 million. However, protective elections are available, one of which expires on the 5<sup>th</sup> April 2017. If you have a large pension fund and think this might apply do contact us. With the new pension freedom currently applying at age 55 and over, it can be tempting to draw down more than the tax free lump sum. But bear in mind that should you do so there will be a limit of £4,000 per year on the amount that you can then save into a pension.

#### Auto Enrolment

For employers this is just a reminder that there is a five month deadline from your pension "staging date" to file the declaration of compliance with the pension regulator. This will confirm the choice of pension scheme, number of workers and number of people automatically enrolled. There are fines for non-compliance and we urge you to review your auto enrolment procedures. It is not as simple as having a meeting and deciding that nobody wants a pension - if eligible or entitled, the statutory correspondences have to be issued and enrolment made into the pension scheme even if it is only for the employees to then "opt out."

#### Research and Development

One of the features of the Autumn statement was the government focus on providing money to develop the innovation side of businesses and the economy and it is worth remembering that there are tax incentives and allowances for expenditure on research and development.

### **Research and Development (continued)**

If your business has a technological slant or has developed a new way of manufacturing or providing services it could be surprising to note that "research and development" has been carried out and therefore enhanced tax relief available on the related expenditure. Do contact us if you think that this could apply to your business.

### **Festive Season**

Those businesses with employees may be taking advantage of the £150 per head allowance for staff parties but there is an additional way to gift to employees - a meal out, an expensive bottle of wine, or theatre ticket can now be provided without tax or national insurance cost - you just need to ensure that each trivial benefit costs no more than £50 per person, is not a reward for services (e.g. celebrates a birthday, or Halloween, or the fact that Brighton beat Norwich 5 -0! ) and is not cash or a cash voucher. For close (small/family) companies the legislation imposes an annual cap of £300 on exempt trivial benefits provided to a director.

### **Making Tax Digital**

From April 2018 if all goes to plan, the first trading and rental businesses will start the process of digital updates to HMRC and by 2020 will have moved to a fully digital system. This involves changes in respect of how businesses keep their records, accounting dates, filing deadlines and also may change the way that we integrate our systems with yours. There is a lot of consultation at the moment between the accounting bodies and the Inland Revenue but we can assure you that we are monitoring the changes closely and will keep you updated. The digital changes will also affect Personal Tax clients with more emphasis on third party information and your own information being directly uploaded to your Personal Tax account.

### **Uber and Hermes...**

A recent court case ruled that two individuals working for the taxi firm Uber were workers as defined by employment law and not self-employed.

The case makes interesting reading and has led to calls for a review of employment law to reflect the growing internet and smartphone based economy. With the matter so topical, now would be a good time to undertake a review of your short term and freelance workers to ensure that you are treating them in the correct way. Also related to the internet economy remember that from April 2017 there are two new £1,000 allowances to cover small trading income and rental income receipts.

### **Rental income changes**

There are many people who have a secondary source of income from rental property. It is worth reminding you that for tax purposes there is now no distinction between furnished and non-furnished residential lettings. As from April 2016 the wear and tear allowance has been removed and instead we now have tax relief on replacement of domestic items. This is good news for unfurnished lets on which you can claim for replacement of carpets and white goods, but furnished lets will miss the former 10% automatic deduction. From April 2017 loan interest relief will, over a four year reducing process, be given as a tax credit instead of a revenue deduction and this could significantly increase the tax payable in respect of rental income.

### **Tax Returns**

Thank you to everyone who has provided their tax return information but for those who have not yet sent it in, a reminder that the filing deadline for the 2015-16 Self Assessment return is 31<sup>st</sup> January 2017 and we urge you to let us have the information as soon as you can so that we can plan our work to meet this deadline.

**We close our offices on Friday the 23<sup>rd</sup> December 2016 for a much needed and appreciated Christmas break, and reopen on Tuesday 3<sup>rd</sup> January 2017.**

**WISHING YOU ALL A MERRY CHRISTMAS AND HAPPY NEW YEAR.**

## **dmc partnership limited Chartered Accountants**

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