

dmc newsletter

WINTER 2017

WELCOME

DMC News

We are constantly evolving and adapting, as must all businesses, and we like to think that our major strength is our staff. After 30 years, Sue Patience, receptionist extraordinaire, and longest serving employee, reluctantly decided to retire and we are pleased to introduce Camilla Dunne who will assist in front of house duties. There are also two new accounts staff members Hannah Ferris and Gemma Isitt-Potter. Finally we are pleased to announce that Rob and Teresa Brown welcomed baby Aiden into the world in July (on Bruce's birthday!)

News of Making Tax Digital

Probably due to the demands of Brexit planning and the problems HMRC has recruiting IT contractors, the extensive roll out of these plans has been put on hold. However the introduction of MTD for VAT from April 2019 remains. From that date all businesses with taxable turnover over the VAT threshold will be required to keep digital records for VAT purposes and provide their VAT return information to HMRC using MTD-functional software. It has been confirmed that spreadsheet records will not satisfy the digital requirement so this does mean that proprietary software may need to be purchased. There is now just over a year to plan for this change and we do recommend that you start to implement the change over the coming months.

The new Tax-Free Childcare system

The new tax free childcare system is now in operation and for the first time self-employed parents can also access a tax supported childcare system. This involves opening an online childcare account and for every £8 paid in, the government adds an extra £2, up to a total of £2000 tax added per year. It can be used alongside the 15 hour and 30 hour free entitlements but not with tax credit childcare claims. As part of the change employer-supported childcare such as childcare vouchers

will be phased out and will not be available to new entrants from 6th April 2018. There will be winners and losers under the new arrangements so it is worthwhile reviewing now and if childcare vouchers are the better option, ensuring that this is set up before 6th April 2018. It is also worth remembering that childcare vouchers can be used for certain registered after school activities as well as for day care.

Data protection

The current Data Protection Act will be replaced by a new law implementing the General Data Protection Regulation (GDPR) set for 25th May 2018. There is a 12 step plan to help businesses review procedures to ensure they will comply.

1. Awareness that the law is changing
2. Documentation of personal data that you hold where it came from and who you share it with
3. Communication of the way you will handle data
4. Check procedures to ensure they cover the rights individuals have relating to data you hold
5. Review procedures on requests for access
6. Identify your 'lawful basis' for processing data - some rights are modified under GDPR
7. Review how you manage and record consent
8. Consider whether the new special protection for children will apply to your organisation
9. Set procedures to detect report and investigate personal data breaches
10. Adopt a 'privacy by design' approach
11. Designate a Data Protection Officer
12. If applicable consider international aspects

Further guidance on <https://ico.org.uk/>

Pension Drawdowns

After the tax free cash element any further withdrawals from pension drawdowns are treated as taxable income. This means that taking large withdrawals could push you into a higher tax bracket, or cause you to lose the personal tax allowance. It is essential that these drawdowns are pre-planned taking into account all business and personal tax circumstances so please do discuss in conjunction with us.

2017 Budget update

Technology and housing was a key focus of the Budget speech but the real surprise was that there were little dramatic changes in respect of personal and business taxation. Philip Hammond was probably worried about getting it wrong and having to change policies the following week, so chose to do nothing instead!

Capital gains tax rates

One of the surprises, was that the currently low capital gains tax rates were not increased. It is worth mentioning again what these are:

For residential properties - Individuals - 18% to income tax basic rate threshold and 28%

above income tax basic rate limit - **Trusts and Personal Representatives** - 28%

Other gains - Individuals - 10% to income tax basic rate threshold and 20% above income tax basic rate limit - **Trusts and Personal**

Representatives - 20%

These are the standard rates of course - reliefs such as entrepreneurs and investment relief will produce even lower rates.

Other 2017 budget matters

VAT- We were teased on budget day by the possibility of a large reduction in the VAT registration threshold, instead it was announced that the £85,000 threshold will remain but will be frozen for the next two years

DIVIDEND ALLOWANCE - it was confirmed that the reduction from £5,000 to £2,000 will take effect from 6th April 2018. The savings allowances and rate bands will however remain the same. We have managed to use these savings allowances to positive effect in tax efficient profit extraction.

STAMP DUTY LAND TAX -from 22nd

November 2017 first time buyers paying £300,000 or less for a residential property will pay no SDLT. There were also some tweaks to the additional rates payable for second properties.

CLASS 2 and CLASS 4 NIC - the abolition of Class 2 NIC has been delayed by a year until 6 April 2019 and Class 4 NIC rate remains at 9%.

Personal Tax allowance and rates the personal tax allowance for 2018-19 will increase from £11,500 to £11,850 and the higher rate tax threshold increased from £33,500 to £34,500 so with the increased personal allowance it is only on income above £46,350 that the 40% rate will be applied.

Corporation Tax - the corporation tax rate remains at 19% for the 2017 and 2018 financial years (1 April to 31 March) It was also announced that the CGT indexation relief for companies will be frozen. When a company makes a capital gain on or after 1 January 2018, the indexation allowance applied to determine the gain will only be calculated up to December 2017.

Christmas parties

A seasonal reminder that an employer may spend up to £150 per head (inclusive of VAT) per year in providing annual functions and events to entertain its staff, and that amount will not be taxed on the employee. It is not an allowance though and so the limit must not be exceeded if it is not to be a benefit in kind. As this counts as staff welfare, unless you are an owner manager and having a one man party, the input VAT on the entertaining relating to employees (but not the guests!) is fully reclaimable.

PERSONAL TAX RETURNS

Thank you to everyone who has provided their tax return information for the 2016-17 returns, and can we ask that if you have not yet done so, please let us have the relevant information as soon as possible so that we can plan our work to be sure we meet the 31st January 2018 filing deadline.

We close our offices on Friday 22nd December 2017 for our Christmas break, and reopen on Tuesday 2nd January 2018.

WISHING YOU ALL A MERRY CHRISTMAS AND HAPPY NEW YEAR

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