

# dmc newsletter

## WINTER 2018

### **WELCOME**

#### **DMC News**

We are very pleased to report that Matt Sankey, who joined us post A Levels, has recently completed and passed his final ACCA exams and has a promising career ahead of him - this proves that studying for a degree is not necessarily the only route for school leavers.

#### **News of Making Tax Digital (MTD)**

The mandatory filing of VAT returns in a digitally compliant way is now getting closer. This will apply to businesses with taxable turnover above the registration threshold of £85,000 in respect of the first quarter commencing on or after 1st April 2019. We have been working hard developing our strategy to manage this process for our clients and are now making direct contact to give advice about the issues that apply to your business - looking at existing accounting, bookkeeping and VAT filing processes to evaluate how this can be digitalised. For some clients this may involve changes, such as moving from manual cashbook to cloud software, or spreadsheets. We have developed an in-house spreadsheet which not only assists with business record keeping, but can be used in conjunction with specialised filing software that we will help you to implement. So do expect us to make contact soon.

#### **BUDGET 2018**

There were a number of important changes to the tax system announced in this year's Budget which will have a direct effect upon our clients, both businesses and personal. The ones that we think worth highlighting are as follows:

#### **Private Residence relief**

With effect from 6 April 2020, the final period of exemption will be reduced from 18 months to 9 months (this will not affect the final period of exemption for those who are disabled or in a care home, that will remain as 36 months) and the conditions for letting relief will be amended such that relief will only be available where one retains shared occupancy of the home.

#### **Capital Gains Tax payment Window**

From 6 April 2019 - all non-residents who dispose of UK land will be required to report the disposal and make payment of the capital gains tax within 30 days of completion. The new legislation will replace the existing Non Resident Capital Gains Tax Regime extending the scope from residential to all forms of UK property.

**More significantly**, from 6 April 2020 - the same regime will apply to UK residents making a gain on a disposal of UK **residential** property. Solicitors dealing with the conveyancing process will need to manage this aspect in conjunction with the vendor's tax advisers to ensure the tax returns are filed correctly.

#### **Off Payroll Working in the private sector**

As expected it has been announced that the off-payroll rules (known as IR35) already introduced to the public sector will apply to the private sector. The change will apply in April 2020 giving engagers, employment intermediaries and contractors time to prepare for the changes.

The changes will move the requirement to assess whether a contractor is caught by the IR35 rules, from the personal service company to the entity paying the company. If the decision is made that it is in reality "employment" the payer will operate PAYE. Small organisations engaging contractors will be exempt from having to make the assessment, but as yet there are no details as to the definition of 'small'.

#### **NIC Employment Allowance reform**

From April 2020, the employment allowance (whereby employers do not pay the first £3,000 of their employers national insurance bill) will only be available to small businesses, defined as those with an annual employers NIC cost in the previous tax year of less than £100,000.

#### **Annual Investment Allowance**

From 1 January 2019, the Annual Investment Allowance for purchases of equipment etc is to be increased to £1 million for a two year period. This will probably only benefit larger companies and those considering exceptional expenditure.

### **Structures and buildings allowance (SBA)**

This is an important change in terms of capital allowance reliefs. A new capital allowance the 'SBA' will be available for both corporation tax and income tax purposes. It will provide relief for capital expenditure on construction of offices, retail and wholesale premises and other commercial premises. Broadly, SBAs will be given on a straight line basis through an allowable deduction of 2% of the original eligible cost per annum. Capital expenditure on new structures and buildings incurred on or after 29 October 2018 will be eligible provided no contract for the physical construction work was entered into prior to this date. Dwellings and workplaces that are an integral part of a dwelling will not be eligible.

### **Other capital allowance changes**

The lower rate of writing down allowance applying to assets allocated to the special rate pool (expenditure on integral features, long life assets, solar panels, cars with CO2 emissions of more than 110g/km etc..) is to be reduced from 8% to 6% taking effect from the beginning of April 2019. Also the Government has confirmed that enhanced capital allowances and first year tax credits available for certain plant and machinery will end in April 2020. This applies to money spent on some environmentally beneficial capital expenditure and means that businesses should look carefully at their plans for this kind of expense to ensure it is timed tax efficiently.

### **Entrepreneurs Relief**

With effect from 6 April 2019 the minimum qualifying period that applies to Entrepreneurs relief will be extended from one to two years. This affects material disposals of shareholdings in businesses, business assets, associated disposals and disposal of trust business assets. Another change is that for disposals on or after 29 October 2018, a shareholder must be entitled to a 5% interest in the company's distributable profits and net assets of the company available on a winding up.

### **Scams/Phishing and Other Matters**

If you are in business, or a registered tax payer you are vulnerable to increasingly sophisticated attempts to scam you or persuade you into unnecessary expenditure. This could extend from emails and texts purporting to be from the Inland Revenue concerning a potential refund to scaremongers who suggest that a business needs to spend unnecessary money on complying with Health and Safety regulations, or people purporting to be able to get you a business rates reduction. With regard to the Inland Revenue, whilst they are starting to email clients on an advisory basis they will never send notifications by email or text about tax rebates so do not respond to any such request. If you receive a message that you are wary of, please do contact us first. In respect of Health and Safety, for the majority of small businesses the rules are based on common sense and are straightforward. Do read the Health and Safety Executive website for advice first before spending money on consultancy that may not be necessary. Similarly the government website has a section on Council Tax and business rates scams which you can check.

### **PERSONAL TAX RETURNS**

Thank you to everyone who has provided their tax return information for the 2017-18 returns, and can we ask that if you have not yet done so, you let us have the relevant information as soon as possible so that we can plan our work to be sure we meet the 31<sup>st</sup> January 2019 filing deadline.

**If you want to discuss any issues raised please do call one of the partners on 01342 824181**

**We close our offices on Friday 21<sup>st</sup> December 2018 for our Christmas break, and reopen on Wednesday 2<sup>nd</sup> January 2019. As we approach the festive season may we wish you all a Merry Christmas and Happy New Year.**

### **dmc partnership limited Chartered Accountants**

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