LOCAL BUSINESSES GET INSIGHT INTO THE IMPACT OF THE LAST BUDGET BEFORE BREXIT

Local businesses from all over the South have been given an insight into the impact of changes announced in the final pre-Brexit Budget at a free seminar held by Rothmans, one of the largest chartered accountancy firms in the region.

The guest speaker for the event was a tax expert, Giles Mooney, who is renowned on the speaking circuit for being both entertaining and highly informative. The packed audience of delegates was also given the opportunity to ask questions and network following the presentation.

BUDGET IN BRIEF

Major points for businesses to consider included the complications that could be caused by the changes to 'salary sacrifice' taxation and the definition of off-payroll workers. Giles put forward many different scenarios, showing how these changes could affect business decisions and helping delegates understand how to avoid being penalised.

A new system for late Tax Returns is also coming into force. This will formalise the penalties companies face by using a point system not dissimilar to that of the DVLA.

Noteworthy for businesses is the extension of tax relief now available for companies installing charge points for electric cars, a point to remember if undertaking any building renovations in the near future.

Referring to the revision of the Annual Investment Allowance, Giles said that while this appeared initially to be a huge increase, it would actually positively affect only around 3% of businesses.

Finally, there is good news for charities, with the maximum 'small' donation being increased from £20 to £30 to match the limit of a contactless transaction on most debit and credit cards.

Top tax-saving tips for Christmas

Following Giles' presentation, Julian Sims, Rothmans Partner and Tax expert offered top tax-saving tips for the lead-up to Christmas which involved helpful guidance regarding staff parties, entertaining and gifts. Guests were then given the chance to ask any detailed questions they had on a one-on-one basis.

Rothmans Senior Partner, Martin Osborne, who hosted the event said, "We were delighted that so many of the South's businesses attended this informative seminar. As with all our seminars, this was an opportunity to gain invaluable insight from engaging, expert speakers. I feel confident that our guests left with a deeper understanding of what this Budget's proposals mean for UK businesses, as well as being thoroughly entertained!"

Sign up at rothmansllp.com for more Rothmans news including:

- Financial news summaries
- Tax strategy guides
- Budget summary reports
- Economic update information
- Event invitations

ONE MILLION COUPLES STILL ELIGIBLE FOR TAX BOOST

HMRC has highlighted that three million UK couples have already taken an advantage of Marriage Allowance but a million more are still eligible for the tax break.

The Marriage Allowance allows certain couples, where neither pay tax at more than the basic rate, to transfer 10% of their unused personal allowance to their spouse or civil partner, reducing their tax bill by up to £238 a year in 2018/19. The allowance was introduced in 2015 and it is possible to backdate the claim to earlier tax years.

Please contact us if you would like to know more about this allowance and whether you are eligible.

ROTHMANS NEWS

Over 100 Rothmans staff set sail for a wonderful Caribbean-themed boat party around the Solent on Saturday 1st September.

As well as giving us all a great opportunity to catch up with colleagues from each of our Rothmans offices, we enjoyed a delicious Caribbean feast and tropical refreshments as well as a themed photo booth and suitably piratical entertainment!

Tunes from the DJ soon got the dancing and singing going, all to the backdrop of a spectacular sunset on our 4-hour round trip taking in Gosport, Portsmouth and Cowes.

Partner, Habib Brora, said, "We all enjoyed the chance to meet up and had enormous fun. The party was a great way to celebrate everyone's hard work and our continued achievements throughout the past year.

"It was an extra bonus to be so lucky with the beautiful weather which accompanied our boat trip and helped us to appreciate the truly spectacular scenery around the Solent as we danced the evening away."

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POWER IN NUMBERS

ROTHMANS CHARTERED ACCOUNTANTS NEWSLETTER ISSUE 26 2018

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WHAT IS MAKING TAX DIGITAL?

As you may be aware, from 1 April 2019 HM Revenue & Customs 'Making Tax Digital' legislation goes live in the UK. Making Tax Digital (MTD) is one of the biggest changes to the administration of the tax system for at least 20 years.

The essential elements of MTD for businesses and organisations are:

- Paper records will no longer be sufficient: it will become mandatory for almost all businesses and organisations (self-employed, partnerships, limited companies and others) to use software or a spreadsheet to keep accounting records. Paper accounting records will cease to meet the requirements of tax law.
- Returns and quarterly reporting: there will be a requirement to submit VAT returns and income tax updates (quarterly and annually) to HMRC, directly from software.

When does it start?
The first MTD requirements begin with VAT. Digital VAT Returns will be required for VAT quarters beginning on or after 1 April 2019. There will be no change in the frequency of the Returns, or changes to the reporting periods, just a change to the way in which the information must be stored and how VAT Returns are submitted to HM Revenue & Customs (HMRC).

How does this affect you?
If your business is registered for VAT and your turnover is above the VAT threshold you will be required to keep digital accounting records and to file your VAT returns using MTD compliant software from April 2019.

If you currently use accounting software, it may need to be upgraded.

If you currently maintain records on a spreadsheet you will need to acquire software which will allow returns and updates to be made directly from the spreadsheets.

If you currently maintain records on paper, your processes will need to change. There are a number of solutions available to you in terms of accounting software. We understand that this change may be daunting, but we are here to help you and discuss the options available to you.

What are the next steps?
Although beginning with VAT, MTD is expected to also become mandatory for income tax reporting, but not before 2020. This will include all self-employed individuals, partnerships, trusts and landlords who complete self-assessment tax returns.

The timings for MTD for corporation tax have yet to be confirmed but it will not become mandatory before April 2020.

For up to date information, videos and articles regarding MTD, please visit our MTD webpage:

rothmansllp.com/service/making-tax-digital

If you would like to discuss MTD further, then please do not hesitate to get in touch.

Rothmans are Xero Gold Members, Intuit QuickBooks Platinum Pro Advisors and Sage Accountant Partners. Therefore, we are in a great position to assist you with MTD.

AUTOMATIC ENROLMENT: MINIMUM CONTRIBUTION LEVELS DUE TO INCREASE IN APRIL 2019

By law, on 6 April 2019, all employers are required to increase their contributions into their staff's automatic enrolment pension, with the employer paying a minimum of 3% towards the pension, and the total minimum contribution reaching 8% – with staff making up the 5% difference.

The table below shows the minimum contributions employers who set up a defined contribution scheme for automatic enrolment must pay, and the date when they must increase. This is calculated based on earnings between £5,824 to £43,000 per year (£486 to £3,583 per month, or £112 to £827 per week), and including certain elements of pay.

Date effective	Employer minimum contribution	Staff contribution	Total minimum contribution
6 April 2018 to 5 April 2019	2%	3%	5%
6 April 2019 onwards	3%	5%	8%

What employers need to do

You can choose to pay the full amount of the total minimum contribution. This may mean staff do not have to pay in at all, unless the scheme's rules say that they have to make contributions. Both the employer and their staff can choose to contribute more than the minimum amounts to the pension if they want to.

If employers pay in more than their legal minimum contribution, but less than the total minimum contribution shown in the table, then staff will need to pay in at least enough to make up the shortfall between these amounts.

The increase in minimum contributions should be simple to do, but employers need to start thinking about the increases early, and plan ahead for when they come into effect in April 2019:

- It is important that your workplace pension scheme and payroll software are able to support the contribution increases by 6 April 2019, otherwise the schemes used by employers may no longer qualify for automatic enrolment, and the correct contributions might not be deducted at the right time.

- Pension schemes should already be making necessary changes to support the increases, and will communicate this, but it is your responsibility as employer to make sure you are using a qualifying scheme, and that the right amount of pension contributions is deducted. If your chosen pension scheme does not support the increases, then your clients will need to talk to you about their options.

- While there is no legal requirement for you as employer to write to your staff, this is something that you may want to consider doing to help minimise queries, or to reduce the number of workers who decide to leave their schemes as a result of the increases. Your pension scheme provider should be able to help with this.

Ongoing Responsibilities
Automatic enrolment is a continuing process for employers – it does not end once they have put their staff into a workplace pension.

There are ongoing responsibilities that need to be completed after they have submitted their declaration of compliance. To stay compliant, they will need to:

- assess the age and earnings of their staff who are not enrolled in a workplace pension each time they pay them, to see if they need to be put into one
- work out how much money they need to pay into their staff's scheme every time they pay them
- continue to make the payments that are due into the scheme every time they run payroll
- write to staff to let them know what is happening
- keep records relating to their workplace pension scheme
- manage any requests from staff to join or leave the scheme.

Keep paying in
Employers must continue to make the payments that are due into their scheme every time they run payroll. Simply setting up a pension scheme and enrolling their staff is not enough; they must continue to make contributions into it.

Re-enrolment
Under re-enrolment, every three years, employers must assess their staff, and put all eligible workers into their workplace pension – including anyone that has previously left or opted out of the scheme.

Re-enrolment follows the same process as when employers first put their staff into a workplace pension, and it must be completed for all employees that meet the age and earnings criteria. If an employee only left the scheme within the last 12 months, then your employers can choose whether or not to re-enrol them.

If you need any help or assistance with setting up your Automated Pension Scheme or running a payroll scheme, please contact your local Rothmans branch, and they will be able to assist you with this service.

ENTREPRENEURS RELIEF: MINIMUM QUALIFYING PERIOD EXTENSION

A new measure increases the minimum period throughout which certain conditions must be met to be eligible for Entrepreneurs Relief from one year to two years.

This measure affects individuals who dispose of all or part of their business, individuals who dispose of shares in their personal company on or after 6 April 2019, and trustees who dispose of trust business assets.

It will have an effect for disposals on or after 6 April 2019, except where a business ceased before 29 October 2018. Where the claimant's business ceased, or their personal company ceased to be a trading company (or the holding company of a trading group), before 29 October 2018, the existing one-year qualifying period will continue to apply.

Entrepreneurs Relief: definition of a 'personal company'

A new measure adds two new tests to the definition of a 'personal company'.

Both conditions, as well as the existing 'share capital' and 'voting rights' conditions must be met throughout the specified period. The new conditions require the individual to be beneficially entitled to at least:

- 5% of the company's distributable profits
- 5% of its assets available for distribution to equity holders in winding up

The measure has an effect for disposals on or after 29 October 2018.

CORPORATION TAX – UPDATE

Corporation tax rates are as follows:

Financial year from	1 April 2018	1 April 2019	1 April 2020
Corporation tax rate	19%	19%	17%

Annual Investment Allowance (AIA)
The AIA will be temporarily increased from £200,000 to £1m. This change will have an effect in relation to qualifying expenditure incurred from 1 January 2019 to 31 December 2020.

Capital allowances – special rate pool
The rate of writing down allowance on the special rate pool of plant and machinery will be reduced from 8% to 6%. The new rate will be effective from 1 April 2019 for businesses within the charge to corporation tax and 6 April 2019 for businesses within the charge to income tax.

Structures and Building Allowance (SBA)
The government will introduce a new SBA to provide relief for qualifying expenditure on new non-residential structures and buildings. Relief will be available for eligible expenditure incurred where all contracts for the physical construction works are entered into on or after 29 October 2018. Relief will not be available for the costs of land or dwellings. The SBA will be available at an annual rate of 2%. This will be at a flat rate, calculated on the amount of original construction expenditure. There will not be a system of balancing charges or balancing allowances on a subsequent disposal of the asset. Instead, a purchaser will continue to claim the annual allowance of 2% of the original cost.

First Year Allowances (FYAs)
Legislation will be introduced to end the FYA and first year tax credits for products on the Energy Technology List and the Water Technology List from April 2020. The current 100% FYA for expenditure incurred on electric charge-point equipment will be extended for a further four years. It will expire on 31 March 2023 for corporation tax and 5 April 2023 for income tax purposes.

Corporate capital loss restriction
The government will legislate to restrict companies' use of carried forward capital losses to 50% of capital gains from 1 April 2020. The measure will include an allowance that provides companies with unrestricted use of up to £5m capital or income losses each year. An anti-forestalling measure to support this change will have an effect on and after 29 October 2018.

Research and Development (R&D) tax relief
A limit will be introduced on the amount of payable tax credit that can be claimed by a company under the R&D SME tax relief. The limit will be set at three times the company's total PAYE and NICS payment for the period. The change will have an effect for accounting periods beginning on or after 1 April 2020. Any loss that a company cannot surrender for a payable credit can be carried forward and used against future profits.