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SHEEN STICKLAND
CHARTERED ACCOUNTANTS Est. 1944
The Quarterly Review - Winter 2017

Autumn Budget 2017

On the 22nd November 2017 Philip Hammond, the Chancellor of the Exchequer, delivered the Autumn Budget.

The key emphasis of the budget speech was the "technical revolution" that is upon us and encouraging the UK to embrace changes that will "transform our living standards for generations to come".

The government announced £500 million of investment into a range of initiatives from artificial intelligence, full fibre broadband and 5G, however there was some comfort in that driverless cars will not be taking over UK roads just yet, much to Jeremy Clarkson's satisfaction.

Cars remained in focus, with further research and development into how, and where electric vehicles can be charged and the speech provided welcome confirmation that electric cars charged at work will not be a taxable benefit in kind. It was also announced that from April 2018 diesel cars not meeting the latest standards will be paying more vehicle tax and the benefit in kind diesel supplement will increase from 3% to 4% with the maximum percentage being 37%.

Philip Hammond noted that "White Van man (or woman)" will be safe from this increase, however given the inherent complications in confirming whether a vehicle is a car or van it will be interesting to see how this differential is noted in the legislation. Many of us will remember the increased interest in double cab pickups becoming the stable family vehicle!

For corporate bodies the most significant change is the removal of relief on corporate gains for inflation. Corporate indexation allowance will be frozen from 1 January 2018 and accordingly no relief for inflation will be available for companies disposing of capital assets accruing after this date.

There will be some changes to venture capital trusts and enterprise investment schemes, with a heavier focus on investments where the capital is genuinely at risk, rather than being protected. Tax-motivated investments, where the tax relief provides all or most of the return for an investor with limited risk to the original investment will no longer be eligible.

In addition the "staircase tax" was addressed by legislating retrospectively to counteract the loss of business rate relief as a result of the previous changes made to valuation principles.

As usual the government have introduced several provisions to counter both tax avoidance and tax evasion. Personal service companies – IR35 – are again in the Chancellor's sights, and with early indications that public sector compliance is increasing an obvious next step would be to extend the reforms to the private sector. Further consultations are to be published in 2018.

The Chancellor decided against attacking pension tax reliefs – leaving the annual allowance unchanged and actually increasing the lifetime allowance next tax year from £1 million to £1.03 million in line with inflation.

There were some anticipated increases to both the personal allowance and higher rate threshold in line with previous manifesto commitments, with an increase to the National Living Wage from £7.50 to £7.83, and for those of us lucky enough to be under 30 a new railcard will be introduced in Spring 2018 to provide a welcome discount to the younger rail commuter.

The government has also chosen to delay the abolition of Class 2 NICs by a year until 6 April 2019. Class 4 will remain at 9% and will not be subject to the increases previously announced.

The most notable change for first time buyers was the abolishment of stamp duty land tax on homes under £300,000 with immediate effect, however the ability to save a deposit for your first home will continue to be a concern for the younger generation and the "bank of mum and dad" for some years to come.

Proposed investment over the next 5 years in capital funding, loans and guarantees to support the housing market was announced, however Philip Hammond admitted that "the battle to achieve and sustain affordability will be a long-term one".

by Paula Joyce, Tax Manager

If you have any questions about how any aspects of your tax and financial planning may be affected by the Budget, please contact Paula Joyce directly on pjoyce@sheen-stickland.co.uk.

Planning for the Dividend Allowance

With the Dividend Allowance set to be cut from £5,000 to £2,000 from April 2018, we consider how investors can help to mitigate the impact of the change.

A brief overview

2016 saw significant changes to the rules on dividends, with the introduction of a new Dividend Allowance (DA) of £5,000 per annum, as well as an increase in the headline rates of tax. So how does it work?

The DA exists in addition to an individual's Personal Allowance and savings allowances. It charges £5,000 of the dividend income at 0% tax – the dividend nil rate. Dividend income in excess of the DA is currently taxed at the following rates:

- 7.5% on dividend income within the basic rate band
- 32.5% on dividend income within the higher rate band
- 38.1% on dividend income within the additional rate band

However, just two years after the DA was introduced by his predecessor George Osborne, Chancellor Philip Hammond announced that it would be cut from £5,000 to £2,000, with effect from 6 April 2018.

Planning opportunities

With the planned reduction in the DA just around the corner, investors may want to consider strategies to help lessen the impact of the change. Here we outline some key points to consider, but do contact us for further advice.

Maximising the DA

Every individual is entitled to their own DA. If your investment portfolio is likely to exceed the amount that will be protected from income tax (approximately £67,000 in 2018/19), you might want to transfer some shares to your spouse or civil partner, thus spreading your investment to ensure that you utilise each person's individual allowance.

Making the most of ISAs

The cut in the DA means tax-free ISAs are likely to play an increasingly important role in your investment strategy. The overall annual subscription limit for ISAs increased to £20,000 for 2017/18 (up from £15,240 in 2016/17). With funds in an ISA exempt from tax, it is important to utilise this allowance before the start of the new tax year.

If you think you will be affected by the cut in the DA, Equity ISAs should be one of the first things to consider. By investing the maximum £20,000 into an Equity ISA now, with a further £20,000 on 6 April 2018, protection can be given for £40,000 of a portfolio. For a married couple or civil partners, the combined figure doubles to £80,000.

Increasing pension contributions

If you have income from employment or self-employment, you may also effectively reduce your marginal rate of tax on dividends by increasing pension contributions and taking advantage of the available tax relief.

For taxpayers with adjusted net income above £100,000, maximising pension contributions may allow you to obtain relief at the effective rate of 60%. Pension contributions can be made at up to 100% of relevant earnings, subject to the annual allowance, which is currently £40,000. Those with threshold income above £110,000 may have their annual allowance tapered away to a minimum of £10,000. Any unused allowances may be carried forward for up to three years. This is a complex area so please speak to us for further advice.

We can help you plan to maximise your personal wealth and minimise the tax bill – please contact us for advice.

Business and Tax Round-up

Government brings forward state pension age rise

The government recently announced that the rise in the state pension age from 67 to 68 will now be phased in between 2037 and 2039 – earlier than originally planned.

Those individuals born between 6 April 1970 and 5 April 1978 will be affected. However, no one born before 5 April 1970 will see a change to their proposed state pension age. David Gauke, Secretary of State for Work and Pensions, stated that the government is committed to ensuring a 'fair and sustainable system' that is 'reflective of modern life, and protected for future generations'.

Meanwhile, a separate report published by the Institute for Fiscal Studies (IFS) revealed that women between the ages of 60 and 62 have been left 'worse off' as a result of a recent rise in their state pension age.

Between 2010 and 2016, the state pension age for women increased from age 60 to 63. The IFS found that women between the ages of 60 and 62 have experienced a £32 reduction in their weekly household income since the increase, leading to a 'sharp' rise in poverty rates amongst women of this age. The government's eventual aim is to align women's state pension age with that of men.

We can help you plan for a prosperous retirement – please contact us for advice.

Additional requirements for PSCs

New rules introduced in 2016 imposed a series of new obligations on UK companies and limited liability partnerships (LLPs), as well as those holding interests in UK companies.

Since April 2016, most companies have been required to produce and maintain a register of Persons with Significant Control, or PSC register, which provides details of those who ultimately control or exercise significant control over the company. From 30 June 2016, companies were required to submit their PSC information to Companies House via their confirmation statement (which replaced the previous annual return).

However, as part of the implementation of the Fourth Money Laundering Directive (4MLD), additional rules have now been introduced, meaning that PSCs are no longer updated annually via the confirmation statement, but instead must be maintained in real time.

Under the new rules, if a company has reason to believe that details relating to a PSC have changed, it will need to act swiftly to determine the change.

Where a relevant change occurs, the PSC register must be updated within 14 days of the company becoming aware of the amendment, and the changes must be submitted to Companies House within a further 14 days.

The confirmation statement still needs to be filed each year, including to record where a company is exempt from the need to supply information on PSCs.

The PSC regime has also now been extended to apply to Scottish limited partnerships (SLPs) and Scottish qualified partnerships.

Tax benefits for amateur sports clubs

Amateur sports clubs are being encouraged to make use of the tax exemptions that are available to them. In particular, recent guidance from the Association of Taxation Technicians (ATT) has highlighted that registering as a Community Amateur Sports Club (CASC) could bring the club similar tax benefits to an organisation with charitable status.

Such benefits include an exemption from tax on capital gains, bank interest, trading profits (as long as the club's trading turnover does not exceed £50,000 per annum) and up to £30,000 of rental income.

Sports clubs seeking to sell their premises or ground stand to benefit significantly from the tax exemption on capital gains.

If a CASC receives donations it might be able to top these up with 'Gift

Aid' repayments from HMRC, again in a similar manner to a charity.

A CASC may also be eligible for charitable rate relief of up to 80%, or discretionary relief (100%) on business rates.

For more information on the tax rules governing CASCs, please get in touch.

New penalties for failure to correct offshore tax matters

Accountancy industry experts are warning taxpayers to carefully consider the government's proposed new penalties for failing to correct previously undeclared UK tax liabilities in respect of offshore interests.

Under proposals which are due to become law by the end of the year, the government's 'Requirement to Correct' regime obliges taxpayers with such undeclared past UK tax liabilities to correct their UK tax affairs by 30 September 2018, or face tough new penalties.

The new rules mean that taxpayers could face stringent penalties based on the value of the assets, as well as the tax due.

This builds on a new criminal offence for tax evasion introduced in 2016 for those who fail to declare offshore income or gains.

HMRC now has access to financial information regarding taxpayers from more than 100 overseas jurisdictions, including information relating to overseas interests.

For more information on the taxation of offshore assets and the requirement to correct, please contact us.

Web Watch

Essential sites for business owners

www.talk-business.co.uk

Information on business and HR issues affecting SMEs.

freelancernews.co.uk

Insightful business articles for the self-employed.

www.taxjournal.com

All the latest news from the world of tax.

www.cipd.co.uk

Key HR information for employers.

Tax Tip: Rewarding your employees

As the festive season approaches, did you know that an annual staff party could qualify as a tax-free benefit for your employees? Certain conditions need to be met, including:

- The total cost per head does not exceed £150 (including VAT, transport and accommodation)
- The combined cost of multiple events does not exceed £150 per head, per year
- The event is held primarily for the purpose of entertaining staff
- The event is generally open to all employees in that location.

For more information on tax-free benefits, please contact us.

Please visit our website to find more articles from our quarterly review or sign up to our e-newsletter for the full digital version of OnAccount. www.sheen-stickland.co.uk

Reminders for your Winter diary

December 2017

19	PAYE, Student loan and CIS deductions are due for the month to 5 December 2017.
30	Online filing deadline for submitting 2016/17 self assessment return if you require HMRC to collect any underpaid tax by making an adjustment to your 2018/19 tax code.
31	End of CT61 quarterly period.
	Filing date for Company Tax Return Form CT600 for period ended 31 December 2016.

January 2018

1	Due date for payment of corporation tax for period ended 31 March 2017.
14	Due date for income tax for the CT61 quarter to 31 December 2017.
19	PAYE, Student loan and CIS deductions are due for the month to 5 January 2018.
	PAYE quarterly payments are due for small employers for the pay periods 6 October 2017 to 5 January 2018.
31	Deadline for submitting your 2016/17 self assessment return (£100 automatic penalty if your return is late) and the balance of your 2016/17 liability, together with the first payment on account for 2017/18 are also due.
	Capital gains tax payment for 2016/17.
	Balancing payment – 2016/17 income tax and Class 4 NICs. Outstanding Class 2 NICs also due.

February 2018

2	Deadline for submitting P46(car) for employees whose car/fuel benefits changed during the quarter to 5 January 2018.
19	PAYE, Student loan and CIS deductions are due for the month to 5 February 2018.

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