

News



Making Tax Digital More Details Announced

The Government's Making Tax Digital (MTD) is due to be implemented between 2018 and 2020, with the stated aim of creating a 'transparent and accessible tax system for the digital age'.

MTD will see the phased introduction of a fully digital system, with businesses and individuals required to register, file and update their information via a secure online tax account. By 2020 most businesses, self-employed and landlords will be required to use software or apps to keep digital business records and to make regular updates regarding their income tax, VAT and NIC online.

In the Spring Budget the Government announced a deferral for sole traders, the self employed and buy-to-let landlords with income of less than the current £83,000 VAT threshold. This group will not have to start quarterly reporting until 2019.

Who is likely to be affected?

Businesses, self-employed people and landlords will be required to start using the new digital service from:

- April 2018 if they have profits chargeable to Income Tax and pay Class 4 National Insurance contributions (NIC) and their turnover is in excess of the VAT threshold



PREPARING FOR THE DIGITAL CHALLENGE

Why It Makes Sense To Move To The Cloud Asap

Despite considerable coverage in the press and on social media concerning the Government's Making Tax Digital initiative, 43% of the business community are unaware of what the implications will be for their business, according to recent research.

AT LENTELLS OUR ADVICE IS TO GET AHEAD OF THE GAME

To make sure you are ready for this change, it's a good idea to go digital sooner rather than later. While it's not yet compulsory to update your tax information electronically, getting into the habit of using Cloud Accounting now will save time and potential stress further down the line.

In addition to facilitating the change to digital reporting, moving to the Cloud brings with it a number of additional benefits; saving time,

unnecessary paperwork and increased efficiency. For more information go to <http://www.lentells.co.uk/services/business/cloud-accounting-software-support>

As QuickBooks Platinum ProAdvisors we are in a strong position to offer topical and relevant advice to all our clients. However, we will always advise you on the best package for your business which is why we can also discuss the suitability of both Xero and SageOne. We will also work with you to ensure an efficient transition and provide ongoing advice and training.

If you would like to discuss any aspect of Cloud Accounting please contact Ben Adams on 01823 286274 or email softwaresupport@lentells.co.uk

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- April 2019 if they have profits chargeable to Income Tax and pay Class 4 NIC and their turnover is below the VAT threshold
- April 2019 if they are registered for and pay VAT
- April 2020 if they pay Corporation Tax

Businesses, self-employed people and landlords with turnover under £10,000 are exempt from these requirements. Individuals in employment and pensioners will not have to use the digital service unless they have a secondary income of more than £10,000 per year from self-employment or property.



'Salary Sacrifice' perks - changes ahead for 2017

The Government is to stop 'salary sacrifice' tax perks on a range of employee benefits from 5 April 2017.

To date, employers have been able to offer their staff the option to swap a part of their salary in return for a non-cash benefit. As a result of having a lower salary, employees pay less Income Tax and make lower National Insurance contributions.

However, in last year's Autumn Statement the Chancellor announced that the list of qualifying perks for these schemes would be reduced.

Those no longer qualifying include:

- Company cars (unless they are ultra-low emission vehicles)
- Work-related training
- Car parking near your workplace
- Health screening checks
- Mobile phones and computers
- Accommodation
- Gym membership
- School fees

Arrangements put in place before April 2017 will be protected for up to one year. Cars, accommodation and school fees arrangements will be protected until April 2021.

The following schemes are exempt from the changes and so will continue to offer tax perks:

- Pension contributions
- Childcare
- Cycle-to-work schemes
- Ultra-low emission cars

If you would like to discuss any implications of these changes, please contact your local Lentells office.



Changes to the VAT Flat Rate Scheme

Many small businesses currently use the VAT Flat Rate Scheme to simplify the treatment of VAT. Instead of recording all the VAT on purchases and sales, using this scheme allows businesses to apply a fixed rate to sales, which varies according to the trade, to calculate the total VAT payable to HMRC. Other than claiming separately for VAT on larger capital goods purchased, there is no need to record VAT on expenses.

HMRC believe some businesses have been abusing this scheme to pay less VAT than would otherwise have been the case. From April 2017 changes will be made to the scheme for businesses spending less than 2% of their sales

or £1,000 per year on goods (excluding services such as telephone). Those businesses will in future need to apply a flat rate of 16.5% to their sales, which is significantly higher than the current rates applicable, such as 14.5% for computer and IT consultancy and 14% for management consultancy.

This change will impact on businesses currently using the Flat Rate Scheme that spend minimal amounts on goods, such as IT contractors, construction workers and consultants.

Any such businesses currently using the Flat Rate Scheme, should consider whether they would be better off moving to the Standard VAT Scheme from April 2017 onwards.

Lentells are able to advise businesses on the best VAT scheme to use. For further assistance please contact us.



What is the best structure for your business?

Starting a new business can be an exciting but daunting process. There are a number of areas that need to be considered at an early stage, including deciding on the appropriate structure for the business.

Many small businesses start off as sole traders. However, it may be beneficial to start as a partnership, limited company or limited liability partnership. The appropriate structure will depend on the size of the business, involvement of others, tax and VAT issues, financing requirements, personal liability, retirement plans and many other related matters.

There is a common myth that where individuals trade through limited companies, they pay no tax. Whilst individuals can currently withdraw up to £5,000 per year in dividends from a company tax free, any dividends drawn above this will be taxable at 7.5% for basic rate taxpayers or 32.5% for higher rate taxpayers. As from 1 April 2017 the company will pay Corporation Tax on profits at 19%.

If you are thinking of starting your own business it is important to seek advice at an early stage, thereby ensuring things are set up correctly from the start. Failure to do so could prove costly and time consuming in the long run. If you are interested in finding out more please contact your local Lentells office for an informal discussion.



Landlords prepare for tax relief changes

Almost a third of buy-to-let landlords are unaware of upcoming Mortgage Interest Tax Relief changes, according to the Council of Mortgage Lenders.

Of those who believed they would be affected by the changes 19% said they would have to raise rents (5% have already done so) and 20% said they were considering either transferring property ownership into a corporate structure or to a partner on a lower Income Tax rate.

From 6 April 2017, higher rate tax relief for finance costs on residential properties is gradually being withdrawn

Landlords will only be able to deduct a portion of finance costs from their property when calculating rental profits.

Finance costs include mortgage interest, interest on loans when buying furnishings and fees when taking out and repaying mortgages. The changes will be phased in over four years, as follows:

Tax year	Percentage of costs deducted from profits	Percentage of costs available as basic rate deduction
2017/18	75%	25%
2018/19	50%	50%
2019/20	25%	75%
2020/21	0%	100%



Keeping tabs on your business mileage

Download our App for free to track, store, export and manage your business mileage.

When it comes to managing expenses on the move, half the battle is keeping an accurate tab on your mileage. To help you do this our free new App includes a built-in mileage tracker to help solve this common problem.

Using the mileage tracker couldn't be easier. The App automatically tracks your business miles, records and logs every trip at the touch of a button. It will also help manage the mileage, storing information and allowing you to view, edit or export the log as a CSV file with ease.

Our App can be downloaded for free via the App Stores or by scanning the QR code below.



The Government has confirmed that it is to push ahead with the introduction of a dramatic rise in Probate fees, taking effect from May 2017. Currently there is a flat rate fee of £215 irrespective of the size of the estate but this will now be replaced with a tiered system. In the most extreme cases, estates worth £2m or more will have to pay £20,000 to execute the wishes of the deceased's Will.

Those estates with a value of less than £50,000 will be exempt from Probate fees altogether. As a result 58% of estates will have nothing to pay at all, However charges for larger estates are increasing as follow:

Estate Value	New Fee
£50,000 and up to £300,000	£300
£300,000 and up to £500,000	£1,000
£500,000 and up to £1m	£4,000
£1m and up to £1.6m	£8,000
£1.6m and up to £2m	£12,000
More than £2m	£20,000

Given the rise in the value of property in the UK in recent years, many families could find themselves hit by significantly higher Probate charges than originally anticipated.

At Lentells we are able to advise on all aspects of estate planning, including writing and updating Wills and Probate.

Plan Ahead For The Predicted 'Capacity Crunch'

According to The Pensions Regulator, the next two years will see 1.8 million employers reaching their staging date. Your staging date is set in law and is the date your automatic enrolment duties come into effect, by which time you must have a qualifying pension scheme up and running for your staff.

The numbers are set to peak, resulting in the predicted capacity crunch, in the last half of 2017. During this period an estimated 400,000 small and new employers will be required to have qualifying schemes up and running.

Worryingly, research carried out by the Federation of Small Businesses found that 11% of employers said they would leave planning until the last minute and 51% until the final three months before their staging date.

New vehicle tax rates to be introduced in April 2017

New vehicle tax rates are set to be introduced for all cars and some motor homes that are first registered from 1 April 2017.

Vehicle tax for the first year will continue to be based on CO2 emissions but then it



Although it may be tempting to delay preparation, employers should not underestimate the considerable amount of administrative procedures that need to be in place prior to their actual staging date. This includes assessing your workforce, communicating with staff and reviewing your pension arrangements.

In the last two years enforcement action against businesses that have failed to meet their auto enrolment requirements have risen by 306% according to data from The Pensions Regulator. The fine for small employers with 1 to 4 members of staff can be up to £50 per day and for those with 5 to 49, £500 per day.

For more information on what steps you need to take go to <http://www.lentells.co.uk/services/business/payroll-and-pensions>.

If you would like to discuss any aspects of auto enrolment in more detail please speak to a member of your Lentells team, alternatively contact our Payroll department on 01460 68700 or email payroll@lentells.co.uk

will depend on the type of vehicle from the following year.

The new rates:

- £140 a year for petrol or diesel vehicles
- £130 a year for alternative fuel vehicles (hybrids, bioethanol and LPG)
- £0 a year for vehicles with zero CO2 emissions.

New vehicles with a list price of more than £40,000

If a vehicle has a list price (the published price before any discounts) of more than £40,000, the rate of tax is based on CO2 emissions for the first year.



2017 Swimathon

Congratulations to our three teams who swam a hugely impressive 348 lengths at the Taunton Soreoptmist Swimathon at the end of February.

Many thanks to everyone who sponsored us and to those who came along on the day to support us. The four charities who will benefit this year are Stand Against Violence, Apple FM, Taunton Association for the Homeless and Life.



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