

In less than a week, Philip Hammond will be at the despatch box delivering his first Budget. This newsletter includes some of the issues we know will be included, in particular: [making tax digital](#) and personal tax and National Insurance changes. We have also included a reminder for buy-to-let owners of changes to finance charge tax relief and the announcement of a search for UK's first Small Business Commissioner.

Look out for our Budget summary email on the afternoon of Wednesday 8th March. The following day we are hosting [Budget seminars in Banbury and Kettering](#) to keep you informed of the key messages, how it affects you and what you can do to save on tax payments. For more details and how to book, [visit our website](#).

### **Making Tax Digital**

We have now seen the response of HMRC to representations made by accountants and other interested parties to their Making Tax Digital (MTD) agenda.

A reminder that MTD will result in the gradual digitisation of small businesses (including landlords) reporting to HMRC. The present proposals will oblige smaller businesses to upload quarterly data to HMRC from April 2018.

HMRC's response included a number of relaxations, primarily:

- Confirmation that data can be uploaded from spreadsheets, and
- Free software will be made available for smaller concerns.

Unfortunately, HMRC has not changed their approach to other key issues. For example:

- HMRC has not moved from their original intention to exempt small businesses whose taxable income is lower than £10,000. Representations made suggested that this limit was far too low and would place an unfair compliance cost on micro business owners who may not even be tax payers. There are rumours that HMRC is under pressure from parliamentary committees to lift this limit to at least the VAT registration threshold, currently £83,000. This is one of the "hot topics" that we expect to be resolved in the Chancellor's announcements next week.
- HMRC still intends to start MTD upload requirements from April 2018. Although this is still a year ahead, the changes required to accounting software, and presumably HMRC's computer systems, are formidable. There is pressure on government to ease back their implementation timetable, and perhaps consider a voluntary trial of MTD for a period, in parallel with the existing Self Assessment processes. This would provide some comfort that the intended outcomes are achievable.

MTD will eventually replace Self Assessment. In principle, pushing the majority of the data that is required to calculate tax liability into an individual's personal tax account with HMRC is probably more efficient than the present Self Assessment regime where data is sent to HMRC by the tax payer and then checked against data uploaded by third parties, banks and employers for example.

All eyes will be turned towards the fine print published on this issue next week. Let's hope common sense prevails.

Read more about [Making Tax Digital](#) and how 65% of SME businesses are not ready for the change.

### Personal tax and National Insurance changes for 2017-18

In no particular order changes already announced include:

- The personal tax allowance will increase to £11,500 and the higher rate threshold will rise to £45,000.
- The annual ISA limit will increase to £20,000.
- Both employers and employees will start paying NICs on weekly earnings above £157.
- The government will legislate for a new Income Tax exemption and NICs disregard to cover the first £500 worth of pension advice provided to an employee in a tax year. It will allow advice on both pensions and general financial and tax issues relating to pensions.
- The government will legislate in Finance Bill 2017 to set out a detailed method for calculating the taxable value (cash equivalent) of an asset provided to the employee which is made available for private use. This means that employees will just pay tax for those days on which the asset is available for private use. This will provide clarity for both employees and employers.
- As announced at Autumn Statement 2016, the government will legislate in Finance Bill 2017 to 2018 to extend the existing IHT exemption for donations to political parties to include donations made to qualifying political parties in the devolved legislatures and parties that have acquired representatives through by-elections. These changes will modernise the IHT exemption and reflect changes to the political landscape in which political parties operate.
- Legislation will be introduced in Finance Bill 2017 to create 2 new allowances for individuals of £1,000 each, 1 for trading and 1 for property income. The trading allowance will also apply to certain miscellaneous income from providing assets or services.

No doubt there will be further changes announced next week.

### Buy to let property owners – time to start planning for tax changes

Property business owners, particularly buy-to-let landlords, have been hit with a number of quite dramatic changes in their tax status. One of the most draconian is the gradual disallowance of tax relief for finance payments that starts April 2017.

We have highlighted this issue in past articles posted to this newsletter. In essence, from April 2017, finance charges will be progressively disallowed and replaced with a tax credit fixed at 20% of the cumulative charges disallowed.

The changes will have the most impact on landlords who have borrowed heavily to grow their property portfolio. Landlords affected will suffer a possible two-fold, and negative impact on their property business.

Firstly, if their present claims for mortgage interest and other finance charges are reducing the amount of higher rate tax they are required to pay, once the present changes are fully implemented by 2020, tax bills will increase as tax relief will be limited to the basic rate.

Secondly, if their present claims for mortgage interest and other finance charges are reducing their taxable property income, such that they pay no higher rate tax, when these charges are disallowed their taxable income will increase - possibly into the higher rate bands - and for the first time they may become higher rate tax payers. They will still get some relief for finance charges paid but only at the basic rate.

In both cases, the amount of cash generated, after tax, will reduce. If landlord's occupancy rates fall, the loss of cash flow will be exaggerated by increased tax bills and investors may face tough choices.

Planning is absolutely key. If you feel you may be affected, and have not taken professional advice thus far, please call. We would be delighted to both quantify the effects on your property business cash flow and to offer strategic ideas to minimise the downside consequences.

### **The UK is to get its first Small Business Commissioner**

A search is underway to recruit the UK's first Small Business Commissioner.

The commissioner will be a high profile role supporting small businesses in payment disputes with their larger customers.

- The Commissioner appointment is an important measure in tackling late payment issues.
- Expected to be based in Birmingham, the Commissioner will be a national champion for small businesses.

Comments from government sources include:

Small Business Minister Margot James said:

We all rely on the UK's 5.5 million small and medium sized businesses for jobs, goods and services, and an unfair payment culture that hurts these firms has no place in an economy that works for all. This is why we are looking for an exceptional individual to help smaller firms resolve payment disputes and champion a culture change in how businesses work together.

Addressing the barriers businesses face when scaling up and growing is an important part of a modern Industrial Strategy, and this appointment will play an integral role in ensuring small businesses have the support they need to thrive and grow.

Mike Cherry, National Chairman at the Federation of Small Businesses, said:

I am delighted to be invited by the Secretary of State to be part of the selection process for the Small Business Commissioner. There is simply no excuse for a business culture where supply chain bullying or poor payment practice are acceptable. FSB research shows that poor payment practice is on the rise, causing 50,000 business deaths each year.

Small firms need a Commissioner who will make a meaningful difference to the £26bn currently stuck in bank accounts as payments outstanding to SMEs. He or she must be given the powers and resources to tackle this, to step in to save small firms whose livelihoods are under threat, and to promote a prompt payment culture right across the economy.

The Small Business Commissioner, expected to be based in Birmingham, is just one part of a package of measures designed to tackle this and drive a real change in the UK's payment culture. Regulations coming into force in April 2017 will require big businesses to publically report on the time taken to pay their suppliers, and guidance to help large businesses comply

with these changes was published last month. This will shine a light on poor payment practices and allow suppliers, including small businesses, to make informed decisions about who they do business with.

Who knows, perhaps this will result in a reduction in payment delays by larger companies to cash-vulnerable smaller concerns in the supply line. Fingers crossed.

### **Tax Diary March/April 2017**

- 1 March 2017 - Due date for Corporation Tax due for the year ended 31 May 2016.
- 2 March 2017 – Self Assessment tax for 2015/16 paid after this date will incur a 5% surcharge.
- 19 March 2017 - PAYE and NIC deductions due for month ended 5 March 2017. (If you pay your tax electronically the due date is 22 March 2017.)
- 19 March 2017 - Filing deadline for the CIS300 monthly return for the month ended 5 March 2017.
- 19 March 2017 - CIS tax deducted for the month ended 5 March 2017 is payable by today.
- 1 April 2017 - Due date for Corporation Tax due for the year ended 30 June 2016.
- 19 April 2017 - PAYE and NIC deductions due for month ended 5 April 2017. (If you pay your tax electronically the due date is 22 April 2017.)
- 19 April 2017 - Filing deadline for the CIS300 monthly return for the month ended 5 April 2017.
- 19 April 2017 - CIS tax deducted for the month ended 5 April 2017 is payable by today.