



# Ellacotts Tax Newsletter – December 2017

Our newsletter this month includes: a note of changes announced in the recent Budget regarding small businesses and personal tax payers; a reminder that directors of companies and members of partnerships have new anti-tax evasion obligations, and background information about new data protection regulations.

Following the Autumn Budget, [read our summary](#) of how the changes may affect you.

Our next newsletter will be published on Thursday 11 January 2018.

## What is the Criminal Finances Act 2017?

In the past, the directors of larger organisations have been able to avoid personal responsibility for the tax evasion acts of their employees and other associates if they can plead ignorance of the act. This “turning a blind eye” excuse has irritated legislators and as a result we now have the Criminal Finances Act 2017 (CFA).

From 30 September 2017, the new CFA ensures that companies and partnerships are criminally liable if they fail to prevent tax evasion by their employees or an external agent. This is true even if the business was not aware of the tax evasion activity. The CFA is targeted at legal entities, not a natural person, and as such, it will mainly affect limited companies and partnerships.

This does raise the possibility that directors and partners will be held criminally liable for the tax evasion activities of their employees, agents and sub-contractors, even though they may have no knowledge of their criminal actions.

The only practical way in which affected businesses can defend against this legislation is to assess the risks and set up effective controls to minimise any risks disclosed.

## The Budget – small business update

Notable changes are listed below:

- Although there is no change to the rate of corporation tax, maintained at 19%, HMRC is to freeze indexation allowance on corporate capital gains for disposals after 1 January 2018.
- From April 2018, business rate rates will rise by any increase in the Consumer Price Index (CPI) rather than the Retail Prices Index (RPI). The change has been brought forward two years. Historically, the RPI has tended to be higher than the CPI.
- Pubs with a rateable value up to £100,000 will continue to receive a £1,000 discount next year.
- Changes are to be made to the Enterprise Investments Scheme, the Seed EIS and Venture Capital Trusts. The aim is to target Venture Capital Schemes on companies where there is a real risk to the capital being invested, and will exclude companies and arrangements intended to provide ‘capital preservation’. EIS and VCTs will also see increased limits for investments in knowledge-intensive companies.
- The diesel car supplement is to be increased from 3% to 4% from 6 April 2018. This will increase the company car tax and car fuel benefit charge (for company cars provided with an element of private use).
- The VAT registration threshold is to be maintained at £85,000 until 31 March 2020.

Take a [read of our Budget summary](#) to see how these changes may affect you. If you need more information, please do call us.

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## The Budget – personal tax considerations

Notable changes are listed below:

- First-time buyers will pay no stamp duty on homes costing no more than £300,000. First-time buyers of homes worth between £300,000 and £500,000 will not pay stamp duty on the first £300,000. They will pay the normal rates of stamp duty on the price above that. This will save £1,660? on the average first-time buyer property purchase. 80% of people buying their first home will pay no stamp duty, but there will be no relief for those buying properties over £500,000.
- The personal allowance for 2018-19 is £11,850 (2017-18 £11,500). According to HMRC, this means that an average taxpayer will pay £1,075 less tax than in 2010-11.
- The income tax bands for 2018-19 have been increased. They are: basic rate band increased to £34,500 (2017-18 £33,500); higher rate band £34,501 to £150,000 (2017-18 £33,501 to £150,000); additional rate, no change, applies to income of more than £150,000.
- There is no change in income tax rates, and the tax rates applied to dividend income. Readers should note that the present £5,000 tax-free dividend allowance will, as previously announced, be reducing to £2,000 from April 2018.
- There is a small increase in the marriage allowance from £1,150 to £1,185 from April 2018. This is the amount of unused personal tax allowance that can be transferred between spouses, or civil partners, if the person receiving the transfer is not a higher rate tax payer.
- From 29 November 2017, the government will also allow marriage allowance claims on behalf of deceased spouses and civil partners, and for the claim to be back dated four years in appropriate cases.
- New railcard is to be introduced for the 26 to 30 age group. Government will work with the rail industry to introduce the new railcard from spring 2018.
- The duty on beer, wine, cider and spirits is to be frozen. However, cheap, high strength cider will be subject to a new band of duty.
- The duty on cigarettes will increase by 2% above inflation and hand-rolling tobacco by 3% above inflation.

Please call if you need more information on any of these changes.

## What is the General Data Protection Regulation (GDPR)?

The GDPR is the new data protection regulation that becomes a legal obligation from 25 May 2018. Every business will have its own specific challenges regarding implementation of changes to internal systems to ensure compliance with the GDPR.

Theory is fine, but business owners, particularly smaller concerns, will no doubt want clear advice – what needs to be done to comply with the spirit of the GDPR without adding to the existing plethora of “red-tape” compliance that threatens to drown us all in non-productive activity.

Much publicity has been given to the down-side risks of non-compliance: up to 20 million euros or 4% of annual turnover in fines for getting it wrong.

Nevertheless, from 25 May 2018, any business that collects or stores personal data, whether in a paper or electronic format, will need to comply with the GDPR strictures regarding the rights of the individual to have their privacy protected. New requirements, not in the present Data Protection Act 1998, include:

- Reporting data breaches.
- Cross-border considerations.
- New rights for clients and other contacts: the need to inform clients how you are using their personal data and their rights under the GDPR to request that personal data is deleted.



- Need to demonstrate that your business is mitigating against risks of misuse of clients' personal data.

The GDPR is a published EU directive, and it is being introduced into UK law, but there are certain aspects where detailed guidance is still not available: for example, the regulations that set out best practice for the delivery of marketing information by email are set out at present in the Guide to Privacy and Electronic Regulations, which will be updated by new e-Privacy Regulation that is timed to come into effect May 2018. The ICO have not published a detailed description of the scope of this new regulation.

There is little doubt that it will be necessary to undertake a "data audit" to map and record what personal data is held, as well as how it is used, protected and detail the process for removal, should this be requested.

Unfortunately, these changes in the data protection rules need to be taken seriously. We will all need to accommodate compliance on or before the May 2018 deadline. Watch this space for more information on this topic as more details become available next year.

## Tax Diary December 2017/January 2018

**1 December 2017** - Due date for corporation tax due for the year ended 28 February 2017.

**19 December 2017** - PAYE and NIC deductions due for month ended 5 December 2017. (If you pay your tax electronically the due date is 22 December 2017)

**19 December 2017** - Filing deadline for the CIS300 monthly return for the month ended 5 December 2017.

**19 December 2017** - CIS tax deducted for the month ended 5 December 2017 is payable by today.

**30 December 2017** - Deadline for filing 2016-17 self-assessment tax returns online to include a claim for under payments to be collected via tax code in 2018-19.

**1 January 2018** - Due date for corporation tax due for the year ended 31 March 2017.

**19 January 2018** - PAYE and NIC deductions due for month ended 5 January 2018. (If you pay your tax electronically the due date is 22 January 2018)

**19 January 2018** - Filing deadline for the CIS300 monthly return for the month ended 5 January 2018.

**19 January 2018** - CIS tax deducted for the month ended 5 January 2018 is payable by today.

**31 January 2018** – Last day to file 2016-17 self-assessment tax returns online.

**31 January 2018** – Balance of self-assessment tax owing for 2016-17 due to be settled on or before today. Also due is any first payment on account for 2017-18.