Ellacotts Tax Newsletter – November 2018

Our newsletter this month includes: two items from the recent budget: support for the High Street and the increased Annual Investment Allowance, a Making Tax Digital update, reporting tips for contractors, childcare scheme updates, and announcements made regarding future use of the £50 note.

Our next newsletter will be published on Thursday, 6 December 2018.

Saving the High Street

In his Autumn Budget delivered 29 October 2018, Philip Hammond made a number of promises including measures to improve the lack-lustre retail sector in our High Streets.

There is no doubt that the major online retailers have caused a major shift in the way we shop. As faster broadband has become more commonplace, and the use of computers a regular feature at home, the drift away from viewing and buying goods on the shelf to viewing pictures and click and buy on the internet, will likely continue.

At present, online retailers have a competitive advantage over their High Street competitors. They don't have to pay:

- business rates or rent for shop front property or
- salaries to sales staff.

And in the case of the mega online retailers, who can afford to exploit the use of tax havens to shelter their trading profits, they do not pay comparable tax on their trading profits.

The recent Budget offered a one-third reduction in business rates for retailers with smaller shop premises: those with a rateable value below £51,000. Although this reduction is for a limited period, two years from April 2019.

He has committed what seems to be a modest sum, £675m, to rejuvenating city centre areas. This will support the cost of:

- improving traffic flows to shopping areas,
- the renovation of empty retail premises to provide residential accommodation, and
- the repurposing of older or historical property.

City centre shops depend on foot-fall, if shoppers don't pass by, then it's unlikely they will become customers. In this respect, the above investment should encourage people to live and shop in city centre areas.

Mr Hammond also committed to start the process of increasing the UK tax take from online retailers, social media outlets and search engines, who sell goods and services to UK users. A new digital services tax will commence April 2020 and will levy a charge of 2% on the revenues generated by these concerns to customers in the UK.

Increase in the Annual Investment Allowance

The Annual Investment Allowance (AIA) is being increased from 1 January 2019 to £1m from the present base level set some years ago of £200,000. The increase is due to be available for two years, until 31 December 2020. At this later date, the AIA will presumably return to the £200,000 limit.

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The AIA is a 100% write down of qualifying asset purchases against business profits. For profitable companies, partnerships (excluding partnerships where one of the partners is a company or another partnership) and sole traders this is a generous tax break.

The AIA is available for most plant and equipment purchases, for example:

- items that you keep using in your business, including commercial vehicles and cars if they are working assets, for example taxi cabs or driving school, dual control vehicles;
- costs of demolishing plant and machinery;
- parts of a building considered integral, known as 'integral features';
- some fixtures e.g. fitted kitchens or bathroom suites;
- alterations to a building to install other plant and machinery - this doesn't include repairs.

The AIA is not available for purchase of:

- cars that are not working assets;
- items you owned for another reason before you started using them in your business; and
- items given to you or your business.

Please call if you would like more information about this generous tax allowance.

Making Tax Digital timeline

As many readers of our newsletter will be aware, HMRC is moving forwards with their digitisation of taxpayer VAT and Income Tax reporting requirements under their much publicised Making Tax Digital (MTD) initiative. We have reproduced below recent announcements made by HMRC on this issue.

Mandatory filing of VAT returns using MTD compliant software will commence for all returns submitted after 1 April 2019. This will apply to VAT registered traders with turnover in excess of the present VAT registration limit of £85,000.

Traders in the following list can apply for a six month deferral, to October 2019 from this requirement. Those eligible for the deferral are:

- trusts,
- 'not for profit' organisations that are not set up as a company,
- VAT divisions,
- VAT groups,
- those public sector entities required to provide additional information on their VAT return (Government departments, NHS Trusts),
- local authorities,
- public corporations,
- traders based overseas,
- those required to make payments on account and
- annual accounting scheme users.

Finally, a reminder that the MTD process will not be rolled-out to other taxes (Income Tax and Corporation Tax for example) until April 2020 at the earliest.

Reporting tips for building contractors

HMRC recently published a list of helpful reminders regarding the submission of monthly returns to HMRC. This article lists some of the points highlighted.

Each month contractors must send HMRC a complete return of all payments made to subcontractors within the scheme in the preceding tax month. This is regardless of whether the subcontractors were paid:

- net of the standard deduction of 20%
- net of the higher deduction of 30% or
- gross (you still need to include gross payment status subcontractors on your monthly submission if you pay them in the month even though no deductions have been made from their payments).

This monthly return must reach HMRC within 14 days of the end of the tax month it is for.

You can make your monthly returns using either:

- the free HMRC CIS online service or
- commercial CIS software

Contractors who know they won't be paying any subcontractors for several months should let HMRC know. You can do this by selecting the 'Inactivity Request' box under the declarations section of the return. HMRC will make your CIS record 'inactive' for 6 months which means you will not need to send any monthly returns (including nil returns) during this period of inactivity. If, however the situation changes during that time and you start to pay subcontractors again, you must tell HMRC.

If you stop using subcontractors within the Construction Industry Scheme permanently or stop using subcontractors but continue to have employees liable to PAYE deductions, you need to tell HMRC and they will update your records to show you are no longer a contractor. Once all the required contractor monthly returns have been received up to the requested date of cessation then no further monthly returns (including nil returns) should be submitted. If, however you start making payments to subcontractors under the Construction Industry Scheme again you will need to advise HMRC.

Childcare scheme update

The childcare voucher and directly contracted childcare schemes closed 4 October 2018. In time, these schemes will be replaced by the roll-out of the new Tax-Free Childcare: this offers parents £2,000 per year per child towards approved childcare costs. (This is extended to £4,000 for disabled children.)

In a recent article HMRC confirmed the following instructions for employers:

- Employees who joined a scheme and had the necessary changes made to their salary on or before 4 October, will see no change. Both you and your employees will continue to benefit from any Income Tax exemption or National Insurance contributions (NICs) disregard.
- Applying to the scheme before the deadline is not sufficient and a new applicant needs to have had the necessary changes made to their salary by the deadline (4 October 2018) in order to benefit from the Income Tax exemption and NICs disregard.
- If you continue to offer a scheme for new entrants after 4 October, you'll need to deduct Income Tax and NICs on any vouchers given and pay employer NICs after this date.
- Your employees need to tell you in writing (for example, by email) within 90 days if they start getting Tax-Free Childcare, so you can stop giving them vouchers and directly contracted childcare with Income Tax and NICs reliefs. If this means stopping or changing their salary sacrifice arrangement, you'll need to update their contract and your payroll software. Employees won't be able to return to your scheme once they've left.

Parents reading this post can check out what is available to their family under the new arrangements for child care support at https://www.childcarechoices.gov.uk/

Tax Diary November/December 2018

1 November 2018 - Due date for Corporation Tax due for the year ended 31 January 2018.

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

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

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

1 December 2018 - Due date for Corporation Tax due for the year ended 29 February 2018.

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

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

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

30 December 2018 - Deadline for filing 2017-18 self assessment tax returns online to include a claim for under payments to be collected via tax code in 2019-20.