

TAX NEWSLETTER

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April 2019

NO TAX CHANGES ANNOUNCED IN SPRING STATEMENT



Despite the continuing uncertainty surrounding Brexit the Chancellor delivered his Spring Statement on 13 March. The purpose of this statement is to update the House of Commons and the country on the state of the economy; it is not intended to include any major tax announcements, and none were made by the Chancellor.

As already announced, the personal allowance and the higher rate tax threshold will increase on 6 April 2019. The personal allowance rises to £12,500 and the basic rate band to £37,500, which means that for most taxpayers the higher rate tax threshold will be £50,000. These thresholds were due to come into effect from 6 April 2020 but the Chancellor announced that the start date would be brought forward by one year. Note that the limits will then remain the same for 2020/21.

Changes to Scottish income tax bandings are set out below.

SCOTTISH INCOME TAX RATES FOR 2019/20

The Scottish Parliament has the power to set income tax rates on

non-savings and non-dividend income for Scottish taxpayers. It has been confirmed that the 5 band structure and tax rates (19%, 20%, 21%, 41% and 46%) will remain the same for 2019/20. The thresholds for lower tax rates will rise in line with inflation and the higher rate threshold has been frozen.

The 41% Scottish higher tax rate will apply to taxable income in excess of £30,930 as the higher rate threshold will be frozen (at £43,430 when the personal allowance is taken into account). The 46% additional rate will continue to apply to income in excess of £150,000.

Scottish taxpayers (who live most of the time in Scotland) are given an S prefix PAYE code to ensure that they pay the right amount of tax on their employment income. It is important that HMRC are advised of their correct residential address.

Welsh Income Tax Next

The Welsh Assembly now also has the power to set its own income tax rates but have not yet exercised this power. Hence Welsh taxpayers will be subject to the same income tax rates as England and Northern Ireland.

LAND AND BUILDINGS TRANSACTIONS TAX

Land and Buildings Transactions Tax is the Scottish equivalent of Stamp Duty Land Tax. For residential properties, the rates and bands for land and buildings transactions tax ("LBTT") will be unchanged for 2019/20, although the additional dwelling supplement will be

be increased from 3% to 4%.

The lower rate for non-residential properties will be reduced from 3% to 1%, and the upper rate increased from 4.5% to 5%. The upper rate will apply to the portion of the purchase price over £250,000 (reduced from £350,000).

PERSONAL SERVICE COMPANY CHANGES FROM APRIL 2020

In the Autumn Budget the Chancellor announced that the "off payroll" workers rules that currently apply in the public sector would be rolled out to the private sector in 2020. The government have now issued a consultation paper that sets out proposed tax and national insurance changes that will impact on those supplying their services through personal service companies.

End users will be required to determine whether the rules apply to the services provided by the worker via his or her personal service company. This will be a significant additional administrative burden on the large and medium-sized businesses who will be required to operate the new rules. The current CEST (Check Employment Status for Tax) online tool would be improved before the proposed start date.

No change for "Small" Employers

"Small" businesses will be outside of the new obligations and services supplied to such organisations will continue to be dealt with under the current IR35 rules with the worker

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TAX NEWSLETTER

April 2018

and his or her personal service company effectively self-assessing whether the rules apply to that particular engagement.

The definition of "small" has been widely awaited and the Government have confirmed that it intends to use the existing Companies Act 2006 definition. That is where the business satisfies 2 or more of the following features:

- Annual turnover of £10.2 million or less
- Balance Sheet total of £5.1 million or less
- 50 employees or less

The new obligations to determine whether the rules apply, deduct tax and national insurance, and report payments under RTI will apply to the agency or intermediary making payments to the personal service company where the end user is large or medium-sized. There will be an obligation to pass details of the status determination up and down the labour supply chain.

The liability for tax and national insurance will be the responsibility of the entity paying the personal service company, however if HMRC are unable to collect the tax from that entity the liability will pass up the labour supply chain thus encouraging those entities further up the supply chain to carry out due diligence to police compliance.

Please contact us if you would like to discuss how the proposed changes are likely to impact on your business.

ADVISORY FUEL RATE FOR COMPANY CARS

In line with recent reductions in fuel prices, HMRC have reduced their suggested reimbursement rates for employees' private mileage using

their company car from 1 March 2019. Where there has been a change the previous rate is shown in brackets.

Engine Size	Petrol	Diesel	LPG
1400cc or less	11p (12p)		7p (8p)
1600cc or less		10p	
1401cc to 2000cc	14p (15p)		8p (10p)
1601 to 2000cc		11p (12p)	
Over 2000cc	21p (22p)	13p (14p)	13p (15p)

Note that for hybrid cars you must use the petrol or diesel rate. You can continue to use the previous rates for up to 1 month from the date the new rates apply. The Advisory Electricity Rate for fully electric cars is 4 pence per mile.

DISGUISED REMUNERATION LOAN CHARGE STARTS APRIL 2019

This new charge will apply to certain loans to directors and employees that are still outstanding at 5 April 2019 and new arrangements put in place after that date.

The charge affects arrangements involving loans made via Employee Benefit Trusts (EBTs) and similar disguised remuneration schemes adjudged by HMRC and the courts to be tax avoidance and liable to PAYE and National Insurance Contributions.

There are new reporting and payment obligations that come into force for employers using such schemes from 5 April 2019. Where the employer does not pay the tax and national insurance the liability can be passed to the individual who benefited from the loan.

Where the individual concerned had taxable income in the 2018/19 tax year of less than £50,000 they will be able to repay the liability over 5 years, and spread over 7 years if their 2018/19 taxable income of less than £30,000.

DIARY OF MAIN TAX EVENTS

APRIL / MAY 2019

Date	What's Due
1/04	Corporation tax payment for year to 30/6/18 (unless quarterly instalments apply)
1/04	MTD for VAT starts to apply to VAT record keeping and VAT reporting for return periods commencing after this date (unless deferral to 1 October 2019 applies)
6/04	Start of 2019/20 tax year.
6/04	New workplace pension limits apply, 5% from the worker and 3% from the employer, an overall minimum of 8% of earnings
19/04	PAYE & NIC deductions, and CIS return and tax, for month to 5/04/19 (due 22/04 if you pay electronically)
1/05	Corporation tax payment for year to 31/7/18 (unless quarterly instalments apply)
19/05	PAYE & NIC deductions, and CIS return and tax, for month to 5/05/19 (due 22/05 if you pay electronically)

Please contact a member of our team if you would like to discuss any of the issues raised.

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