Copson Grandfield
CHARTERED ACCOUNTANTS

NEWSLETTER

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Inside

Welcome to the Copson Grandfield Pre-Christmas Newsletter

Making Tax Digital for VAT: the latest developments

MTD for VAT (despite a call by a House of Lords committee to delay it) is set to come into effect from **1 April 2019** for VAT registered businesses with a turnover above the current VAT registration threshold of £85,000.

As part of the initiative, businesses must keep records digitally, and must submit their VAT returns via an Application Programming Interface (API).

Any business within the MTD for VAT system whose turnover subsequently falls below the VAT threshold must stay in the regime, unless they deregister for VAT.

Any firm exceeding the registration threshold after 1 April 2019 must comply with MTD for VAT, and is given 30 days to ensure that the appropriate digital software is in place.

Deferral for certain businesses

In October, HMRC's MTD for VAT guidance was updated, outlining a deferral for certain businesses and organisations. A small group of taxpayers with 'more complex' requirements will be given an additional six months to prepare for MTD for VAT, and will therefore not be mandated to use the system until 1 October 2019.

The deferral applies to: not-for-profit organisations that are not set up as a company; trusts; VAT divisions; VAT groups;

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local authorities; public corporations; and traders based overseas. Public sector entities required to provide additional information on their VAT return, those who must make payments on account, and annual accounting scheme users are also covered by the deferral.

Meanwhile, HMRC also launched its second pilot scheme for MTD for VAT, inviting more than half a million UK firms to test the system ahead of its April introduction. The pilot is open for businesses with 'up-to-date and straightforward' financial affairs. HMRC intends to extend the pilot to 'most other business types'.

Businesses are advised to begin preparing for the initiative and firms will need to ensure that they are using digital accounting records as soon as possible.

One major concern within the Accountancy Profession (in terms of MTD) is the flow/ accessibility of data between Taxpayers and HMRC, together with the legislation in terms of access to client information.

Whilst HMRC can already request specific items as part of an investigation, there are fears that the digital age will enable provide greater access to client working papers, potentially giving them the opportunity to look outside the scope of their initial enquiries, therefore turning routine checks into phishing expeditions.

It should be noted that current legislation was drafted primary with ‘analogue’ records in mind (paper, excel spreadsheets, and offline software), therefore we expect this to be updated in order to provide clarification as to what HMRC can access online and request from taxpayers.

It is our understanding that the ‘API’ software will merely be a gateway to submit returns, and is therefore only ‘one-way’ traffic; however whether this will change is yet to be seen.

We therefore suggest that if you receive any information requests from HMRC, you always speak to us before providing the requested information, especially if they are asking for access to working papers/ digital records.

MTD Seminar – Save the Date

We will be hosting another one of our popular Seminars on **Thursday 21st February 2019**, focusing on MTD (Making Tax Digital), together with other topical issues.

More details to follow in the New Year, however if you would like to reserve a place, please contact our offices so that we can register you for the event.

IR35 – An update

IR35 was designed to tackle tax avoidance from 'disguised employment' – where self-employed contractors set up Limited Companies paying themselves through Dividends, therefore avoiding National Insurance.

In April 2017, the government transferred the responsibility of determining employment status from the contractor, to the body which hires it, forcing contractors to use HMRC's Check Employment Status for Tax (CEST) tool.

Whilst this currently only relates to those working in the Public Sector, there are plans to extend this treatment to the Private Sector, with a consultation on the matter closing in August of this year.

Following these changes to responsibility surrounding Employment Status; the BBC became the subject of an investigation. The main finding of which was that the government's employment assessment tool is both faulty, and biased.

Consequently, many contractors have been ‘rebranded’ as employees for tax purposes, despite the fact that the HMRC tool does not include key elements of status law, such as a test for ‘Mutuality of Obligation’ – which refers to the obligation of an employer to provide work and the employee to accept it.

Without this, the contract would typically be outside IR35, but HMRC has assumed it is present in all Public Sector contractor engagements. It has been said that unless HMRC can disprove the substantial evidence demonstrating CEST's shortcomings, then it's clear that CEST is not fit for purpose,"

The Association of Independent Professionals and the Self-Employed (IPSE) said: “Taxing more self-employed people as if they were employees, but without giving them any of the employment benefits (such as Holiday Pay, Pension Entitlement etc.) would only add to confusion and further complicate this already tangled issue.

Following on from the above; it is our belief that IR35 has been incorrectly applied in a number of cases.

Where we believe the taxpayer has been unfairly caught by IR35, we are prepared to challenge (and have challenged) this with the hiring body.

Whilst we need to treat each individual on a ‘case by case’, there may be scope to appeal, and even reverse any incorrect treatment. Please contact us if you feel that you have been unfairly caught by the above.

Bizarre excuses for filing Company Accounts late

Companies House have recently published a list of excuses from Directors who fail to file their Accounts on time, some of the most outrageous reasons given include the following:

"Goats ate my accounts"

"I found my wife in the bath with my Accountant"

"We delivered the Accounts to the betting office next door to Companies House"

"It was Valentine's Day"

"My company was more successful than I thought it would be, so I was too busy to file"

The companies which gave these excuses received late filing penalties and their appeals were unsuccessful. Senior Enforcement Manager, Nick Parker, said:

"Companies and directors must be aware of their responsibility to file Accounts with Companies House.

There will always be unforeseen events that mean a Company is unable to file Accounts on time. In exceptional circumstances, Companies can request an extension to the filing deadline, however these requests must be received before the filing deadline".

Tax implications and the Seasonal Party

The Institute of Chartered Accountants in England & Wales (ICAEW) has urged employers to consider the tax implications associated with a Seasonal Party.

The Office Party can be a great way to celebrate the festive period, as well as employees' hard work. However; there certain conditions to consider in order to ensure that the event remains as tax-efficient as possible.

The total cost per employee must not exceed £150 (including VAT). This also includes the costs for employees' guests, if invited.

If the party does cost more than £150 per employee, then the full amount spent on the event will be liable to income tax and national insurance. The seasonal party must also be open to all employees.

The party must be an annual event: however, if you have more than one annual event (for example, a Christmas party and a Summer party), the cumulative total must be £150 or less per employee.

"Mrs Claus bought me a Smartwatch! It knows when you are sleeping, it knows when you are awake, it knows when you've been bad or good…"

HMRC Inspections

We have noticed recently that HMRC seem to be changing the way that they conduct VAT enquiries; with many inspectors trying to ask questions via the telephone, directly with the client (rather than through their Accountant).

If you receive a call from HMRC, we suggest that you ask them to put their questions in writing, and then contact us so that we can deal with any queries on your behalf.

Tax Tip – Trivial Benefits

In the run up to Christmas you may want to reward staff in the form of a festive gift; but did you know about the **'Trivial Benefits in Kind Exemption'**, which allows employers to provide certain Benefits, without the usual tax repercussions?

A Trivial Benefit must satisfy the following conditions:

- No more than £50 per benefit (or average of £50 if provided to a group of employees).
- Not cash or a cash voucher (gift vouchers e.g. for a shop, are allowed).
- There must be no entitlement to the benefit as part of the employee's contract.
- It is not provided in recognition of a work related service or employment duty.
- For Close Companies there is a limit on the total Trivial Benefits exemption of £300 per tax year per director or office holder, however regular employees don't have this £300 limit.

Trivial Benefits are not treated as income for Tax or NIC purposes, and do not need to be reported on a P11D, but **Be careful;** If the individual benefit exceeds £50 (or an average of £50 per head), the whole amount will become taxable as a benefit in kind, not just the excess over £50.

Staff News

We say goodbye to Nilesh Mashru who recently left our Accounts Department, opting for a new job a little closer to home, we wish him all the best for the future.

We also welcome Sharon Arnold who has joined our Admin Team.

Self-Assessment Deadline

Don't forget that the deadline for Self-Assessment is fast approaching!

For those who have not yet completed your Tax Return, the deadline for submission is **31 January 2019**.

We therefore need your records/ paperwork **as soon as possible** if we are to prepare your Accounts and Tax Return before this deadline.

Whilst the filing deadline is 31 January 2019, we advise that you send us your completed return (signed), together with payment of our fees, no later than **Tuesday 29th January 2019**, to ensure that we have sufficient time to file the return.

If you are unsure of what paperwork you need to provide, or if you need any help obtaining the required information, please contact us **as a matter of urgency**.

Xmas Opening Hours

Our Offices will be closed from 4.00pm on Friday 21st December 2018.

We will reopen at 8.30am on Wednesday 2nd January 2019.

We take this opportunity to wish you all a Merry Christmas & Happy New Year.

31 March Year End? Accounts Submission Deadline

Please note that due to the Christmas period, our office will be closed from 21/12/2018 until 02/01/2019.

We therefore advise that the submission deadline for your Accounts (31 March year-end) will be 18th December 2018.

Consequently, all documents must be approved/ signed and returned to us before this date, so that we can adhere to this deadline. Failure to do so will result in penalties for non-submission.

If you need any assistance, or if you are unsure whether the above applies to you, please contact your Portfolio Manager.

Please also note that all outstanding fees will need to be paid before the documents are filed.

Looking to escape the UK weather after Christmas?

Casa Sant Roc sits at the foot of the **Gavarres hills** in Catalonia, Spain.

Offering 4 Bedrooms (two doubles, two twins), two family bathrooms, a fully equipped kitchen, lounge with satellite TV, large garden, & private swimming pool; this stunning property makes the ideal getaway for those hoping to avoid those post-Christmas blues!

More information can be found at the following address: https://www.santroc.co.uk/

Christmas is a Joke!

1. What does Theresa May want for Christmas this year? **A New Cabinet!**
2. Why are Christmas trees so bad at sewing? **They always drop their needles!**
3. How did Mary and Joseph know Jesus' birth weight? **They had a weigh in a manger...**
4. Why did no one bid for Rudolph and Blitzen on eBay? **Because they were two deer!**