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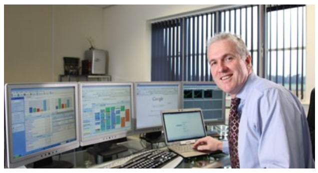
LG News



February 2018

Volume 9 Issue 2

Tax-free childcare now open to under 9s

In April 2017 HMRC started rolling out tax-free childcare, a scheme designed to help working parents with the cost of childcare with up to £2,000 of support per child per year, or £4,000 for disabled children. The scheme is now open (from 15 January 2018) to parents whose youngest child is under 9, or who turned 9 on that date. All remaining eligible families with children under 12 can apply from 14 February 2018. This means that all eligible parents will have the opportunity to apply for tax-free childcare before the end of the current financial year.

Parents, including the self-employed, can apply online for tax-free childcare by visiting the Childcare Choices website. Parents can also access the government's childcare calculator through the website, which is designed to help them choose which government childcare support is best for them.

According to Government reports, since opening the childcare service, through which parents apply for 30 hours free childcare and tax-free childcare, more than 325,000 individuals have successfully applied and are now using the service. Of these, more than 170,000 have opened a tax-free childcare account.

Two million couples still missing out on Marriage Allowance

Recent government statistics indicate that out of four million eligible couples, around half are still not benefiting from the income tax Marriage Allowance (MA). The allowance was first introduced in April 2015, which means that a backdated claim made in 2017/18 could be worth up to £662. It's worth checking to make sure claims are made, where appropriate.

In brief, Marriage Allowance is a way for couples to transfer a proportion of their individual Personal Allowance between them in a tax-efficient manner. Where a couple satisfies the following criteria, it should be possible to claim the allowance:

- The couple must be either married or in a civil partnership - living together is not sufficient for the allowance to be claimed.

- One partner needs to be a non-taxpayer - which generally means they are earning less than the personal allowance (£11,500 for 2017/18, rising to £11,850 from 6 April 2018).

- The other partner needs to be a basic 20% rate taxpayer, which generally means they are earning less than £45,000 in 2017/18 (rising to £46,350 for 2018/19) (note that rates are different for Scottish taxpayers). Higher rate and additional rate taxpayers are not entitled to the allowance.

- Both partners must have been born on or after 6 April 1935.

For 2017/18, the maximum amount that can be transferred from one partner to the other is £1,150, which means that the spouse or civil partner receiving the transferred allowance will be entitled to a reduced income tax liability of up to £230 for 2017/18 (£1,150 @ 20%).

Inside this issue:

Cloud Accounting

For further information including a free demo please call Alison Grocott on 01270 624445 or email alisongrocott @lyongriffiths.co.uk

Wealth Management

Backdated claims

For 2015/16 Marriage Allowance was worth £212, and for 2016/17, the allowance was raised to £1,100, making it worth £220. Backdated claims are possible - a claim for all three years from 2015/16 to 2017/18 inclusive will therefore be worth up to £662.

The allowance is set to rise to £1,185 on 6 April 2018, so it will be worth a further £237 in 2018/19.

As announced in the 2017 Autumn Statement (applicable from 29 November 2017), it is possible to claim Marriage Allowance even where one partner has died since April 2015, providing all the eligibility criteria outlined above is satisfied.

In most cases, the allowance will be given by adjusting the recipient partner's personal tax code and the allowance will be received via the PAYE system. The partner who transferred their personal allowance will also receive a new, reduced, tax code, which will be operated against their employment income where applicable. If the recipient partner is self-employed, the allowance can be claimed via the self-assessment tax return and the allowance will be given as a reduction against their self-assessment tax liability.

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HMRC clarify VAT treatment of affiliation fees for sports clubs

HMRC recently published a reminder that the concession enabling clubs to treat affiliation fees as exempt from VAT, will be withdrawn with effect from 1 April 2018.

A sport's governing body, or similar umbrella organisation, often charges an affiliation fee to individual clubs who make an onward charge to their members. Where the clubs are non-profit making, the supply of this affiliation fee to their individual members is exempt from VAT. However, if the club is a profit-making commercial club, then the supply to their individual member is standard rated.

The concession aimed to put profit-making commercial clubs in a similar position to non-profit making clubs, so that they didn't need to account for output tax on the fee charged. It achieved this by allowing profit-making commercial clubs to treat these re-charges to their members as though they were disbursements. However, as such re-charges of affiliation fees aren't legally disbursements, the concession goes beyond HMRC's discretion and is being withdrawn with effect from 1 April 2018.

Bureau Outsourcing

Withdrawal of the concession means that the onward charge of the affiliation fee will be liable to VAT at the standard rate of 20%, unless it meets the conditions of a disbursement.

There will be no impact on the VAT treatment of affiliation fees by non-profit making sports governing bodies, or similar umbrella organisations, and on non-profit making sports clubs to their members. In their case, the charge they make for affiliation fees will continue to be exempt under the law. If they are partly exempt for the purposes of calculating their recoverable input tax, such bodies should ensure that they continue to include affiliation fees in their exempt and total supplies in any appropriate partial exemption calculation.

Latest MTD progress

Draft regulations, together with a draft explanatory memorandum and a draft VAT Notice, covering required changes to the VAT regime under the Making Tax Digital (MTD) project were published for consultation in December 2017. The consultation runs until 9 February 2018, and it is expected that live pilot testing will then begin in spring 2018.

With this in mind, the Association of Taxation Technicians (ATT) has recently been urging software houses and HMRC to identify MTD-compliant software packages urgently to allow businesses to make an informed decision on which to use and help to avoid the need to make a troublesome mid-accounting period change.

Wills and Trusts

Some businesses will need to have MTD complaint software in place in just five months' time.

Under MTD, businesses above the VAT threshold will be required to keep their records digitally and provide HMRC with quarterly VAT updates from the beginning of their first VAT quarter starting on or after 1 April 2019.

Quarterly updates will have to be submitted to HMRC from software via an Application Programme Interface (API). It is therefore important for such businesses to make sure that they have an accounting package which can do this and, if not, ensure they do in good time for their first quarterly VAT update under MTD.

Commenting on the implementation timetable, Co-chair of ATT's Technical Steering Group said:

"The first businesses to come into MTD will be those with a VAT quarter running from 1 April to 30 June 2019. If they happen to have a 30 June year end, they will need to have an MTD-compliant accounts package in place by 1 July 2018 or risk changing their accounting package mid-year. This gives them only five months to select and integrate a new package if their current one would not be MTD compliant.

It would be a major headache for businesses, from a practical perspective, to have to change mid-accounting period, as when they come to do their accounts or tax return, the information would be spread over two systems. It would also make it difficult to get an in year view of profitability.

HMRC will be providing an online tool to help businesses identify which software packages will meet their MTD needs but until that is available it will be very difficult for businesses and the agents advising them to make an informed decision.

The ideal solution would be for the MTD for VAT start date to be altered so that it applied from a business's first accounting period (and not VAT quarter) starting on or after 1 April 2019."

Whilst we wait for the detail of the MTD implementation process to evolve, businesses should be able to gain some comfort in the Government's confirmation that it will not widen the scope of MTD beyond VAT before the system has been shown to work. This means that businesses can focus on this one area for now.

Accounts and Audit

Some businesses will need to have MTD complaint software in place in just five months' time.

February questions and answers

Q. I own several properties jointly with my son. Most of them are rented out, but my son has lived in one of them for five years. My son is now considering buying a house on his own and this will become his main residence. Will he have to pay the higher stamp duty land tax charge on the purchase?

A. Broadly, if the value of your son's share of the rental property is more than £40,000, he will be liable to the higher rate of SDLT when he purchases a new property.

Further information can be found in the HMRC guidance on the higher rates of SDLT applicable to the purchase of additional residential properties, which was published in November 2016; and on the GOV.uk website at https://www.gov.uk/guidance/stamp-duty-land-tax-buying-an-additional-residential-property.

Q. I am the sole director and 100% shareholder of a company. Can the company claim capital allowances for the cost of setting up a website?

A. Expenditure on setting up a website is generally treated as expenditure on computer software. According to HMRC guidance (Business Income Manual: BIM35815), 'the cost of a web site is analogous to that of a shop window. The cost of constructing the window is capital; the cost of changing the display from time to time is revenue'.

Computer software acquired with hardware (e.g. an operating system) and

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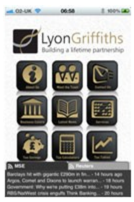

accounted for as part of the cost of the hardware will qualify as plant in the main capital allowances pool.

Other computer software qualifies for capital allowances under CAA 2001, s 71. However, from 1 April 2002, new expenditure on software will initially qualify for relief as an intangible asset (under CTA 2009, Part 8) provided it is incurred by a company. If the company wishes to exempt such expenditure from CTA 2009, it must make an irrevocable election within two years of the end of the accounting period in which the expenditure was incurred. This means that companies can effectively choose between capital allowances (under CAA 2001, s 71) and amortisation (under CTA 2009 Part 8). Where amortisation is charged in the accounts, the advisability of making an election will depend on the period in which the policy is used (i.e. the period over which the expenditure is written-off).

Q. What should we pay employees who are on jury service?

A. There is no statutory entitlement for an employee to be paid by his employer during jury service. However, if the contract of employment has a clause covering such a situation, the employer must follow the terms of the contract.

Whilst on jury service, the employee is entitled to claim allowances from the court to cover travel and subsistence costs. In addition, a financial loss allowance may be claimed in respect of any loss of net earnings suffered as a result of attending the court.

The maximum financial loss allowance depends upon the number of hours served. These amounts are reviewed annually and are currently as follows:

- First 10 days: 4 hours or under each day - £32.47
- First 10 days: Over 4 hours each day - £64.95
- Day 11 to day 200: 4 hours or under each day - £64.95
- Day 11 to day 200: Over 4 hours each day - £129.91
- After day 201: 4 hours or under each day - £114.03
- After day 201: Over 4 hours - £228.06

February key tax dates

2 - Last day for car change notifications in the quarter to 5 January - Use P46 Car

19/22 - PAYE/NIC, student loan and CIS deductions due for month to 5/2/2018

28 - First 5% penalty surcharge on any 2016/17 outstanding tax due on 31 January 2018 still unpaid

Tax Solutions

LG App

Cloud Accounting

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