



# LyonGriffiths

Chartered Accountants

Tel 01270 624445

## LG News



Making tax digital. The deadline is fast approaching.

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**Inside this issue:**

### Make the most of tax efficient savings offers

As the end of the current tax year approaches, it is worthwhile making a check to ensure that the various tax-efficient savings opportunities have been utilised wherever possible. The following paragraphs highlight some of the areas where savings may be made.

#### ISAs

The maximum annual investment limit for Individual Savings Accounts (SAs) will remain at £20,000 for 2019/20. The limit effectively allows a couple to save £40,000 a year between them and receive interest on the investment tax free. There will also be no capital gains tax to pay when the account is closed.

Junior ISAs are available to UK-resident children under-18 and run on similar lines to 'adult' ISAs. The maximum investment limit for 2018/19 is £4,260, rising to £4,368 for 2019/20, which provides adequate scope for parents and grandparents to make tax-free savings investments on behalf of their children/grandchildren.

Help-to-buy ISAs continue to be available to assist first-time buyers save a deposit to purchase their first home. Broadly, up to £200 a month can be saved in the ISA (along with an initial deposit of £1,000, and up to a maximum of £12,000) and, provided certain conditions are met, the government will provide a 25% boost to the savings up to a maximum of £3,000 per person. A couple buying together could therefore save up to £30,000 tax-free towards the purchase of their first home.

#### Premium Bonds

With a return rate comparable with regular savings accounts (currently 1.40%), it is not difficult to see why Premium Bonds (PBs) remain one of Britain's favourite ways to save. In the 2018 Autumn Budget, the Chancellor announced several changes to PBs, which should help make them more accessible for all. Currently the minimum amount of PBs that can be purchased is £100 (or £50 by standing order). The good news is that this limit will be cut to £25 by the end of March 2019. This will apply to both one-off purchases and regular savings.

In addition, the rules on who can purchase PBs are being changed. Currently, only parents and grandparents can buy PBs for children under 16. Although the timescale is yet to be confirmed, it has been announced that in future, it will be permissible for other adults to buy PBs on behalf of children. The person purchasing the bonds for children will have to be over 16, and must nominate one of the child's parents or guardians to look after the bonds until the child turns 16.

The maximum Premium Bond holding will remain at £50,000.

NS&I has also confirmed that it will be launching a new PB app in the new year, which is designed 'to make saving easier'.

Although Premium Bonds are not strictly an 'investment', they can be en-

**Make the most of tax efficient savings offers** 1

**Can an employer still claim the EA?** 2

**Considering capital expenditure?** 2

**VAT: Supplies of digital services to consumers in the EU** 3

**Questions and Answers** 3

**Key Dates** 4



**For further information including a free demo please call**

**Alison Grocott on 01270 624445**

**or email [alisongrocott@lyongriffiths.co.uk](mailto:alisongrocott@lyongriffiths.co.uk)**

cash at any time with the full amount of invested capital being returned - and in the meantime, any returns by way of 'winnings' will be tax-free. The odds on winning a prize in any one month are currently 24,500 to one. There are currently two £1m prizes, five £100,000 prizes and ten £50,000 prizes each month.

### Bank and building society accounts

The personal savings allowance (PSA) was introduced with effect from 6 April 2016 for up to £1,000 of a basic rate taxpayer's savings income and up to £500 of a higher rate taxpayer's savings income each year. The PSA is not available for additional rate taxpayers. The allowance will be available in addition to the tax-advantages previously available to investors with individual savings accounts.

Broadly, the PSA means every basic-rate taxpayer can earn £1,000 interest without paying tax on it - equivalent to the interest on almost £75,000 in some easy-access savings account. The PSA remains unchanged at £1,000 and £500 respectively for 2018/19 and 2019/20.

### Can an employer still claim the EA?

In broad terms, the Employment Allowance (EA) is available to most employers and should enable them to reduce the amount of National Insurance Contributions (NICs) they have to pay by up to £3,000 per year. The eligibility rules changed from April 2016, and the Autumn Budget 2018 announced further changes expected to take effect from April 2020. It is worth checking to make sure that a limited company is still eligible to benefit from this tax incentive.

Employers may generally claim the EA if they are a business (including a Community Amateur Sports Club) that pays employer Class 1 NICs on employees' or directors' earnings and is not funded by central government or a charity.

The EA was restricted from April 2016, so that a company no longer qualifies where all the payments of earnings it pays in a tax year, in relation to which it is the secondary contributor, are paid to or for the benefit of one employed earner only who is, at the time the payments are made, also a director of the company. The purpose of the change was to prevent perceived misuse of the allowance by personal service companies and help focus it on businesses creating employment. The Government estimated that this change affected around 150,000 limited companies with a single director.

The Autumn Budget 2018 announced details of a further restriction, expected to take effect in 2020-21, which aims to target the allowance on businesses that need it most.

From 6 April 2020, access to the EA will be limited to businesses and charities with an employer National Insurance contributions (NICs) bill below £100,000.

Currently some 1.1million employers claim the EA and the government estimates that around 93% of these will continue to be eligible once the restriction takes effect, with many paying no employer NICs at all.

### Considering capital expenditure?

Businesses considering investing more than £200,000 in plant and machinery could benefit from a change to the capital allowances rules in January 2019, which should allow them to obtain tax relief at an earlier time.

Capital allowances are treated as a trading expense of a particular accounting period, so they can potentially increase a loss, or turn a profit into a loss for tax purposes, which in turn, will impact on the amount of tax payable by a business. Where a business is considering expenditure on qualifying items, it may be beneficial to undertake some upfront planning.

The annual investment allowance (AIA) for capital allowances purposes is a 100% allowance for qualifying expenditure on machinery and plant. Put simply, this means that a business buying a piece of equipment that qualifies for the AIA can deduct 100% of the cost of that asset from the business's profit before calculating how much tax is due on that profit.

VAT-registered businesses claim the AIA on the total cost of the asset less any VAT that can be reclaimed on that asset. Non-VAT-registered businesses can claim the AIA on the total cost of the asset.

The 2018 Autumn Budget confirmed that the AIA investment limit would be raised from £200,000 to £1,000,000 with effect from 1 January 2019. However, the increase will only be available for a limited period. The expectation is that the threshold will

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revert to its current level from 1 January 2021.

Businesses considering making significant investments in, say, the next five years, may wish to consider bringing their purchase forward, so as to benefit from the increased AIA limit and obtain immediate tax relief on their investment.

Where a business spends more than the annual AIA limit, any additional qualifying expenditure will still attract relief under the normal capital allowances regime, but this will result in relief being spread over several years, rather than in one go.

It is also worth remembering that connected companies are only entitled to one AIA between them.

### VAT: Supplies of digital services to consumers in the EU

The VAT rules for businesses supplying digital services to private consumers in other member states change with effect from 1 January 2019.

From that date, the place of supply will be the UK where both:

- a UK business is not established in any other EU member state; and
- the total value of cross-border digital sales is less than £8,818 in the current and preceding calendar years.

Businesses affected will no longer need to register for VAT in other EU countries where they have consumers or use the VAT Mini One Stop Shop Scheme (VAT MOSS).

Where the business turnover is below the UK VAT threshold (currently £85,000) it will also be possible to de-register from VAT.

Businesses based outside of the EU but registered for VAT could not previously use the non-union VAT MOSS. This restriction is now being lifted.

Those businesses registering for the scheme will send HMRC a VAT MOSS return of qualifying sales and payment each calendar quarter. HMRC will send the relevant parts of the return and payment to the tax authority of the country where the consumers are based. The business may however, still need to send a separate VAT return it has non-qualifying sales.

### January questions and answers

**Q. What should I do about an error I accidentally made on my latest VAT return?**

A. You can adjust your current VAT account to correct errors on past returns if the error:

- was below the reporting threshold (in broad terms this is less than £10,000, or up to 1% of your box 6 figure (up to a maximum of £50,000);
- was not deliberate; and
- relates to an accounting period that ended less than 4 years ago.

When you submit your next return, add the net value to box 1 for tax due to HMRC, or to box 4 for tax due to you. Make sure you keep good accurate records relating to the adjustment.

Any errors that do not meet these conditions must be notified to HMRC directly.

**Q. My husband and I own a rental property in joint names. We would like to transfer ownership of the property to our twelve year old son. Can minors own property in the UK?**

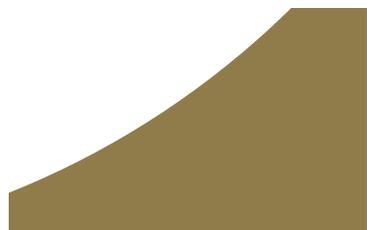
A. In this country, a minor (someone under the age of 18 in England) cannot legally own a property. This means that an adult must be the legal owner, and own it on bare trust for the minor, who will be the beneficial owner. You can therefore transfer to your son, but he will not become the legal owner until he is 18.

Another issue to be aware of is that when a parent transfers an asset to a minor child, and the asset produces income of more than £100 per year, the parent is liable to income tax on that income until the minor reaches the age of 18.

**Q. My estate, which includes my home, is currently worth around £600,000. I am single, have never been married and have no children. I**



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**intend leaving my estate to my siblings. Will they qualify as 'direct descendants' and, in turn, will my estate qualify for the extra £175,000 family home inheritance tax (IHT) allowance?**

A. The existing IHT nil-rate band is set to remain at £325,000 until the end of 2020/21.

An additional nil-rate IHT band may be available when a residence is passed on death to a direct descendant. The set additional amounts are as follows:

- £100,000 in 2017/18
- £125,000 in 2018/19
- £150,000 in 2019/20
- £175,000 in 2020/21

There is a tapered withdrawal (of £1 for every £2) of the additional nil-rate band for estates with a net value of more than £2 million.

Unfortunately the additional relief will only be available where the family home is passed by lineal descent. This will include a spouse or civil partner of a lineal descendant, including the widow, widower or surviving civil partner of a lineal descendant who has died, provided that the surviving spouse or civil partner has not remarried or formed a new civil partnership. A lineal descendant includes a step-child, adopted child, foster child, child in the care of a kinship carer or child under guardianship, and that child's first lineal descendants.



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### January key tax dates

- 1** - Due date for payment of Corporation Tax for the year ended 31 March 2018
- 14** - Return and payment of CT61 tax due for quarter to 31 December 2018
- 19/22** - PAYE/NIC, student loan and CIS deductions due for month to 5/1/2019 or quarter 3 of 2018/19 for small employers
- 31** - Deadline for filing 2018 Self Assessment personal, partnership and trust Tax Returns - £100 first penalty for late filing even if no tax is due or tax due is paid on time
  - Balancing self assessment payment due for 2017/18
  - Capital gains tax payment due for 2017/18
  - First self assessment payment on account due for 2018/19
  - Interest accrues on all late payments
  - Half yearly Class 2 NIC payment due
  - Further penalty of 5% of tax due or £300, whichever is greater for personal tax returns still not filed for 2016/17
  - 5% penalty for late payment of tax unpaid for 2016/17 self assessment

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LyonGriffiths

Building a lifetime partnership

17 Alvaston Business Park,  
Middlewich Road, Nantwich,  
Cheshire. CW5 6PF



Email enquiries@lyongriffiths.co.uk  
Telephone 01270 624445  
www.lyongriffiths.co.uk