

Dear Friend

Following the March Budget, there was a lot of opposition from Tory Party ranks to keep to the pre-election promises which led to the Chancellor making a U-turn on his proposed increase in Class 4 NIC which was going to raise an additional £2 billion.

The Finance Bill 2017 and a raft of new consultations were published on 20 March 2017 which includes a key consultation document to bring non-resident landlord companies within the scope of UK corporation tax. Finance Bill 2017 takes the mantle of the longest ever Finance Bill previously set by Finance Act 2012. It is 766 pages long and not to forget an additional 448 pages of explanatory notes. The word "simplification", seems to have been all but forgotten!

We hope you enjoy reading our March edition of tax news.

If you are not sure of how the changes affect you do speak to our tax team or your contact person at our office.

Best wishes

Godley Tax [Team](#)



## **MAKING TAX DIGITAL TO START IN APRIL 2018**

Legislation to introduce Making Tax Digital (MTD) will be included in the Finance Bill 2017 and despite many objections that it was too soon, the new system of quarterly reporting will commence in April 2018 for the self-employed and property landlords.

There were 1200 responses to the consultation documents issued in summer 2016 and a number of changes have been made to the original proposals.

Much of the detail will be introduced by secondary legislation and there will be further consultation on a number of measures but the key proposals are:

Businesses will be allowed to use spreadsheets to keep their accounting records.

Businesses eligible for three line accounts will be able to submit a quarterly update with only three lines of data (income, expenses and profit).

Free software will be available to businesses with more straightforward affairs.

Businesses will not have to make and store invoices and receipts digitally.

There will be no late filing penalties in the first year of the new system.

The deadline for finalising taxable profit for a period will be the earlier of:

- 10 months after the last day of the period of account, or
- 31 January following the year of assessment in which the profits for that period of account are chargeable

Businesses and property landlords with a turnover up to £150,000 will be able to prepare accounts on a cash basis.

Digital quarterly reporting for companies and larger partnerships will not be introduced until April 2020. These changes will have a significant impact on how you keep your business accounts and communicate with HMRC. Please contact us to discuss the impact of these changes on the way that you keep your accounts.

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## **NEW COMPANY LOSS RELIEF RULES START**

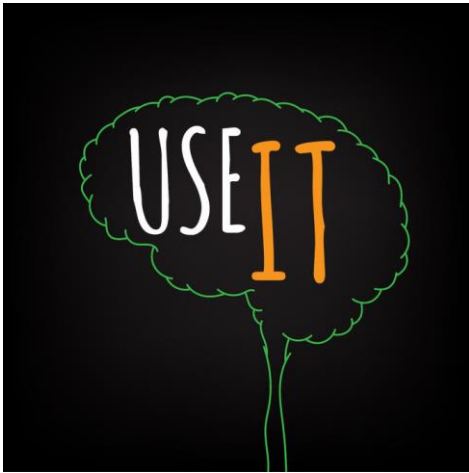
New rules that will allow greater flexibility in the way that companies obtain relief for losses will apply to losses incurred from 1 April 2017 onwards.

These rules have been introduced to encourage companies to diversify as the losses may be available to offset against profits of another activity in a future period and even those of a company in the same group.

The proposed new rules were consulted on last summer and are included in the latest Finance Bill.

Although there will be greater flexibility for “new” losses arising after 1 April 2017, “old” trading losses incurred prior to that date will continue to be restricted and will only be available to be offset against future profits from that same trade. The new rules are very complicated and we will of course work with you to ensure that your company obtains relief for losses in the most advantageous way.





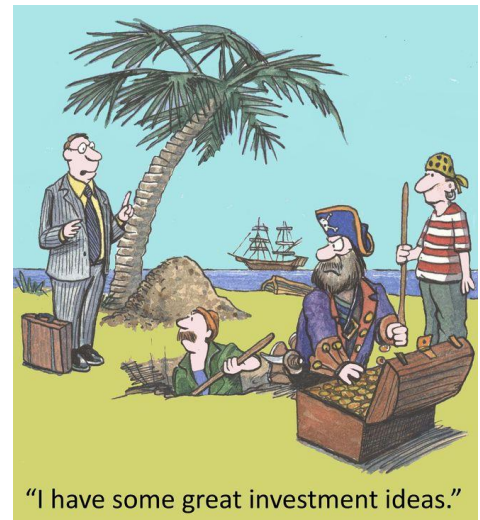
## DON'T LOSE YOUR PERSONAL ALLOWANCE!

For every £2 that your adjusted net income exceeds £100,000, the £11,000 personal allowance is reduced by £1. Pension contributions and Gift Aid can help to reduce adjusted net income and save tax at an effective rate of 60%.

The restriction applies between £100,000 and £122,000 adjusted net income. Another way that you could avoid this trap would be to agree with your employer to sacrifice some of your salary in exchange for a tax-free benefit in kind. These rules are changing from 6 April 2017 but employer pension contributions and childcare vouchers will continue to be effective.

## CONSIDER OTHER TAX EFFICIENT INVESTMENTS

If you are looking for investment opportunities, have you considered the Enterprise Investment Scheme (EIS)? These investments in certain qualifying companies allow you to set off 30% of the amount invested against your tax bill as well as capital gains tax (CGT) deferral. An even more generous tax break is available for investment in a qualifying Seed EIS company where income tax relief at 50 per cent is available. In addition, it is possible to obtain relief against your 2016/17 capital gains. Both EIS and Seed EIS also provide a CGT exemption when the shares themselves are sold after 3 years. Note however that qualifying EIS and Seed EIS companies tend to be risky investments so professional advice should be taken. A 30% income tax break is also available by investing in a Venture Capital Trust.



## YEAR END CAPITAL TAX PLANNING

Have you used your 2016/17 £11,100 annual capital gains exemption? Consider selling shares where the gain is less than £11,100 before 6 April 2017. Also, if you have any worthless shares, consider a negligible value claim to establish a capital loss. You may even be able to set off that capital loss against your income under certain circumstances.

As far as inheritance tax (IHT) planning is concerned, all individuals have a £3,000 annual allowance which means that gifts up to that amount each year are exempt from IHT. If you haven't used your £3,000 allowance from 2015/16 you can make gifts of up to £6,000 without the gift being liable to IHT.

Also, consider making regular gifts out of your income to minimise the growth of your estate that will be liable to IHT. Gifts out of your surplus income are not subject to IHT if properly structured.

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## PROBATE FEES GOING UP

From 1 May 2017 probate fees in UK are going to be increased significantly from the current £215 or £115 for those applying using a solicitor to a tier based system:

	Fee
• Estate up to £50,000	£0
• Above £50,000 but not more than £300,00	£300
• Above £300,000 but not above £500,000	£1,000
• Above £500,000 but not above £1m	£4,000
• Above £1m but not above £1.6m	£8,000
• Above £1.6m but not above £2m	£12,000
• Above £2m	£20,000

The Ministry of Justice said the 'fairer, banded system' will mean more than half of estates will pay nothing and 92% will pay no more than £1,000. However, some estates will pay more than 129 times the current level! 'Fees are necessary to maintain an accessible, world-leading justice system which puts the needs of victims and vulnerable people first,' the spokesperson added. The above fees would need to be factored in any inheritance tax planning for individuals.

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## TAX DIARY OF MAIN EVENTS FOR MARCH /APRIL 2017

- 1 March - Corporation tax payment for year to 31/5/16 (unless quarterly instalments apply).
- 19 March - PAYE & NIC deductions, and CIS return and tax, for month to 5/03/17 (due 22/03 if you pay electronically).
- 1 April - Corporation tax payment for year to 30/6/16 (unless quarterly instalments apply).
- 5 April - End of 2016/17 tax year. Many tax actions need to be taken by this date (see above).
- 19 April - PAYE & NIC deductions, and CIS return and tax, for month to 5/04/17 (due 22/04 if you pay electronically).
- 30 April – ATED Returns and ATED liability for the year ended 31/03/2018.



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