Godley & Co
Chartered Accountants & Tax Specialists

TAX NEWSLETTER

SEPTEMBER 2017

Dear Friend

Hope you had a great summer.

Welcome to our September tax newsletter. This month we focus on the following:

SMEs:

- New company losses rules to go ahead;
- Making Tax Digital for Business (MTDfB) changing how VAT returns will be submitted from 2019; and
- The benefits of buying a hybrid or electric car.

Personal Tax:

- Automatic exchange of information commences this month;
- Onwards gifts of trust distributions following last week's Finance bill publication; and
- Extension of the deadline for Trust to register with the new Online Trust Registration Service.

Best wishes

Godley Tax Team

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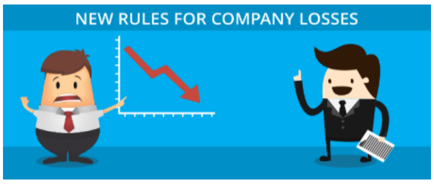

NEW COMPANY LOSS RULES TO GO AHEAD

The Finance Bill due to be debated in early September will finally include the new rules for the set off of company losses that were originally announced in March 2016.

As a result of the first Finance Act being rushed through due to the snap General Election the legislation to introduce the new company loss relief rules were dropped. This led to considerable uncertainty as to the start date of the new rules but it has now been confirmed that the new rules will apply from 1 April 2017 after all.

So, if your company diversifies into a new business activity the losses of one activity incurred after 1 April 2017 can be carried forward and set off against future profits of the new business. Previously such losses would have been ring fenced against future profits of the activity that incurred the losses.

There are new restrictions for companies and groups with profits in excess of £5 million and also changes to the set off of losses within a group.

If you think this will impact your company, please contact us to see how losses can be obtained in the most beneficial way.

REPORTING VAT ONLINE - AREN'T WE DOING THAT ALREADY?

In our July newsletter, we reported that the government had announced the delay of Making Tax Digital for Business (MTDfB) to 2020 at the earliest but that quarterly VAT reporting, using the new system will be mandatory from 2019.

Surely we are doing that already you might say. However, currently businesses are only required to complete 9 boxes when they submit their quarterly, monthly, or annual VAT return online. Under the latest proposal for MTDfB the business will be required to submit the detailed transaction data supporting the output tax and input tax figures on a quarterly basis. This will therefore require those businesses affected to keep their accounting records digitally from the 2019 start date.

These changes won't affect business that are not VAT registered such as buy to let landlords for whom MTDfB will not apply until 2020 at the earliest.

HMRC STILL WINNING MAJORITY OF TAX AVOIDANCE CASES

HMRC won 22 out of the 26 tax avoidance cases that were passed down in 2016/17. Last year, HMRC generated a yield of £28.9 billion as a result of its anti-avoidance and evasion campaign.

A huge contributor to this success has been the addition of the General anti abuse rule (GAAR), introduced by HMRC in 2013. (GAAR has helped deter a number of individuals and businesses implementing abusive tax avoidance plans).

UPDATE ON 'ONWARD GIFT OF TRUST DISTRIBUTIONS' FOLLOWING PUBLICATION OF DRAFT FINANCE BILL

Draft legislation published on 13 September 2017 now includes "anti-conduit" or "onward gift" provisions. These relate to distributions received by a beneficiary from an offshore trust whereby, neither that beneficiary nor the settlor of the trust has paid tax on that distribution (because either the individual is a non-resident or a remittance basis user who does not remit the distribution). The new rules mean that any such onward gift to a UK resident on or after 6 April 2018 will be taxed on the ultimate recipient as if they had received a distribution directly from the trust equal to the amount of the onward gift.

The onward gift will now be caught under the new rules if there is an arrangement or intention, at the time of the original payment from the trust, to make the onward gift. The earlier proposals published in December 2016 did not require there to be the intention to make onward gift but did contain a three-year time limit which has been removed.

As this is a complex area of taxation, we would advise you to take further advice before making any onward gifts. Alternatively, please speak to your contact at our office.

COMMON REPORT STANDARD (CRS) – 1ST AUTOMATIC EXCHANGES TO START LATER THIS MONTH

OECD will implement the first automatic Common Reporting Standard (CRS) which will take place later this month between 49 jurisdictions to allow the exchange of information on offshore accounts.

The CRS will allow countries to obtain information from their Financial Institutions and automatically exchange that information with other countries. The sole aim of this regulation is to crack down on the use of offshore jurisdictions to facilitate tax evasion.

So far 95 jurisdictions have signed up to the CRS with the UK being one of the early adopters. HMRC will be required to exchange all relevant information with participating jurisdictions by 30 September 2017 while the other countries will implement the CRS in the coming years.

As at 7 August 2017, there are more than 2,000 bilateral exchange relationships activated across 70 jurisdictions committed to the CRS! For a full list of these please click here.

HMRC EXTENDS THE TRUST REGISTRATION SERVICE BY TWO MONTHS

HM Revenue & Customs has given a two-month extension to an October deadline for trusts to be registered, following complaints that the original date did not give enough time to individuals to find the information required and register. There will be no penalty imposed where registration is completed after 5 October but before 5 December 2017.

The Trust Registration Service, which was launched in July 2017, requires all trusts and complex estates with a UK tax liability to register and the trustees must ensure and confirm the Trust Register is accurate and up to date.

TRIVIAL BENEFITS

Remember that from 6 April 2016, benefits are exempt from tax and NICs if all the following conditions are satisfied:

- the cost of providing the benefit does not exceed £50;
- the benefit is not cash or a cash voucher;
- the employee is not entitled to the benefit as part of their employment conditions; and
- the employer does not provide the benefit in recognition of particular services provided by the employee

Per HMRC's guidance, some types of examples of trivial benefits are:

- taking a group of employees out for a meal to celebrate a birthday;
- buying each employee a Christmas present or birthday present;
- flowers on the birth of a new baby;

Where the employer is a close company and the benefit is provided to an individual who is a director or other office holder of the company (or to a member of their family or household) the exemption is capped at a total cost of £300 in the tax year.

CHANGING YOUR COMPANY CAR? WHAT ABOUT A HYBRID NEXT?

The next Finance Bill will include legislation to reduce significantly the taxable benefit on the provision of low CO2 emission cars from April 2020.

From 2020 there will be a 2% benefit in kind for company cars that emit no CO2 such as electric and hydrogen powered cars. At the same time, the system for taxing hybrid company cars will also be significantly changed.

For example, a hybrid car emitting less than 50g CO2 per kilometer will also have a 2% P11d benefit provided it has a range on its electric motor of at least 130 miles. For example, a BMW i3 hybrid costing £30,980 has a range of 181 miles so will qualify for the 2% benefit rate resulting in a taxable benefit of just £620 a year.

Such a vehicle would also qualify for a 100% first year allowance which means that the £30,980 cost of the company car would be deducted in full against business profits.

Contact us if you would like to discuss the tax implications of your next business vehicle.

TAX DIARY OF MAIN EVENTS FOR SEPTEMBER/OCTOBER 2017

- 1 September – Corporation tax for year to 30 November 2016 (unless you pay quarterly)
- 19 September – PAYE/NIC deductions and CIS return and tax, for month to 5 September 2017 (due 22 September if you pay electronically)
- 1 October – Corporation Tax for the year to 31 December 2016
- 5 October – Deadline for notifying HMRC of chargeability for 2016/17 if not within self-assessment and receive income or gains on which tax is due
- 19 October – PAYE & NIC deductions, and CIS return and tax, for month to 5th October 2017 (due 22 October if you pay electronically)

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