The Construction Industry
Joint Taxation Committee

JTC

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Making tax digital

This is hugely important and you need to learn to watch out for this headline. HMRC are determined to move the tax system and all taxpayers into the digital age. This may be the right thing to do but many people and accounting bodies have been frightened by the speed and extent of the changes proposed. On 31 January 2017 HMRC announced that

'Under HMRC's plans to build a more accessible and transparent tax system, most businesses, self-employed people and landlords will start to keep track of their tax affairs digitally and update HMRC **quarterly** from 2018. This will make the annual tax return a thing of the past for millions of people and businesses.'

- Businesses will now be able to continue to use spreadsheets for record keeping, but they must ensure that their spreadsheet meets the necessary requirements of **making tax digital for business** - this is likely to involve combining the spreadsheet with software, (The importance of retaining the ability to keep records in this way was requested by a wide range of stakeholders, particularly small businesses).
- Businesses eligible for three line accounts will now 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 the most straightforward affairs.
- The requirement to keep digital records does not mean that businesses have to make and store invoices and receipts digitally, something they were particularly concerned about.
- Activity at the end of the year must now be concluded and sent either by ten months after the last day of the period of account or 31 January, whichever is sooner.
- Charities (but not their trading subsidiaries) will not need to keep digital records.
- For partnerships with a turnover above £10 million, **making tax digital for business** is deferred until 2020.

The government will need to consider further issues such as the initial exemption threshold and deferring the changes for some small businesses. Given the range of views expressed on this matter from respondents to the consultation, the government will take more time to consider these issues alongside the fiscal impacts. Final decisions will be made before legislation is laid later this year.

So what do we know? We know that by April 2018, 15 months from now, all businesses will probably be reporting their trading profits quarterly to HMRC and not annually as now.

We know some small traders may be exempted but don't yet know who. Since the government's original proposal was to exempt anyone with a trading profit of less than £10,000, don't expect it to be you.

We know that for those firms that don't use professional accounting software and just work with spreadsheets, there is going to need to be work done to ensure that their spreadsheets are in a format that can be submitted quarterly to HMRC.

Further updates will be given once the plans become more definite. ■

Tax credits: 31 January deadline

The Low Incomes Tax Reform Group (LITRG) urged tax credit claimants who had submitted estimates of their 2015/16 income to confirm or update their estimates by 31 January 2017 to ensure they have received and continue to receive the right amount of support. While the self-assessment online tax return deadline of 31 January is well publicised and well known, it is less commonly known that it is also the deadline for those who submit estimates of their previous year's income to the Tax Credit Office, to either confirm their estimate or replace it with actual figures. **If you know you have missed the deadline, act now, the sooner the better.** ■

Important for anyone under 40

From April 2017 Lifetime Savings Accounts (LISAs) will launch. Under the scheme, adults under 40 will be able to save up to £4000 a year with the Government giving them a 25% top up. Withdrawals can be made for a first home, or left until the saver is 60.

In 2017-18 savers with help-to-buy ISA savings can transfer them in without the transfer counting towards the £4000 limit. (They have a higher annual savings limit than a help to buy ISA).

LISAs will be aimed at first time home buyers or people who want to complement existing pension plans. ■

continued overleaf

Vehicle Excise duty for cars and passenger changes

Vehicle Excise Duty (VED) for cars and passenger carrying vehicles is to change on 1 April 2017.

How it will work

■ Tax rates for vehicles registered before 1st April 2017 will not be affected.

■ Only cars and passenger carrying vehicles (8 or less passengers) are affected. The way in which tax is calculated for all other vehicle types will not be changing.

■ The VED for the first year after a car is registered will be based on its CO2 emissions as in the table shown.

■ In later years all vehicles except those with zero emissions will pay a standard rate of £140 a year.

■ An additional rate will be added to the vehicle tax for all new vehicles with a list price of over £40,000. This additional rate of £310 will be payable each year for 5 years from the end of the first vehicle licence. After the 5 year period the standard rate will apply.

■ Zero emission vehicles will have a standard rate of £0 but if the list price is over £40,000 they will pay the additional rate of £310 a year for 5 years.

What this will mean for you

■ For a brand new vehicle with a list price of £40,000 or less, registered on or after 1st April 2017, after the first licence, you will pay £140 a year.

■ If the vehicle list price was over £40,000 at first registration, the VED will be £450 a year, after the first vehicle licence. This is made up of the £140 standard rate and £310 additional rate. After five years the vehicle tax will revert to the standard rate of £140 per year.

■ Vehicles with a list price exceeding £40,000 with zero emissions (including electric) will pay the additional rate of £310 a year for a 5 year period, after the first licence. After the 5 year period these vehicles will pay zero vehicle tax.

■ Alternative fuel vehicles will continue to receive a £10 reduction on vehicle tax rates. ■

CO2 emissions (g/km)	First year rate	Standard rate*
0	£0	£0
1 - 50	£10	£140
51 - 75	£25	£140
76 - 90	£100	£140
91 - 100	£120	£140
101 -110	£140	£140
111 - 130	£160	£140
131 - 150	£200	£140
151 - 170	£500	£140
171 - 190	£800	£140
191 - 225	£1,200	£140
226 - 255	£1,700	£140
Over 255	£2,000	£140

* Cars with a list price of over £40,000 when new pay an additional rate of £310 per year on top of the standard rate, for five years.

Some reminders

Dividend taxation

On 6 April 2016 the 10% dividend tax credit was abolished and a new £5,000 dividend allowance introduced. This will not do much to soften the tax blow for company owners and investors. ■

VAT changes

At the 2016 Autumn Statement, anti-forestalling measures were introduced, prior to 2017 changes to the flat rate scheme, to prevent low cost businesses (mostly professional consultants) doing too well out of it. Anyone using the flat rate scheme who does not buy substantial quantities of 'things', goods, as opposed to services like travel and hotels should get some professional advice. They will have far more tax to pay. ■

Staff benefits

From 6 April 2016 there were many changes to employee benefits:

■ The higher paid/lower paid employee distinction was abolished.
■ Voluntary payrolling was introduced.
■ A new exemption for trivial benefits was introduced.
■ A new exemption for paid and reimbursed expenses to replace the dispensation regime was introduced. No dispensations are valid after 6 April 2016. ■

Stamp Duty Land Tax increase for additional properties

From 1 April 2016 the rates for Stamp Duty Land Tax will be higher (an additional 3%) on second homes and buy to let properties. ■

continued overleaf

A (very) bad year for Personal Service Companies

HMRC continue their crack down on the use of Personal Service Companies (PSCs). You must talk to your accountant if you use one because they will not be as tax effective as they once were.

- The changes to dividend tax cost an average owner £5,000 per year.
- New rules were introduced to restrict tax relief for travel and subsistence costs.
- The Transactions In Securities rules were expanded with a new Targeted Anti-Avoidance Rule (TAAR) for 'phoenixing'.
- Next year further changes will hit PSCs working in the public sector. Where a PSC (A worker who is for example the sole employee of his own company) works for a Government department, the NHS, police or fire authorities, local authorities, educational establishments including universities, and less than 20% of the contact value is for materials, then the public sector must decide whether the person is required to do the work themselves and has the right to decide how the work should be done.

The result will be more employment and less 'consultancy' for the public sector. If HMRC find the legislation works we must expect it to be used in construction within a few years. ■

If you have a query regarding any of the items featured in this issue of newsline please contact Liz Bridge.
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