

# NEWSLETTER NOVEMBER 2017

## MAKING TAX DIGITAL FOR VAT

The government have issued information on how Making Tax Digital for Business (MTDfB) is expected to work for VAT once the rules are introduced in April 2019.

Under the proposed rules, which have been issued subject to consultation, VAT registered businesses with turnover over the VAT registration threshold will be required to submit their VAT return digitally using software. Businesses with a turnover above the VAT threshold (currently £85,000) will have to:

- keep their records digitally (for VAT purposes only) and
- provide their VAT return information to HMRC through Making Tax Digital (MTD) functional compatible software.

This software will either be a software program or set of compatible software programs which can connect to HMRC systems via an Application Programming Interface (API). The functions of the compatible software include:

- keeping records in a specified digital form
- preserving digital records in a specified digital form
- creating a VAT return from the digital records and providing HMRC with this information digitally
- providing HMRC with VAT data on a voluntary basis and
- receiving information from HMRC via the API platform that the business has complied.

Businesses will need to preserve digital records in the software for up to six years.

The government will make the final detailed requirements available to the software providers by April 2018 to allow time for the software to be developed and tested prior to the rules coming into effect from April 2019.

VAT is the first tax to be reportable under MTD and businesses within the scope of MTD will need to keep their records digitally, using approved MTD functional compatible software, from 1 April 2019. The software will create the return from the digital records and this will need to be submitted under MTD for return periods starting on or after 1 April 2019.

We will keep you informed of developments in this area and ensure we are ready to deal with the new requirements. Please contact us for more information.

## HMRC PHISHING AND SCAM ADVICE

HMRC have updated their list of examples of websites, emails, letters, text messages and phone calls used by scammers and fraudsters to obtain individual's personal information.

The guidance can be used to help you decide if a contact from HMRC is genuine, this guidance provides examples of the different methods that fraudsters use to get individuals to disclose personal information.

You can also read about how to recognise genuine contact from HMRC, and how to tell when an email is phishing/bogus.

## WELSH LAND TRANSACTION TAX

The Welsh Assembly has announced the proposed rates and bands for land transaction tax (LTT) which is to be introduced for land and property in Wales on 1 April 2018, replacing Stamp Duty Land Tax.

Under the new rates for LTT, Wales will have the highest starting threshold for the property tax in the UK. The proposed rates are as follows:

	<b>Residential</b>	<b>Non-residential</b>	
0%	£0 - £150,000	£0 - £150,000	0%
2.5%	£150,001 - £250,000	£150,001 - £250,000	1%
5%	£250,001 - £400,000	£250,001 - £1m	5%
7.5%	£400,001 - £750,000	£1m plus	6%
10%	£750,001 - £1.5m		
12%	£1.5m-plus		

Announcing the rates and bands, Professor Mark Drakeford, Cabinet Secretary for Finance and Local Government, said:

*'From April, Wales will introduce the first Welsh taxes in almost 800 years, supporting first-time buyers and boosting business.*

*The devolution of tax powers provides us with the opportunity to reshape and make changes to improve existing taxes to better meet Wales' needs and priorities. I have always been clear that we will use these powers to help improve fairness and support jobs and economic growth in Wales.*

*These new progressive rates and bands for land transaction tax and landfill disposals tax will make a real difference to people's lives; help change behaviours and deliver improvements to communities across Wales. We are being bold but balanced and leading the way in creating a fair and progressive tax system.'*

## SCOTTISH BUDGET PROPOSALS

On 14 December, the Scottish Budget will set out the Scottish Government's financial and tax plans.

Currently taxpayers who are resident in Scotland pay income tax on their non-savings and non-dividend income at rates and thresholds determined by the Scottish Government. Scottish higher and additional rate taxpayers may pay more income tax than those with similar income in the rest of the UK. The Scottish Parliament is considering plans to radically revise the bands and possibly to introduce some further income tax rates so that middle and higher earners pay additional tax.

The Scottish Parliament are also expected to announce the details of Air Departure Tax which takes effect for flights from Scotland from April 2018.

We will keep you up to date with pertinent announcements.

## CRIMINAL FINANCES ACT

The Criminal Finances Act 2017 took effect on 30 September 2017. It makes companies and partnerships, a 'relevant body', criminally liable if they fail to prevent the facilitation of tax evasion being carried out by an employee, anyone acting on their behalf or someone acting as an agent. If found guilty, the business could face unlimited fines and potentially further consequential sanctions within their industry or profession.

This Act has the effect of creating an offence at corporate and partnership level which does not require the directors/partners to have had any knowledge of the offence in question. Broadly, the offence is the failure to prevent the crimes of those who act for or on behalf of the corporate body or partnership instead of the need to attribute criminal acts to that body. For a firm to be criminally liable under the new Act, there are three elements of the offence:

- There must be the execution of a criminal act of tax evasion.
- The crime must have been facilitated or carried out by a person associated with a relevant body.
- The relevant body failed to initiate adequate prevention procedures in relation to the act carried out by the associated person.

A defence is available when it can be shown that 'reasonable prevention procedures' were in place to prevent the associated person from committing or facilitating the crime; or that it would have been unreasonable or disproportionate to expect such procedures to be in place.

The government advises that any reasonable prevention procedures should be based on six guiding principles:

1. Risk assessment – the relevant body should assess the nature and extent of its exposure to the risk of an associated person committing a criminal act;
2. Proportionality – the procedures should take into account the nature, scale and complexity of the relevant body's activities;
3. Top level commitment – the management of the relevant body should be committed to preventing illegal acts and should foster a culture that tax evasion and its facilitation is never acceptable;
4. Due Diligence – with appropriate procedures put in place with respect to all people who perform services for the relevant body;
5. Communication – training staff and ensuring the message effectively gets across to all employees and agents;
6. Monitoring and reviewing – ensuring that whatever procedures are put into place are regularly reviewed and updated and amended where necessary.

Please contact us if you require further information on this issue.

## HELP TO SAVE ACCOUNTS

The government have announced details of a new Help to Save saving scheme. The scheme is government backed and designed to support working people on low incomes build up their savings.

The scheme, administered by HMRC, will be open to working people who receive Working Tax Credits, and those who receive Universal Credit with a household income equivalent to at least 16 hours a week at the national living wage (currently £120 a week).

Over a four year period, savers can deposit up to £50 per month.

At the end of two years, savers will get a 50% bonus based on the highest balance achieved. Savers can then carry on saving for another two years and get another 50% bonus on their additional savings.

Over four years those saving the maximum amount of £2,400 will receive bonuses of £1,200.

Money paid into the account can be withdrawn at any time but will affect the final bonus payment.

The government has confirmed that all transactions, including checking the balance and paying in savings, will be managed in an online account available through GOV.UK and that further information will be available from early 2018.

## NEW GUIDANCE FOR EMPLOYERS

HMRC have issued the October 2017 Employer Bulletin which contains a number of articles relevant to employers on payroll related issues.

HMRC are advising that following the changes to the valuation of benefits in kind (BiK) where there is a cash option available, they will consult and then issue the necessary amendments to the PAYE Regulations. The guidance will also clarify the taxable amounts that need to be reported under Optional Remuneration and salary sacrifice arrangements.

Where a BiK is taken rather than the alternative cash option, the taxable value of the benefit is the higher of the cash foregone or the taxable value under the normal BiK rules. Transitional provisions apply for arrangements entered into before 6 April 2017.

The Bulletin also includes articles on:

- Changes to Business Tax Account for employers, including new data on the Apprenticeship Levy and the introduction of monthly and annual statement pages
- Data matters – ensuring RTI returns are submitted on or before the date the wages are paid, that the returns are accurate, cover all employees, including those that earn less than the National Insurance lower earnings limit
- Paying HMRC at the Post Office - via transcash. This option will be withdrawn from 15 December 2017
- Construction Industry Scheme - clarification of when CIS deductions should be reported via the Employer Payment Summary (EPS)
- Student Loans - new income thresholds from April 2018 for Plan Type 1 and 2 loans
- Apprenticeships benefit your business - includes links to help on finding apprenticeship training and recruiting an apprentice.

For help with payroll matters please get in touch.

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