

# hwbbulletin



Chartered Accountants  
Business & Tax Advisers

## Budget Overview

2016

2017

2018

2019

2020



**It was a safety-first Spring Budget aimed at putting Britain on a stable footing ahead of the complex Brexit negotiations. Yet there were still some significant measures that will have an impact on local businesses. Managing Director Geoff Rhodes analyses the key points.**

"With the recent triggering of Article 50, it was clear this Budget was about weathering the coming storm as Britain takes a leap into the great unknown.

"As with any Budget, there are winners and losers. While some local businesses will benefit from the announcements, others may well be negatively impacted and will need robust financial strategies.

"The good news is that the economy appears to be resilient amid ongoing global uncertainty.

"With the national growth forecast upgraded for 2017, local businesses should take a positive message in the fact the economy is growing and consumer confidence remains high.

"Nonetheless, it remains a critical moment for the UK and businesses would be wise to plan ahead and make informed decisions around their finances."

### **What were the most important business measures?**

- Measures to help small businesses facing the biggest increases in rates. Any business coming out of small business rate relief will not see their bill increase by more than £50 a month, and subsequent increases will be capped. Local authorities will be given a £300m fund to deliver discretionary relief for "individual hardship cases". However, it is unclear how this funding pot will be divided up and many medium-sized businesses in the south still face significant rises from April.
- The Office of Budget Responsibility was more upbeat than many expected, revising its forecast for this year's growth up from 1.4% to 2%.
- Company shareholders will not welcome the cut in the tax-free dividend allowance from £5,000 to £2,000 from April 2018, increasing the tax liability on dividends.
- Corporation tax for all companies was reduced by 1% to 19% from 1 April 2017. The commitment to reducing the corporation tax rate to 17% by 2020 will provide the business community with much-needed certainty.
- The Government remains committed to quarterly digital reporting for tax purposes, but will delay its introduction for small businesses with turnover between £10,000 and the VAT registration threshold until April 2019. Businesses with turnover above the VAT threshold but not subject to corporation tax, will maintain the commencement date of April 2018.
- One of the more contentious points of the budget surrounding the rise in Class 4 NI contributions was subsequently scrapped by the chancellor following opposition across all the political parties. It appears government's intentions longer term are to give more rights to the self-employed which may see the issue of national insurance levels raise its head again in the future.

## DATA PROTECTION

### Improving cybersecurity

Protecting confidential information sent to you has always been of paramount importance.

We have now introduced further measures to make sure the information we hold on our systems is protected from the threat of cybercrime.

Richard Bacon, Head of IT, explains: "Wherever possible, we are sending sensitive documents through our secure Online Client Portal which can only be accessed with a unique logon.

"In addition, as of March 1 of this year, whenever we send payroll reports, tax returns and P11Ds by email, they will be password protected.

"When we send clients their first secure communication in this way, they will be sent a separate email containing an HWB password to unlock the document.

"To improve the process of approving documents, we are now also using an electronic signature system which will enable clients to sign certain documents electronically rather than by hand.

"All these measures are designed to enhance security, as well as convenience, to give clients peace of mind that their information is in safe hands."

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### Flat Rate VAT Changes

Businesses currently operating the VAT Flat Rate Scheme are facing significant increases to their VAT liability.

The scheme simplifies the VAT calculation, working on a fixed rate and allowing businesses to keep the difference between the VAT included on invoices to customers and the amount calculated using a lower flat rate percentage.

From April, businesses with very low cost bases, costs of less than 2% of VAT inclusive turnover in an accounting period (or more than 2% but less than £1k a year) will be classed as a 'limited cost trader' and charged a flat rate of 16.5%. Previously the flat rate would have been lower than this, depending on the business sector. This means that work invoiced to a customer for £120 with £20 VAT will result in a flat rate VAT charge of £19.80.

Alan Rolfe, Senior Tax Manager explains, "the measures will increase the VAT paid to HMRC of businesses that are labour-intensive but spend little on goods, such as IT contractors and consultants".

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Alan Rolfe

### Be Prepared for Salary Sacrifice Tax Changes

Businesses need to be ready for a significant change in the tax treatment of benefits from Salary Sacrifice schemes.

From 6 April 2017, most of these benefits, including company cars, health screening and gym memberships, are subject to Income Tax (for the employee) and National Insurance Contributions (for the employer).

The taxable value of Benefits in Kind where cash has been forgone is now fixed at the higher of the taxable benefit or the value of the cash equivalent.

The new rules will not affect pension savings; employer-provided pensions advice, childcare, or Cycle to Work schemes. Ultra-Low Emission cars (less than 75g of CO2 per km) are also exempt.

"The biggest change is to company cars where they are provided by way of salary sacrifice," says Alan Rolfe, Senior Tax Manager. "The new tax regime is here and employers need to think carefully about any new contracts they are about to make. Any made before April 6 still qualify for salary sacrifice for at least a year and for cars, this is going to be allowed to roll until at least 2021.

"Think carefully about any new arrangements or changing existing arrangements, particularly if planning anything after April 6. This is a significant change, but it's not something everyone will be fully aware of."

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### Tax Changes for Non-UK Domiciles

Tax for non-UK domiciles changed from 6 April. The key shift is that those living in the UK for at least 15 of the last 20 tax years, including split years, will be regarded as domiciled here. As a result they will be liable for UK tax on worldwide income and gains, and Inheritance Tax (IHT) on their offshore and UK assets.

These changes can be mitigated with residence breaks. Non-UK domiciles can also mitigate by settling foreign assets in an overseas trust - although there are conditions meaning overseas trusts may lose their Excluded Property status and be subject to IHT.

Residential property is also affected. The IHT advantage of non-domiciles using a non-UK company to buy British property will be lost and shares in these companies won't be excluded from IHT.

Those with a UK domicile of origin, who have opted for a different domicile of choice, will, for tax purposes, be considered to be UK domiciled when living here.

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Tracy Jenkins

### Update on FRS105

For more information on the new accounting standard FRS105, please contact Director David Brookes. The standard applies to micro entities, typically businesses with a turnover of less than £632,000 and 10 employees.

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# HMRC and your Switch to Digital


Too few businesses are aware of the government initiative, Making Tax Digital, even though it will mean that many will have to change the way that they maintain their financial records. Associate Director Andrew Kershaw explains the initiative and why a speedy move to online accounting makes eminent sense.

Making Tax Digital is an ambitious initiative to modernise the UK tax system with enhanced use of digital data. Every business and individual will have a digital tax account, bringing together taxpayers' details in one place. A lot of information will be automatically uploaded to the account by banks, pension providers and government departments however; the proposal will also require most businesses to submit financial information digitally to HMRC on a quarterly basis.

Unincorporated businesses and landlords with annual turnover above the VAT threshold of £85,000 will be required to start using the new digital service from April 2018. From April 2019 businesses with an annual turnover of more than £10k will be required to comply and companies from April 2020.

Digitising the UK is not going to be as easy as flicking a switch in April 2018 and businesses need to understand far in advance how this affects them, start to implement digital methods and adjust their routines to ensure compliance.

While this will mean having to prepare accounts more regularly, by reporting information closer to real time, businesses should in theory find it easier to understand how much tax they owe,



eliminating any uncertainty over figures and helping them to budget accordingly.

Most online accounting systems will be compliant with the new rules and can provide additional benefits to clients such as reduced time needed for data entry and the availability of real-time management information – critical in the decision making process in any business.

We will be holding regular seminars and workshops on software systems such as Xero for businesses that need to change their current systems and processes.

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Andrew Kershaw

## Business Rate Alert

"Business rates have been hitting the headlines and changes which came into effect from April will be a concern for many," says Director Arthur Bell, who explains there are two ways the new rate changes may affect a business.

Revaluation takes into account any change in the property market since the last one in 2010. All business properties will get a new rateable value (RV) and multipliers will be revised. The government says this doesn't necessarily mean rates will change, claiming three quarters of businesses will involve no change or a reduction. However media reports have highlighted sizeable leaps in some cases.

Small Business Rate Relief in England will be permanently doubled from 50% to 100%. Businesses with an RV of less than £12k will get 100% business rate relief (provided they only use one property) and those between £12k and £15k will get tapered relief.

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Arthur Bell

## Protection from an HMRC Enquiry

Tax enquiries and investigations are becoming a common occurrence for compliant businesses, with HMRC maximising new, wider powers to visit premises and inspect financial records.

When faced with an enquiry or investigation management teams can spend hours, days or even weeks handling questions from HMRC. Fee Protection Insurance ensures you have the professional support you need without incurring related professional fees.

The protection covers a wide range of areas, including Corporation and Income Tax enquiries, PAYE/NIC Employer enquiries, and Business Records Checks.

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We are not authorised under the Financial Services and Marketing Act 2000 but, in certain circumstances we are able to offer a limited range of investment services because we are ICAEW members. We can provide investment services if they are an incidental part of the professional services we have been engaged to provide.



## Accreditation for probate services

We are pleased to announce that Probate Services are the latest addition to our portfolio. New regulations mean that virtually all estate administration can now be handled by accredited accountants, and as a natural complement to Inheritance Tax (IHT) services, the team are among the first in Hampshire to offer the facility to clients.

Stacey Steele and Director Tracy Jenkins have both qualified and will shortly receive their accreditation from the Institute of Chartered Accountants in England and Wales.

Stacey, specialist in Inheritance Tax, says: "Probate will be a significant addition to our services. Making sure you have a Will in place is so important, as is making sure you have Inheritance Tax plans in place which we can already assist with.

"We will soon be able to deal with obtaining probate and seeing through the estate administration in line with clients' intentions."

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## Tax-Free Childcare Trials

Delayed by three years, tax-free childcare accounts will finally be trialled this year before being rolled out across the country.

The rules are complex, but where both parents work and earn at least £115 a week, they will be able to put up to £8k per annum into a special account which the Government will top up with 20p for every 80p from the parents. This account can only be used to pay for childcare such as nursery fees.

These new accounts will eventually replace childcare vouchers which are currently only available from employers prepared to offer the schemes.

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**automatic  
enrolment**

## Auto-enrolment deadline looms for employers without PAYE schemes

"Some employers with workers outside of a PAYE scheme aren't aware they have to complete employer auto-enrolment duties," warns Payroll specialist, James Alesbury.

An employer does not have to register for PAYE if all their employees are paid below the lower earnings limit, are not in receipt of any expenses and benefits and do not have any other form of income, such as another job or pension. In this circumstance, The Pension Regulator set a staging date of 1 April 2017 for auto-enrolment responsibilities to begin.

Although these employees will be categorised as 'entitled workers', employers will still need to maintain records of worker assessments, offer the

option to join a scheme and complete a Declaration of Compliance to The Pension Regulator.

Where an employee asks to join a scheme, this wouldn't need to be a qualifying pension scheme and the employer wouldn't have to make employer contributions to the scheme.

We have a service to help make the auto-enrolment process as seamless and trouble-free as possible. Our Payroll team maintains ongoing auto-enrolment and compliance procedures which include all the necessary assessments, record keeping, employee notices and uploading of pension data.



James Alesbury

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## Cakes and Christmas Cardies

Our enthusiastic team of bakers held a Bake-Off to raise money for Children in Need, and woolly pullys made an appearance for a Christmas Jumper Day for the Countess Mountbatten Hospice Charity in Southampton.



## COMPETITION WINNER



**118,750**

## Feed Santa

Congratulations to Mark Spiller from Thrive Architects who had the highest score on the festive leader board of our online Christmas competition, Feed Santa.

He scored a whopping 118,750! Santa may still be on a diet until December 2017 after that many mince pies!