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Smith Craven
Chartered Accountants
Doncaster: 01302 329511 | Sheffield:0114 272 3838
Worksop: 01909 512160 | Chesterfield: 01246 232482
Email : mail@smithcraven.co.uk

Welcome...

To December's Tax Tips & News, our newsletter designed to bring you tax tips and news to keep you one step ahead of the taxman.

If you need further assistance just let us know or you can send us a question for our Question and Answer Section.

We are committed to ensuring none of our clients pay a penny more in tax than is necessary and they receive useful tax and business advice and support throughout the year.

Please contact us for advice in your own specific circumstances. **We're here to help!**

December 2017

Abolition of Class 2 NICs delayed

top

On 2 November 2017, the Government announced a **one year delay to the abolition of Class 2 National Insurance Contributions** (NICs). Class 2 NICs will now be abolished from 6 April 2019 rather than 6 April 2018.

The delay will allow time for the government to engage with interested parties and Parliamentarians with concerns relating to the impact of the abolition of Class 2 NICs on self-employed individuals with low profits.

The relevant legislation will be contained in the National Insurance Contributions (NICs) Bill, which will now be introduced in 2018 with the measures it will implement taking effect one year later, from April 2019. These measures include the abolition of Class 2 NICs, reforms to the NICs treatment of termination payments and changes to the NICs treatment of sporting testimonials.

Broadly, Class 2 NICs are being removed to simplify the system. Those with profits below the small profits threshold (£6,025) will need to pay Class 3 contributions, which are five times as much as Class 2 contributions, if they wish to build up an entitlement to contributory benefits such as the state retirement pension. Based on 2017/18 rates, the proposed change would mean that people falling into this category would pay £592.80 a year more in Class 3 contributions.

According to the Office for National Statistics, there were 967,000 people with an annual income from self-employment below the small profits threshold in 2015/16. The proposals, as they currently stand, potentially impact on a considerable number of people.

Commenting on the delay, the Low Incomes Tax Reform Group (LITRG) said it was keen for a way to be found for the low-income self-employed to continue to be able to make affordable savings towards their pension at a rate similar to the present Class 2, perhaps by introducing a lower rate Class 3.

Childcare scheme extended

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HMRC have recently confirmed that the second phase of the roll-out of the new 30 hours free childcare has commenced.

Broadly, from September 2017, the new 30 hours free childcare offer for working parents of three and four year olds in England doubled the previous 15 hours of free childcare, **saving eligible working families up to £5,000 a year**. From 24 November 2017, the service will also be available to parents whose youngest child is under six or who has their sixth birthday on that day.

Eligible parents will be able to apply online via the Childcare Choices website. On registering, they receive a code, which in turn allows them to arrange their childcare place. Parents can take their code to their provider or council, along with their National Insurance Number and child's date of birth. Their provider or council will check the code is authentic and allocate them a free childcare place.

Parents will be able to apply for tax-free childcare and the 30 hours offer in one go through the government's digital childcare service. Eligible parents can benefit from both tax-free childcare and 30 hours free childcare at the same time.

According to HMRC, more than 275,000 parents have already opened childcare account. Of these, more than 216,000 parents received an eligibility code for 30 hours free childcare for September.

Over the coming months, HMRC will gradually open the childcare service to parents of older children, while continuing to make further improvements to the system. The gradual rollout helps HMRC manage the volume of applications going through the service, so parents should continue to receive a better experience and prompt eligibility responses when they apply -HMRC claim that almost all parents receive a response within five working days, and most get their decision instantly.

All eligible parents will be able to apply by the end of March 2018.

HMRC consult on PAYE reporting requirements

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HMRC have launched a technical consultation seeking comments on draft legislation which will amend the PAYE requirements (provided for in the PAYE Regulations) for employers in respect of car data reporting and optional remuneration arrangements. If enacted, the changes will apply from 6 April 2018.

Car data reporting requirements

Legislation was introduced at April 2016 that provided for employers to choose to tax most benefits-in-kind (BiKs) through their payroll rather than at the end of the year. These BiKs are reported to HMRC though Real Time Information (RTI), and remove the need for employers to submit forms P11D at the end of the year.

However, for company cars, **HMRC still need employers to provide data regarding the cars** and when draft legislation for voluntary payrolling was published for consultation in July 2015, HMRC advised that additional reporting requirements relating to car and car fuel benefit would be introduced for employers choosing to payroll car and car fuel benefit.

The changes to the PAYE Regulations being examined during the consultation period, set out what information employers will be required to report and how it will be submitted to HMRC.

Optional remuneration arrangements

Finance Act 2017 introduced legislation to remove the tax and employer NICs advantages of 'optional remuneration arrangements' (ORA) (commonly referred to as 'salary sacrifice arrangements'). Broadly, An ORA is where an employee gives up cash pay in return for a benefit-in-kind (BiK), which was usually taxed on an amount lower than the pay given up, or left untaxed. The new legislation specifies that now, where a BiK is provided in conjunction with salary sacrifice, the taxable amount will be the greater of the BiK calculated under normal rules or the amount of salary sacrificed.

As the amount of the calculation will be different under ORA, the changes to the PAYE Regulations will clarify the taxable amounts that need to be reported either via Real Time Information, where employers are payrolling BiKs, or at the end of the year for non-payrolling employers.

Further details can be found online at https://www.gov.uk/government/consultations/draft-legislation-the-income-tax-pay-as-you-earn-regulations-2017. Comments on the draft legislation are invited by 28 November 2017.

Employment status case turned on right of substitution

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Employment status tax cases often make the headlines in the professional press and the recent case involving Deliveroo riders was no exception. The meal delivery firm won the case in the Central Arbitration Committee (CAC), confirming that its riders are not 'workers'. This is the latest challenge to the employment status of 'gig economy' workers.

In this case, the Independent Workers Union of Great Britain (IWGB) sought to argue that riders were workers, so that they could claim union recognition, thus affording them certain collective rights regarding the minimum wage entitlement, holiday and sick pay, and pension contributions.

The **CAC rejected the claim that the riders were 'workers'**, hinging the case on the riders' 'ability to turn down a job both before and after accepting it'.

Historically, a genuine right of substitution, whether 'sideways' to someone of similar seniority or by way of delegation to a junior, has been regarded as one of the strongest factors favouring self-employment.

The case follows a number of claims brought by workers in the 'gig' economy demanding rights such as holiday pay, the minimum wage and pensions contributions. Drivers at Uber won a recent victory when the company lost an appeal at the Employment Appeal Tribunal against an earlier decision to grant them workers' rights.

The transcript from the Deliveroo riders' case can be found here.

December questions and answers

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Q. My wife and I jointly owned a property that we originally lived in for many years, although it has been rented out for the last 10 years. My wife has recently died and I am now the sole owner of that property. I intend to sell it and give the proceeds to my two children (both aged in their 40's). Will there be capital gains tax on the sale proceeds?

A. If a residence is transferred between a husband and wife who are living together (or between civil partners), of each other who are living together, whether by sale or by gift, the period of ownership of the transferee is treated as beginning at the beginning of the period of ownership of the transferor (TCGA 1992, s 222(7)(a)). This also applies where the residence is transferred from one to the other on death. When you inherited your wife's half share in the property, you also took over her principal private residence 'history' for that property. This means that if you sell the property now, you will be entitled to PPR relief for all the period you occupied the property plus relief for the final eighteen months of ownership.

Additionally, you should be able to claim the letting exemption to reduce the gain attributable to the ten years that you rented it out.

Q. I am a sole trader and registered for VAT. The business pays for the fuel in my car, which I use for both business and private mileage. How do I account for VAT on the fuel using HMRC's fuel scale charges?

A. Using HMRC's scale charges is a way of accounting for output tax on road fuel bought by a business for cars that are then used privately. Broadly, if you use the scale charge, you can recover all the VAT charged on road fuel without having to split your mileage between business and private use. The charge is calculated on a flat rate basis according to the carbon dioxide emissions of the car.

You need to use the fuel scale charge table that has effect for the relevant accounting period.

Q. I have not yet paid my self-assessment payment on account, which was due on 31 July 2017. Will I be charged a penalty for paying late?

A. Interest will be charged on the overdue amount. The charges will accrue from the due date of payment (31 July 2017) to the date the payment is made. The applicable interest rate is currently 2.75%.

Penalties, on the other hand, will only be imposed if the balancing payment (due 31 January 2018) is late. The penalties for late payment under self-assessment are as follows:

- 30 days late: 5% of the unpaid tax
- 6 months late: additional 5% of the unpaid tax
- 12 months late: additional 5% of the unpaid tax.

HMRC may reduce a late payment penalty in 'special circumstances', which does not include inability to pay. In addition, a defence of 'reasonable excuse' may be available.

In relation to payments on account, the maximum penalty for fraudulent or negligent claims by taxpayers to reduce payments on account is the difference between the correct amount payable on account and the amount of any payment on account made.

December key tax dates

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19/22 - PAYE/NIC, student loan and CIS deductions due for month to 5/12/2017

30 - Deadline for 2016/17 self-assessment online returns to be filed if you are an employee and want tax underpaid to be collected by adjustment to your 2018/19 PAYE code (for underpayments of up to £3,000 only)

Need Help?

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Please contact us if we can help you with these or any other tax or accounts matters.

In addition, if there's anyone else who you think would benefit from the newsletter, please forward the email to them or ask them to contact us to be added to the newsletter list.

New Clients Welcome

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If you are not already a client and are interested in becoming one, we would love to come to meet with you to discuss how we can help and provide you with a competitive quote for our services.

All new client consultations are provided free of charge and without obligation.

About Us

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Smith Craven Accountants are based in Doncaster, Sheffield, Worksop and Chesterfield, offering local business owners and individuals a wide range of services.

Visit our website http://www.smithcraven.co.uk for more information.

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Sidings House, Sidings Court, Lakeside, Doncaster DN4 5NU