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Welcome...

To April'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 on your own specific circumstances. **We're here to help!**

April 2017

Apprenticeship Levy

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The new Apprenticeship Levy takes effect from 6 April 2017. Although the levy affects employers in all sectors, it will only be paid on annual pay bills in excess of £3 million - this means that, according to government estimates, less than 2% of UK employers will pay it. However, from 1 May 2017, changes are also being made to the way that apprenticeships are funded in England. The changes are designed **to make it easier for employers of all sizes to navigate and choose the apprenticeship training they want to purchase.**

Apprentice funding

Employers who currently have apprentices working for them, should note that the Levy will not affect the way they fund training for apprentices who started an apprenticeship programme before 1 May 2017. Employers will continue funding training for these apprentices under the terms and conditions that were in place at the time the apprenticeship started.

Those taking on apprentices from 1 May 2017 should refer to the Department for Education guidance entitled Apprenticeship funding: how it will work, which explains the principles that apprenticeship funding will operate on from that date. This applies to all apprenticeship funding in England from 1 May 2017, whether the employer pays the levy or not.

Broadly, the new apprenticeship funding system will be made up of 15 funding bands, with the upper limit of those bands ranging from £1,500 to £27,000. All existing frameworks and existing and new standards have been placed within one of these funding bands.

Employer with operations in Scotland, Wales or Northern Ireland, may want to contact their relevant apprenticeship authority.

Apprenticeship Levy

The Apprenticeship Levy on UK employers, which was first announced at Summer Budget 2015, is designed to fund new apprenticeships. It is expected that the Levy will allow the amount currently invested in apprenticeships by 2020 from to 2010 levels, to £2.5bn.

The Levy is charged at a rate of 0.5% of an employer's paybill and is payable through the PAYE Real Time Information (RTI) system alongside income tax and national insurance contributions (NICs).

The definition of 'earnings' which make up the employer's paybill for the purposes of the levy are set out in the Levy Regulations - broadly, they are those on which the employer has a liability to pay Class 1 National Insurance contributions, or would have had such a liability if the secondary threshold that applies for NICs was disregarded.

Each employer will receive an annual allowance of £15,000 to offset against their levy payment. There is a 'connected persons' rule, similar the Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance.

Anti-avoidance rules exist for situations where an employer engages in arrangements where the main purpose, or one of the main purposes, is to seek a tax advantage in relation to the Levy allowance. A severe penalties regime exists for those failing to comply with their obligations concerning the Levy.

Importantly, the governing rules make it clear that employers are not allowed to recover any part of the levy from the apprentice, or enter into any agreement with any person to do so.

Employers who pay the levy will be able to access a new digital apprenticeship service that allows them to spend available funds on apprenticeship training.

Change to Class 4 NIC rate reversed

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The Government has confirmed that the proposed increase in the rate of Class 4 National Insurance Contributions, paid by the self-employed on profits from a business, will not now take effect from April 2018. The Chancellor of the Exchequer, Philip Hammond, had announced that the rate would rise from 9% to 10% from 6 April 2018, and again to 11% from April 2019.

In a letter to MPs informing them of the decision, Mr Hammond said 'however difficult the fiscal challenges we face, the tax lock and spending ring-fence commitments we have made for this Parliament should be honoured in full'. He went on to say that the cost of this change will be funded by measures to be announced in the Autumn Budget Statement, which indicates that future changes can be expected.

The **abolition of Class 2 NICs from April 2018 will go ahead** as planned.

Registration for tax-free childcare opens

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The long-awaited tax-free childcare scheme launches on 28 April 2017 and will be rolled out during the course of the year. In conjunction with this, the government's new Childcare Choices website is now operative, allowing parents to find out about available support. The website includes a childcare calculator for parents to compare all the government's childcare offers and check what works best for their families, including the new 30-hour free childcare offer, tax-free childcare or universal credit. Through the website, parents can also pre-register for email alerts that will notify them when they can apply, as well as providing details of existing government childcare offers.

It is currently estimated that some two million working families will be eligible for tax-free childcare. It will be gradually rolled out, with parents of children under two invited to enter the scheme first. By the end of the year, all eligible parents will be able to receive **government top-ups of £2 for every £8 that a parent pays into their tax-free childcare account, up to a maximum of £2,000 per child** (or £4,000 for disabled children). This will be open to all working parents across the UK with children under 12, or under 17 if disabled.

30 hours free childcare

From September 2017, the new 30 hours free childcare offer for working parents of three and four year olds in England will double the current 15 hours of free childcare currently available, saving eligible working families up to £5,000 a year.

Eligible parents will be able to apply online through the childcare service. They will receive a code - this will allow parents to arrange their childcare place ahead of September 2017. 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 new digital childcare service. Eligible parents can benefit from both tax-free childcare and 30 hours free childcare at the same time.

Increase in the cash basis threshold

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As announced at the 2017 Spring Budget, the threshold for traders using the cash basis for accounting purposes is increasing from 6 April 2017. This change forms part of the Government's initiative for simplifying tax paid by unincorporated businesses and runs alongside the Making Tax Digital project.

Under the cash basis, small businesses are **taxed on the basis of the cash that passes through their books**, rather than being asked to spend their time doing calculations designed for big businesses. General partnerships may use the cash basis - as long as the partnership meets the receipts and other entry criteria, the partners are all individuals, and either there is no individual treated as controlling the partnership, or any such individual would be eligible to use the cash basis if they were conducting the business as a sole trader.

Amendment to the existing legislation (currently contained in ITTOIA 2005, Part 2, Chapter 3A) takes effect from 6 April 2017 (operative for 2017/18 onwards) and increases the threshold for the cash basis from £83,000 to £150,000. This measure is expected to have a significant impact on businesses. An estimated 135,000 additional small businesses will be eligible to choose the cash basis for their business, with 87,000 estimated to take up that choice.

The exit threshold will continue to be set at double the entry threshold, so it will increase to £300,000 from the same date.

The entry and exit threshold for self-employed Universal Credit claimants will continue to equal the exit threshold of non-Universal Credit claimants and will increase to £300,000.

April questions and answers

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Q. I have recently become aware that one of my employees has been selling my stock and pocketing the cash. As the money has never gone in the till, do I have to account for VAT on it?

A. The VAT treatment depends on whether or not you've actually supplied the goods, what happened to them, who was responsible for them at the time and if you've issued a VAT invoice.

Generally, where goods are stolen, no supply is made by the business, and so no output tax is due. However, where goods have been sold and cash is stolen, the goods have been supplied and so output tax remains due on the sales.

In your situation, where goods have been sold by your employee from the business premises, supplies would be seen to have been made so you would have to account for VAT on those supplies.

If the employee sold the goods at a lower price and put that amount in the till, that would be the consideration on which VAT is due. An exception to this would be if you could satisfy HMRC that there has been collusion between the employee and the customer with the intention of depriving the business of the consideration. In that case HMRC may accept that there has been a theft of goods.

Q. I have recently sold a buy-to-let property in the UK, which generated a capital gain. Can I off-set this gain against a rental property development in Spain?

A. Unfortunately not! There is no rollover/holdover relief, or deferral of capital gains tax, caused by the sale of a UK residential property, by investing in another property, regardless of whether the new property is in the UK or overseas. The only exceptions to this is rule are: (a) the sale relates to a compulsory purchase order; or (b) in the case of a qualifying furnished holiday letting.

Q. Can I reclaim VAT on the purchase of a new car for my business?

A. You may be able to reclaim all the VAT on a new car if you use it only for business. However, the car must not be available for private use, and you must be able to show HMRC that this is the case. 'Private use' includes travelling between home and work, unless it's a temporary place of work.

You may also be able to claim all the VAT on a new car if it's mainly used:

- as a taxi
- for driving instruction
- for self-drive hire

If you lease a car, you can usually claim 50% of the VAT. You may be able to reclaim all the VAT if the car is used only for business and is not available for private use, or is mainly used as a taxi or for driving instruction.

You can usually reclaim the VAT for buying a commercial vehicle (like a van, lorry or tractor) if you only use it for business.

April key tax dates

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5 - End of 2016/17 tax year. Last day to use up your annual exemptions for capital gains tax, inheritance tax and ISA's

6 - Start of the 207/18 tax year

14 - Return and payment of CT61 tax due for quarter to 31 March 2017

19/22 - PAYE/NIC, student loan and CIS deductions due for month to 5/4/2017 or quarter 4 of 2016/17 for small employers. Interest will run on any unpaid PAYE/NIC for the tax year 2016/17

30 - Additional daily penalties of £10 per day up to a maximum of £900 for failing to file self-assessment tax return due on 31 January 2017

Need Help?

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New Clients Welcome

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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.

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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