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Welcome...

To June'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!**

June 2016

New PSC register requirements take effect

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From 6 April 2016, all unlisted UK companies, limited liability partnerships (LLPs), or societas europaea (SEs) are required to **maintain a register of the people who have significant control over them**. This new register of 'people with significant control' is known as the PSC register, and its purpose is to identify individuals who ultimately own or control more than 25% of a company's shares (or more than 25% of an LLP's assets), more than 25% of the company/LLP's voting rights, or who otherwise exercise control over the company or LLP and its management The introduction of the register is a central part of the UK Government's G8 commitment to greater corporate transparency.

The requirements to keep a PSC register are set out in Part 21A of the *Companies Act* 2006, (as inserted by the *Small Business Enterprise and Employment Act* 2015, and supported by secondary legislation where necessary).

From 30 June 2016 onwards companies, SEs and LLPs will have to deliver PSC information annually to the central public register at Companies House when making a Confirmation Statement - the Confirmation Statement replaces the annual return from June 2016. In addition, from 30 June 2016 onwards, those seeking to incorporate a new company, SE or LLP will have to send a statement of initial significant control to Companies House, alongside the other documents required for an application to incorporate.

Broadly, a PSC is an individual who meets one or more of the following conditions:

- directly or indirectly holds more than 25% of the shares;
- directly or indirectly holds more than 25% of the voting rights;
- directly or indirectly holds the right to appoint or remove a majority of directors;
- otherwise has the right to exercise, or actually exercises, significant influence or control; or
- has the right to exercise, or actually exercises, significant influence or control over the activities of a trust or firm which is not a legal entity, but would itself satisfy any of the first four conditions if it were an individual.

Given that the individual or individuals who control a company are often different from those listed on the register of members, in many cases the PSC register could look quite different from the shareholder/membership register.

The PSC register is available for public inspection and, from 30 June 2016, the information will be searchable online via UK Companies House.
Comprehensive coverage of the new requirements can be found in the Department for Business Innovation & Skills (BIS) guidance entitled Register of People with Significant Control Guidance for Companies, Societates Europaeae and Limited Liability Partnerships.

OTS examines potential for new trading vehicle

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The Office of Tax Simplification (OTS) recently published a series of recommendations following its simplification review of small company taxation (see *OTS recommends simplifications for small companies*, April 2016 newsletter). The review focused on incorporated businesses with fewer than 10 employees, known as 'micro' businesses, of which there are now some 4.1 million in the UK, with 1.3 million operating through a company structure.

Currently, the UK operates a corporate tax regime on a 'one-size fits all' basis, modelled on a traditional company, with third party shareholders and clear intentions for future growth. However, shifting attitudes over recent years have resulted in an **increase in people choosing to contract their services to large companies**, or by using platforms and other disruptive technologies, to obtain their work, rather than being an employee. This shift has, in turn, resulted in an increased need for the tax simplification for micro businesses.

One of the OTS proposals is the development of a new type of trading vehicle - a 'sole enterprise with protected assets' or SEPA, which would be capable of providing something akin to limited liability. The report notes, however, that whilst a SEPA should be able to provide protection for assets, it may not be able to provide the assumed enhanced credibility and formalised structure that incorporation provides. Incorporation provides the separate legal entity status that is so often required for many personal services companies to win contracts. It is acknowledged that the vast majority of potential customers in this sector will only award contracts to companies - the main reason given as perceived protection against employment law consequences.

Under the SEPA recommendations currently being examined, a self-employed individual would not have a separate legal identity, but there would be a provision for protecting his or her assets. These assets could include the individual's home, any non-business vehicles and any other substantial assets. The tax treatment could continue to be as a self-employed sole trader under the existing system although equally another tax treatment could be applied.
A number of formalities that would need addressing are covered in the report, including:

- the business would be required to have its own bank account;
- annual accounts would have to be submitted, meaning the trading records would be public;
- whether accounting could be undertaken using the cash basis;
- any significant change in personal assets must be notified each year, including depreciation of assets; and
- whether the business would be labelled as a 'SEPA' in its trading name.

The cost implications of setting up the SEPA would need examining - these may vary depending on the value of the personal assets and whether an official valuation is needed.

Although this type of trading vehicle would no doubt provide a level of protection, lenders are still likely to require personal guarantees against business loans, which would lessen the impact of the protection.

The report also points out that a caveat may be needed where a sole trader works from home. The new structure would be based on the declaration of business assets, which are then the only assets at risk against creditors. It may be difficult to separate the business from the personal assets, in terms of protecting the home, unless, for example, there was a designated working area.

The proposals for a new SEPA rely heavily on simplicity, and the OTS notes that they will need to be fully assessed to ensure that this type of trading vehicle will be able to provide a simple form of protecting assets, a simple tax treatment and cash basis accounting. In practical terms, SEPAs will also need to be accepted by clients or customers and banks as a legitimate way of doing business. Most importantly, the model will need to provide an effective simplification in the system overall.

The OTS will continue its work on this subject and a response from the government is expected in due course.

HMRC go live with Verify identity authentication

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Gov.uk Verify, the online service taxpayers will need to use to prove their identity before accessing HMRC's digital services and other government online services, is now live. The central government platform for online identity assurance has been under development for some time by the government digital service (GDS) and has been available in a beta version. It has now passed its service assessment.

It should take around ten minutes for an individual to verify their identity the first time they use gov.uk Verify, and a couple of minutes any time after that.
Individuals choose from a list of companies certified to verify their identity. That company may ask some questions, or perform other checks using photo identification and financial information before confirming this to the government department the individual is trying to use. There are currently eight companies offering this service: Barclays, CitizenSafe, Digidentiy, Experian, Post Office, Royal Mail, SecureIdentify, and Verizon.

Gov.uk Verify can be used for:

- checking income tax for the current year;
- obtaining a pension statement;
- signing in to personal tax accounts;
- viewing or sharing driving licence information, with the Driver and Vehicle Licensing Agency (DVLA);
- applying for Universal Credit with the Department for Work and Pensions (DWP);
- claiming for redundancy and monies owed, with the Department for Business, Innovation and Skills (BIS);
- signing in and filing self-assessment tax returns;
- updating rural payments details, with the Department for Environment, Food and Rural Affairs (Defra);
- helping friends or family with their tax (HMRC); and
- checking or updating company car tax.

Janet Hughes, programme director for Verify at GDS, said the **move to live working would not be a 'dramatic change'** but formed part of an ongoing gradual process of developing and scaling up the service. Gov.uk Verify will actually look exactly the same to users, apart from the removal of the beta label.

Further information on gov.uk Verify can be found here.

Free pension advisory services to be merged

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Pension Wise, the free advice service set up to promote and advise on pensions reform and annuity freedoms, is to be merged with other publically funded advice services on pensions, to create a single website and advisory service.

The Low Incomes Tax Reform Group (LITRG) believes that the merger is a great opportunity for the new unified service to better help those on low incomes. Commenting on the merger, LITRG chairman, Anthony Thomas, said:
'Advice on money matters has previously been delivered in penny packets by bodies specialising in discrete areas, sometimes not well integrated with other areas which can affect financial decisions. In particular the interaction with tax and benefits can have major and long-term effects, often unforeseen at the time of the decision, and those without professional representation can be hard-pressed to find the necessary information and knit it together to find the best course to take. After all, decisions about pensions are taken at a time when a person may yet have 20 or 30 years of non-working life to plan for.

The **new unified body must appreciate that the unrepresented often have more difficulty in accessing websites or recording telephone information**, so the provision of face-to-face contact will be an essential element of their proposed service, as will its ability to connect the client seamlessly with appropriate specialist agencies.'

The merger is set to take place within twelve months and, following a further review, will see the Money Advice Service (MAS), The Pensions Advisory Service (TPAS) and Pension Wise restructured as a single UK-wide pensions guidance body.
The Pension Wise can be accessed here.

June Questions and Answers

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Q1. I am thinking of purchasing a new house that I will use as my main residence, but I will still own other properties. Will I be liable to the new 3% stamp duty land tax (SDLT) change?

A: HMRC guidance on the new higher rates of SDLT for purchase of additional residential properties explains that if a previous main residence is replaced within three years, then you will not be liable to the additional 3% SDLT charge, even though you own other residential properties.

Q2. I commenced trading as a service provider on 1 September 2015 and now wish to complete my 2015/16 tax return. I have not incurred any capital expenditure and my turnover is less than the current VAT threshold. Should I use 30 March (or 5 April) as my accounting year-end?

A: If you make your business accounts up to 31 March, HMRC will treat this as being made up to 5 April. One advantage of a 31 March/ 5 April year-end is that no 'overlap' profits will be created. Broadly, overlap profits are bought about by being taxed twice in the first two years of trading. You would get relief for this overlap, but potentially this won't be until a much later stage (for example if you change your accounting date, or if you cease to trade). Quite often, profits in a new business are smaller at the start and gradually increase. An advantage of a 30 April year-end is that tax is paid later. So, for a 30 April 2016 year-end, tax will become due for payment on 31 January 2018, and the tax on profits earned between 1 May 2016 and 30 April 2017 will be payable by 31 January 2019. If the business had a 31 March 2017 year-end, the tax on profits earned between 1 April 2016 and 31 March 2017 would not become payable until 31 January 2018. Of course, if you chose a later year-end, you should make sure that you keep enough money aside to pay your tax bill when is becomes due.

Q3. How do I register as a self-employed subcontractor in the construction industry?

A: You need to register with HMRC for both self-assessment as self-employed, and under the construction industry scheme (CIS). This does mean that there are two separate registrations, but these can both can be done at the same time.

In most cases you can register as self-employed by calling the HMRC Newly Self-employed Helpline on 0300 200 3504. If you are already registered as self-employed, but need to register under the CIS scheme, you should contact the CIS Helpline on 0300 200 3210.

The contractor for whom you are working will ask you for your unique tax reference (UTR) and you need to provide this before you are first paid, in order to determine which tax deduction rate to use.

The UTR is issued when you are first set up under self-assessment to complete a tax return. If you have not previously been required to prepare a tax return, you will be given a UTR when you register as self-employed.

For further guidance on registration and other obligations for subcontractors, see the Gov.uk website at https://www.gov.uk/what-you-must-do-as-a-cis-subcontractor.

June Key Tax Dates

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19/22 - PAYE/NIC, student loan and CIS deductions due for month to 5/6/2016

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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