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## Welcome...

To October'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!**

## October 2017

- [Getting ready for GDPR](#)
- [HMRC launch further Help-to-Save consultation](#)
- [The cost of driving a 'greener' car](#)
- [MTD VAT regulations to be available by April 2018](#)
- [October questions and answers](#)
- [October key tax dates](#)

## Getting ready for GDPR

[top](#)

The new General Data Protection Regulation (GDPR), which will replace the existing Data Protection Act (DPA), takes effect from 25 May 2018. UK organisations that process the personal data of EU residents need to ensure systems are in place by then to enable compliance with new requirements.

The GDPR is more extensive in scope and application than the current DPA. The Regulation extends the data rights of individuals, and requires organisations to develop clear policies and procedures to protect personal data, and adopt appropriate technical and organisational measures.

The GDPR introduces a number of key changes for organisations including:

- the definition of personal data is being widened, which in turn will bring more data in the regulated perimeter
- parental consent will be required for processing personal data of children under 16
- revised rules for obtaining valid consent
- mandatory appointment of a data protection officer (DPO) for certain companies
- mandatory data protection impact assessments
- new requirements for data breach notifications
- new restrictions on international data transfers
- new requirements for data portability

The government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR. Enforcing GDPR in the UK will be the responsibility of the Information Commissioner's Office (ICO).

The GDPR applies to 'controllers' and 'processors'. The definitions are broadly the same as under the DPA - i.e. the controller says how and why personal data is processed and the processor acts on the controller's behalf. Organisations that are currently subject to the DPA, are also likely to be subject to the GDPR.

Tough penalties can be imposed for non-compliance - organisations found in breach of the Regulation may be **fined up to 4% of annual global turnover or 20m euros**, whichever is the greater.

Further information on the GDPR, including details of the compliance requirements, can be found on the [ICO website](#).

## HMRC launch further Help-to-Save consultation

[top](#)

Following an earlier period of consultation, HMRC have published draft legislation alongside a further technical consultation document, setting out proposals for the main features, processes and requirements of the new Help-to-Save accounts scheme, which is set to commence in 2018.

Help-to-Save will be targeted at working families on low incomes to help them build up their savings. The scheme will be open to around 4 million individuals who either receive universal credit and have minimum weekly household earnings equivalent to 16 hours at the national living wage, or receive Working Tax Credit (WTC).

**Help-to-Save will work by providing a 50% government bonus on up to £50 of monthly savings** into a Help-to-Save account. The bonus will be paid after two years, with savers able to continue saving for a further two years, meaning people can save up to £2,400 and benefit from total government bonuses worth up to £1,200. Along similar lines to Lifetime ISAs, bonuses on Help-to-Save accounts will be exempt from income tax.

Accounts will be available through the government's chosen account provider, [National Savings and Investments](#) (NS&I). Customers will register for an account through the gov.uk portal. HMRC will carry out the necessary eligibility checks (using Tax Credits and Universal Credits data) and will pass the customers through to NS&I to set up an account if they are eligible. Eligibility queries will be handled by HMRC.

Help-to-Save accounts will usually mature after four years. Once an account matures it will automatically rollover into a successor account which will not attract a further Help-to-Save bonus. However, an account may mature earlier if the account holder dies or becomes terminally ill, with the bonus paid at this point.

The [consultation](#) will run until 27 October 2017. Responses will then be reviewed and the draft regulations will be revised as appropriate before they are laid before Parliament.

## The cost of driving a 'greener' car

[top](#)

The financial benefits of driving a company car have continued to erode over recent years, but this benefit remains one of the most popular and potent perks of a job.

Broadly, the taxable benefit arising on a car is calculated using the car's full manufacturer's published UK list price, including the full value of any accessories. This figure is multiplied by the 'appropriate percentage', which can be found by reference to the car's CO2 emissions level. This will give the taxable value of the car benefit. The employee pays income tax on the final figure at his appropriate tax rate (e.g. 20% for basic rate taxpayers; 40% for higher rate taxpayers). In general terms, less tax will be payable on 'greener' cars those with lower CO2 emissions.

To provide **stronger incentives for the purchase of ultralow emissions vehicles** (ULEVs), at the 2017 Spring Budget, the government announced that new, lower bands will be introduced for the

lowest emitting cars. The appropriate percentage for cars emitting greater than 90g CO<sub>2</sub>/km will rise by one percentage point. The changes, which are expected to take effect from 6 April 2020, are as follows:

- The graduated table of company car tax bands will include a differential for cars with emissions of 1 to 50g CO<sub>2</sub> per km based on the electric range of the car.
- For cars with an electric range of 130 miles or more, the appropriate percentage will be 2%; for cars with an electric range of between 70 to 129 miles, the appropriate percentage will be 5%; for 40 to 69 miles, the appropriate percentage will be 8%; for 30 to 39 miles, the appropriate percentage will be 12%, and for less than 30 miles, the appropriate percentage will be 14%.
- For cars that can only be driven in zero-emission mode, the appropriate percentage will be 2%. For all other bands with CO<sub>2</sub> emissions of 51g CO<sub>2</sub> per km and above, the appropriate percentage will be based on the CO<sub>2</sub> emissions only. For cars with emissions of 51 to 54g CO<sub>2</sub> per km the appropriate percentage will be 15%. For cars with emissions above 54g CO<sub>2</sub> per km, the bands will be graduated by 5g CO<sub>2</sub> per km and the appropriate percentage will increase by 1% for each 5g CO<sub>2</sub> per km band, up to a maximum of 37%. For cars with emissions above 90g CO<sub>2</sub>/km, the appropriate percentage will increase by 1% in comparison to 2019/20 levels.

Whilst at first glance these changes look positive, for 2017/18, the appropriate percentage for a car with a list price of £18,000 and CO<sub>2</sub> emissions of just 50g/km, will be 9%. For a higher rate taxpayer, the taxable benefit will be £1,620 (£18,000 x 9%) and the tax payable will be £648 (£1,620 x 40%). In 2018/19, the tax payable by the employee will rise to £936 ((£18,000 x 13%) x 40%), representing a 30% increase.

Compare this with an employee (also a higher rate taxpayer) driving a company car with a list price of £18,000, but CO<sub>2</sub> emissions of 160g/km. The appropriate percentage for this car is 31% for 2017/18. The taxable benefit will be £5,580 (£18,000 x 31%) and the tax payable will be £2,232 (£5,580 x 40%). In 2018/19, the tax payable rises to £2,376 ((£18,000 x 33%) x 40%), representing only a 6% increase.

Although the tax payable on cars with lower emissions is still considerably lower than those with higher outputs, the increases set to take effect over the next few years will mean 'greener' company car drivers will experience steeper increases in the resulting tax payable.

## MTD VAT regulations to be available by April 2018

[top](#)

The government has confirmed plans to publish and consult on draft VAT regulations for Making Tax Digital (MTD), with the aim to have the regulations in place by April 2018 to give businesses and software developers at least twelve months to prepare.

In July 2017 the Government announced that MTD is being delayed. MTD will not be mandatory until April 2019, and then only for VAT. From that date, businesses with a turnover above the VAT threshold (currently £85,000) will be required to keep digital records for VAT purposes.

### **The VAT regulations will specify the information a business needs to maintain in digital format and will include:**

- The business name, principle place of business and VAT registration number, along with information about VAT accounting schemes used;
- the VAT account that each VAT registered business must keep, by law - this is the link between primary records and the VAT return; and
- information about supplies made and received.

Those reporting under the VAT flat rate scheme will not have to report under MTD except for purchases relating to capital goods with a VAT inclusive value of £2,000 or more.

### **Impact on businesses**

Quarterly reporting for VAT is already mandatory for most businesses. Although 99% of VAT returns are filed online, only around 12% are currently filed via software. The majority of returns are therefore (presumably) manually entered onto the government gateway page and submitted to HMRC- requiring manual input and intervention. Under MTD, businesses will not be able to keep manual records.

Currently, spreadsheets are commonly used - not only to maintain records, but also to convert the information from accounting software into the VAT return figures. MTD requires spreadsheets to interact directly with software. Overcoming these issues may be challenging for businesses.

MTD applies for VAT return periods commencing on or after 1 April 2019. This is the same time that the UK will leave the EU. VAT is likely to be significantly impacted by Brexit, particularly in relation to the VAT treatment of transactions between the UK and EU.

## Preparation

By April 2019, businesses will need to:

- understand the tax-technical changes to the UK/EU VAT rules; and
- ensure that their accounting systems and processes can deal with such changes correctly.

These changes will need to be implemented via the new reporting requirements of MTD. Businesses and their advisers are in for a busy time in 2019 - Early planning and preparation will be the key to a successful transition.

## October questions and answers

[top](#)

**Q. My mother gave my daughter £5,000 on 1 May 2013. She had not made any other gifts in previous years. Unfortunately my mother passed away on 1 September 2017. How much of the gift she gave to her granddaughter is chargeable to inheritance tax?**



**A.** Since your mother did not make any other gifts, the gift she made to your daughter will be covered by inheritance tax annual exemptions - £3,000 for 2013/14 plus her unused exemption brought forward from 2012/13 (£3,000 available).

**Q. I am a self-employed builder. I carried out a job for a customer and invoiced him for £750. The customer did not pay the invoice and I have since discovered that he has been declared bankrupt. I included the £750 in my turnover figures. Can I claim tax relief for the unpaid bill?**

**A.** A deduction can generally be made for a bad or doubtful debt in the year in which the debt becomes bad or doubtful. The HMRC Business Income Manual (at [BIM42701](#)) states:

'A deduction is not allowed for a debt owed to a trader **except**:

- a bad debt;
- a doubtful debt to the extent estimated to be bad. In the case of the bankruptcy or insolvency of the debtor this means the debt except to the extent that any amount may reasonably be expected to be received on the debt;
- a debt or part of a debt released by the creditor wholly and exclusively for the purposes of the trade as part of a statutory insolvency arrangement.'

You should be able to write off the debt and claim a deduction of £750 in your accounts.

**Q. I purchased a buy-to-let property in 2000 and rented it out straight away. I lived there myself for two years between 2006 and 2008, but since then it has been rented out again. I am now selling the property. Will I qualify for lettings relief?**

**A.** Since the property was your qualifying principal private residence for a period of time during your ownership, you should be eligible for a certain amount of lettings relief when you sell it.

HMRC's Capital Gains Manual (at [CG64710](#)) states:

'Relief is due under TCGA 1992, s. 223(4) where:

- a gain to which TCGA 1992, s. 222 applies accrues to an individual; and
- part or all of the dwelling house has at some time in the individual's period of ownership been let as residential accommodation; and
- a chargeable gain arises by reason of the letting.

The amount of the relief is the lowest of:

- the amount of private residence relief given by TCGA 1992, s. 223(1) to (3); or
- £40,000; or
- the amount of the chargeable gain arising by reason of the letting.'

### October key tax dates

[top](#)

**1** - Due date for payment of Corporation Tax for the year ended 31 December 2016



**5** - If a Tax Return has not been received, individuals and trustees must notify HMRC of new sources of income and chargeability in 2016/17

**14** - Return and payment of CT61 tax due for quarter to 30 September 2017

**19** - Tax and Class 1B national insurance due on PAYE settlements for 2016/17

**19/22** - PAYE/NIC, student loan and CIS deductions due for month to 5/10/2017 or quarter 2 of 2017/18 for small employers

**31** - Deadline for 2016/17 self assessment paper returns to be filed for HMRC to do the tax calculation. If a paper return is being filed also the deadline for tax underpaid to be collected by adjustment to your 2018/19 PAYE code (for underpayments of up to £3000 only)

### Need Help?

[top](#)

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

[top](#)

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

[top](#)

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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