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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 July'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!**

July 2016

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Trivial benefits

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Employers will be aware that various changes have been made to the reporting requirements for employee benefits and expenses from April 2016, which mean that some **employers will no longer have to complete annual return forms P11D**. The three main changes are:

- The dispensations regime has been replaced with an expenses exemption - broadly, where an employee would have been entitled to tax relief in full for a benefit or expense, the employer does not need to deduct tax or NICs, and they do not need to report it to HMRC;
- Employers can now account for tax on certain benefits provided to employees through PAYE (known as 'voluntary payrolling'), which dispenses with the need to report such benefits on forms P11D. Benefits relating to accommodation, beneficial loans, credit tokens and vouchers cannot be processed through voluntary payrolling. Note also that employers wishing to use the scheme for 2016-17 had to register with HMRC prior to 6 April 2016; and
- The introduction of a statutory exemption for trivial benefits.

Until 5 April 2016, employers were required to agree with HMRC whether benefits could be treated as 'trivial' but legislation included in Finance Bill 2016 (inserting new ITEPA 2003, s 323A to 323C) will provide for an exemption for trivial benefits and, if enacted, this will apply from 6 April 2016.

The proposals provide for an income tax and national insurance contributions (NICs) exemption from 2016-17 for trivial benefits where the following conditions are met:

- The cost of providing the benefit does not exceed £50 (see below for definition of 'benefit cost');
- The benefit is not cash or a cash voucher;

- The employee is not entitled to the benefit as part of any contractual obligation (including under salary sacrifice arrangements); and
- The benefit is not provided in recognition of particular services performed by the employee as part of their employment duties (or in anticipation of such services). The cost of the benefit is defined in the legislation as:
 - The cost of providing the benefit; or
 - If the benefit is provided to more than one person and the nature of the benefit or the scale of its provision means it is impracticable to calculate the cost of providing it to each person to whom it is provided, the average cost per person of providing the benefit.

Trivial benefits provided to directors or other office holders of close companies (broadly, those with five or fewer participators), or to members of their families or households, will be capped at £300 per tax year.

Where an employee receives a benefit exceeding £50, the whole amount becomes taxable, not just the excess, and it must be accounted for accordingly.

The exemption applies equally to benefits provided to an employee, or to a member of his or her family or household, subject to the £50 limit.

The government will be monitoring the use of the exemption, and if it believes it is being abused, adjustments to the qualifying conditions and/or the annual cap are likely.

HMRC guidance on senior accounting officers

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HMRC have published [Brief 12\(2016\)](#), which contains information on changes to their senior accounting officer guidance (SAOG). The Brief **aims to clarify HMRC practice** and reflects administrative changes to their operational procedures. These include:

- A change of practice allowing submission of certificates by electronic means in addition to the currently accepted methods;
- Extensive updates to reflect organisational change within HMRC and the role of Wealthy and Mid-Size Business Compliance (WMBC);
- New examples of how groups and aggregation should be applied;
- Clarification of HMRC's view on the inability to delegate the SAO role and their view of time limits for short or long accounting periods;
- Clarification about when requests for extensions to time limits for SAO notification or certificates will be considered;
- Clarification of the SAO role where a company is struck off; and
- Various updates throughout the guidance to reflect the changes to how HMRC are organising their compliance work.

Help-to-save consultation launched

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HMRC have launched a consultation on the government's proposed 'Help-to-Save' scheme, which is designed to encourage people on low incomes to build up their savings.

Broadly, the scheme will be open to some 3.5 million adults in receipt of universal credit with minimum weekly household earnings equivalent to 16 hours at the National Living Wage, or those in receipt of working tax credit. It 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 an option to save for a further two years, meaning that people can save up to £2,400 and benefit from government bonuses worth up to £1,200. Savers will be able to use the funds in any way they wish. HMRC say that Help-to-Save accounts will be available 'no later than April 2018'.

The consultation document provides an overview of how the new accounts will work, sets out core principles for determining its approach to implementation, and considers options for the provision of

accounts. It also seeks views on detailed policy design issues within the scheme parameters that have already been announced and options to promote awareness and take-up of the scheme. The consultation will run until 21 July 2016. Further information can be found at www.gov.uk/government/consultations/help-to-save-consultation-on-implementation/help-to-save-consultation-on-implementation.

FRS 102 guidance on directors' loans revised

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HMRC have recently updated their online toolkit on [directors' loan accounts](#) to help tax advisers and agents preparing 2015/16 company tax returns. The update reflects the changes to reporting requirements under UK GAAP, as **taxing debt will now be largely driven by FRS 102** requirements for financial instruments.

If an entity makes loans to/from directors/employees where there is no explicit interest rate or the interest rate charged is not at a market rate, then the prescribed accounting treatment will depend on which accounting framework the entity has adopted.

Where an entity applies either FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland or FRS 102: Section 1A Small Entities, then such loans are required to be accounted for as if they were a loan with a market rate of interest. Where a company applies FRS 105: The Financial Reporting Standard applicable to the Micro-entities Regime (FRS 105), there is no requirement to account for such loans as if they were a loan with a market rate of interest. Instead such loans would initially be recorded at the amount borrowed/advanced.

The choice of accounting treatment does not affect the amount chargeable under Corporation Tax Act 2010, Section 455. That is charged on the full amount initially borrowed/advanced. Without this piece of anti-avoidance legislation, owner managers could potentially avoid a tax charge by arranging for 'their' company to lend them funds (as opposed to paying a 'taxable' bonus or dividend).

July 2016 Questions and Answers

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Q1. My mother died last year and left my brother and me a commercial business unit. Probate is nearly complete now. If we sell the property in the future, what are the capital gains tax implications on the sale?



A: I presume that you and your brother are inheriting equal shares in the property. Your acquisition value, for future capital gains tax computation purposes, is the market value at the date of death - known as the 'probate value'. Capital gains tax will be calculated under the normal rules on any increase in value from that date.

Q2. I have recently registered for VAT. I am not very good when it comes to administration and I have heard that the flat rate scheme might help me. How does the scheme work?

A: Broadly, the flat rate scheme for VAT is designed to help small businesses with a turnover of no more than £150,000 a year, excluding VAT, by taking some of the work out of recording VAT sales and purchases.

With the flat rate scheme: - You pay a fixed rate of VAT to HMRC; and
- You keep the difference between what you charge your customers and pay to HMRC; but
- You can't reclaim the VAT on your purchases - except for certain capital assets over £2,000.

The percentages applicable to this scheme currently vary between 4% and 14.5%, depending on the nature of the services provided. Full details of the scheme are included in the HMRC [VAT Notice 733: Flat rate scheme for small businesses](#), which you can download from the HMRC web site.

In your first year of VAT registration you get a 1% reduction in flat rate, which means that you can take 1% off the flat rate you apply to your turnover, until the day before your first anniversary of becoming VAT registered.

The scheme works well for some but not others. On the positive side, the scheme may save you some admin because you don't have to work out every item of input and output tax, but if your customers are VAT registered, you do have to calculate the VAT and issue VAT invoices in the normal way. Financially, the flat rates averages may work out cheaper for you than normal accounting or you may find this scheme more expensive.

Q3. I have a part time job and I earn about £8,000 a year. As my earnings are less than the tax-free personal allowance, can I transfer the unused amount to my husband?

A: Since April 2015, a spouse or civil partner who is not liable to income tax or not liable above the basic rate for a tax year may transfer part of their personal allowance to their spouse or civil partner, provided that the recipient of the transfer is not liable to income tax above the basic rate. The transferor's personal allowance will be reduced by the same amount. For 2016/17 the amount that can be transferred is £1,100 (£1,060 for 2015/16). The spouse or civil partner receiving the transferred allowance will be entitled to a reduced income tax liability of up to £220 for 2016/17 (£212 for 2015/16). Note, however, that married couples or civil partnerships entitled to claim the married couple's allowance are not entitled to make a transfer. For further information on this, see the gov.uk website at www.gov.uk/marriage-allowance.

July 2016 Key Tax Dates

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5 - Deadline for PAYE settlement agreement for 2015/16

6 - Deadline for 2015/16 forms P11Db, P11D and P9D to be submitted and copies of P11D and P9D to be issued to relevant employees



Deadline for employers to report share incentives for 2015/16 - form 42

14 - Return and Payment of CT61 tax due for quarter to 30 June 2016

19/22 - PAYE/NIC, student loan and CIS deductions due for month to 5/7/2016 or quarter 1 of 2016/17 for small employers

Class 1A NIC due in respect of the tax year 2015/16

31 - Second self assessment payment on account due for 2015/16

Second 5% penalty surcharge on any 2014/15 outstanding tax due on 31 January 2016 still unpaid

Deadline for Tax Credits to finalise claims for 2015/16 and renew claims for 2016/17

Penalty of 5% of tax due or £300, whichever is greater for 2014/15 personal tax returns still not filed.

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,

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.



please forward the email to them or ask them to contact us to be added to the newsletter list.

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.

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