



# Newsletter



April 2017

THE RIGHT ADVICE FOR YOUR BUSINESS

## Key changes from the Budget 2017

**Dividends** – Take your £5,000 tax free dividend allowance because from April 2018 its going to be reduced to £2,000 and many predict it could disappear completely within the next few years

**Personal Allowance** – The personal allowance has increased to £11,500 and the NI free level is now £8,164

**Self Employed NI** - There are changes coming for the Self Employed, from 2018/19 class 2 NI will be abolished but Class 4 NI paid on profits will increase from 9% to 10%. It will increase to 11% in 2019/20.

**Making Tax Digital** - The start date for the self employed and landlords with turnover below the VAT threshold has been pushed back to April 2019. MTD will require tax payers to report their profits every quarter to HMRC. If your turnover is above the VAT threshold you will have to start MTD in April 2018.

**Business Rates** - In addition to the £3.6 billion transitional relief announced in November, there will be £435 million of further support.

This includes:

1. Support for small businesses losing Business Rate Relief and limiting increases to £600
2. Providing English local authorities with £300 million as a fund for discretionary relief

**Corporation Tax** – Down to 19% for 2017/18



# Self Employment at a Record High Level!



New research by the [resolution foundation](#) states

*The analysis shows that 60% of the growth in self-employment since 2009 has been in “privileged” sectors, despite them making up just 40% of the self-employed. The fastest growing sectors have been advertising (100% growth), public administration (90%) and banking (60%).*

What we do know is that Self Employment has been growing in popularity as demonstrated by ONS statistics.

The level of self-employment in the UK increased from 3.8 million in 2008 to 4.6 million in 2015. While this strong performance is among the defining characteristics of the UK’s economic recovery, the recent rise in self-employment is the extension of a trend started in the early 2000s.

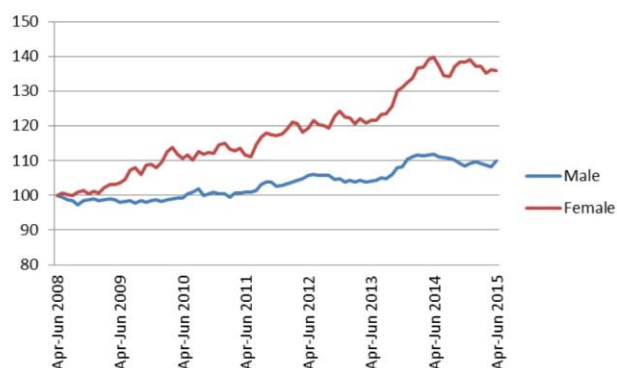
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/trendsinselfemploymentintheuk/2001to2015>

## Before you start a business create a Business Plan

Approximately a third of all SME’s in the UK don’t have a Business Plan, that’s about 1.5m businesses, here are some reasons why you should prepare one....

1. Research shows that SME’s with Business Plans make 20% more profit
2. Having a business plan doubles your chances of increasing profits, increasing revenue, attracting new clients
3. A well-researched business plan which includes the right figures and realistic forecasts will reassure potential investors you are a sensible investment opportunity
4. A Business Plan will help you set out and achieve your goals
5. It will help you set goals for your managers and staff
6. The Business Plan will help you plan your cash flow and forecast Capital Expenditure
7. A Business Plan will help you secure Business Finance and Loans
8. You can plan your succession strategy or prepare the business for sale
9. A Business Plan tests the feasibility of your business idea
10. It will help you plan for the recruitment of Staff

Chart 2 – Male and female self-employment (Index 2008=100)



Source: BIS analysis of Labour Force Survey, ONS

# Is your Expense Checking System up to scratch?



Expenses are more than just a recording of the outgoing cash flow of your business. Expenses also include amounts that are claimable against tax. When recorded and tracked correctly, expenses provide a clear indication of the health of your business.

HMRC have guidance in [EIM30275](#) and [EIM30270](#) which set out what they expect, so for example, this is what they expect the expense checking process to be for a one man company

## Model D – One man company

Single employee of a one man company working at a series of temporary workplaces. Claiming benchmark scale rates.

Employee maintains a diary and time sheet to confirm occasions when travelling in the performance of their duties and retains receipts in respect of subsistence costs. An independent third party performs regular monthly checks on a sample of the employees' records to confirm that the relevant conditions for the exemption were met on each occasion. Checks are performed at random and the employee does not know in advance which journeys will be checked.

Independent third party would generally mean your accountant

## The Penalties for getting your expenses wrong are harsh if you don't take reasonable care!

Type of behaviour	Unprompted disclosure	Prompted disclosure
Reasonable care	No penalty	No penalty
Careless	0% to 30%	15% to 30%
Deliberate	20% to 70%	35% to 70%
Deliberate and concealed	30% to 100%	50% to 100%

The % relates to the value of the potential loss of tax to HMRC.

NOT SURE WHAT TO DO

Contact us – [office@prevailaccountancy.co.uk](mailto:office@prevailaccountancy.co.uk)

# Will Making Tax Digital (MTD) make life easier for you?



Making Tax Digital is a key part of the government's plans to make it easier for individuals and businesses to get their tax right and keep on top of their affairs - meaning the end of the annual tax return for millions.

Digital tax accounts for all will mean the tax payer can see the information that HMRC holds and be able to check at any time that their details are complete and correct. HMRC will use this information to tailor the service it provides, according to each tax payers' individual circumstances.

HMRC state:

*We know that the majority of businesses, self-employed people and landlords want to get their tax right first time, but the latest tax gap figures show too many businesses are prone to making mistakes. The amount of tax not collected due to avoidable taxpayer errors and carelessness has risen to over £8bn a year. This not only costs the public purse – it also creates cost, uncertainty and worry when HMRC is forced to look into their affairs.*

By 2020 most businesses, self-employed people and landlords will be required to keep track of their tax affairs digitally and update HMRC at least quarterly via their digital tax account.

These changes will be introduced for some businesses from April 2018, and will be phased in by 2020, giving businesses time to adapt.

One of the big areas of concern has been over the quarterly tax reporting requirements and concerns over data accuracy, as a result, the government has pushed back the start date for small business to April 2019.

Data accuracy is going to be critical, are most businesses up to providing data in real time? RTI has worked for payroll but could it really work for accounting information? many businesses rely on their accountants and book keepers to get the information correct.

It is expected that most modern accounting systems will be able to upload the quarterly results to HMRC or Agents could key the information directly into digital accounts. However, this will mean things like dividends will have to be declared in the correct period and not just at year end.

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