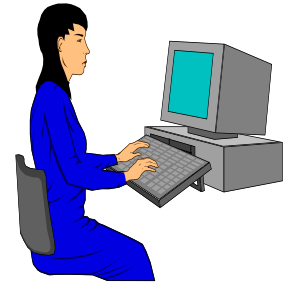




DAVID PATTINSON
CHARTERED ACCOUNTANTS
Tel: 01636 706543 E-mail: david@davidpattinson.co.uk



September 2017

NEWSLETTER

Making Tax Digital

Immediately after I had sent out my last newsletter, saying that HMRC would press ahead with the MTD programme, the government announced a delay. MTD will now be introduced no earlier than 2019, for VAT only, for VAT registered businesses with a turnover above the VAT threshold (currently £85,000). This is an unexpected change of direction as, under the original proposals, VAT was going to be the last thing brought into MTD. If testing of the new system does not go well, then MTD will be further delayed.

VAT returns already have to be submitted electronically, so we have to assume that MTD will require more information than the totals of VAT, sales and purchases which are currently sent to HMRC. No details have yet been published, so we are all guessing. For instance, will the figures have to include expenses which are exempt, such as insurance, or outside the scope of VAT, such as wages? It would seem logical to include them, otherwise those businesses will have to make another change to their systems when MTD is extended to Income Tax.

I also wonder whether the policymakers have realised that some VAT-registered traders also have rental income and are able to reclaim VAT on the property expenses. The rental income and expenses will therefore have to be included on the VAT return, which always covers three calendar months. That is inconsistent with the MTD proposals for Income Tax, which say that rental income has to be sent separately for quarters based on the 5 April tax year.

Tax Refund Scams

More and more e-mails are being sent out by fraudsters pretending to be HMRC and saying that a tax refund is due. Besides the fact that HMRC never uses e-mail to notify refunds, taxpayers should be immediately put on guard by phrases such as "a review of your fiscal affairs" as well as spelling mistakes and grammatical errors. Unfortunately, there are always some people who will fall for the scam and will respond.

Anyone who follows the link in the e-mail will be asked for bank details, but what will happen then is that money will be taken from the account rather than any "tax refund" being paid in. Remember, as well, that I will always have advised a client if any tax has been overpaid.

Foreign Assets and CGT

Any British resident who sells a foreign asset, such as property, will be required to submit a Capital Gains computation to both the local tax authority and HMRC. One would think that the same computation can go to both tax authorities, but that is not the case.

Consider someone who bought a holiday villa in Spain in 2007 for €280,000. It was sold in 2017 but made only €264,000 because of a fall in the Spanish property market. Accordingly, a loss of €16,000 is declared to the Spanish tax authority. It would be easy to assume that nothing needs to be declared to HMRC in the UK because a loss was made.

That would be wrong, because UK law requires the purchase and sale prices to be converted to sterling at the exchange rate applicable at the time of the transaction. In 2007 the exchange rate was £1 = €1.40, so the purchase price converts to £200,000. In 2017, the exchange rate was £1 = €1.10, so the selling price converts to £240,000, giving a Capital Gain of £40,000, and failing to declare it could incur significant penalties.

These rules are logical when you consider that only £200,000 was transferred to Spain to buy the property, but £240,000 was transferred back from the sale.

Brexit

Six months into the Brexit negotiations, absolutely nothing has been agreed. I would predict that things will be much the same as we approach the deadline in 18 months' time, then there will be a panic to agree some interim deal, which will suit neither side, while the negotiations continue.

Autumn Budget

The chancellor has decided to bring forward the annual budget statement from Spring to Autumn. The next budget will therefore be on 22 November and will announce the tax changes which will apply from April 2018. My next newsletter will summarise the important details.



DAVID PATTINSON
CHARTERED ACCOUNTANTS
Tel: 01636 706543 E-mail: david@davidpattinson.co.uk



September 2017

NEWSLETTER

Help for Employers on All Aspects of Employment

Companies who only employ a few people will seldom need HR support, but it's good to know that it's there when you do need it. Whether it's making sure that your employment contracts are sound and keeping you up to date with changes in employment law, or helping to resolve those tricky absence or capability problems, Camino HR specialise in supporting small businesses with everything to do with employing people. Why not take advantage of their free 'Health Check' of your current contracts and procedures to get to know them, in case you ever need them in future. They can be contacted at enquiries@caminohr.co.uk or by phone on 01636 653066 and you can visit their website at www.caminohr.co.uk