SEAFORTH TAXATION LIMITED

TAXATION NEWS
SPRING 2018

Class 2 National Insurance Contributions

HM Revenue & Customs had planned to abolish Class 2 NIC and 2017/18 was to be the last year for which a separate charge would be included in the Self Assessment tax/NIC calculation.

The abolition has been postponed until 5 April 2019 so that further consultation can be undertaken. Currently HMRC plans to replace voluntary Class 2 contributions of £2.85 per week for those earning under £6,025 per year with Class 3 contributions of £14.25 per week. Hopefully, this will allow time to find a more reasonable method for the low-paid to preserve their state pension rights.

Dividend Allowance and Tax Treatment of Dividends

Since April 2016 dividends have been paid without an accompanying tax credit and the first £5,000 of dividend income has been tax-free.

From 2018/19 the Dividend Allowance has been reduced from £5,000 to £2,000 only, so many more people with shareholdings will be affected. It is important that the maximum amount of your shareholdings should be held in ISAs to avoid the impact of this change.

Making Tax Digital

Although HM Revenue & Customs will continue with its plan to force the self-employed and landlords to report income and expenses to them digitally, this is not going to happen for most people until April 2020. Detailed plans have not been revealed but there will probably be exemptions for smaller businesses.

"Making Tax Digital" (MTD) is, however, being introduced from April 2019 in respect of Value Added Tax. Businesses who are VAT-registered and who have a turnover exceeding the VAT registration limit of £85,000 per year will have to use MTD-compliant software to keep their VAT records and submit their VAT Returns from 5 April 2019.

At today's date there are only two software providers who have packages to deal with this but hopefully further offerings will be available by the end of the year when we can provide further advice.

European General Data Protection Regulations (GDPR)

I have to mention the dreaded GDPR. These regulations govern how we deal with the data that we store about you as our clients – how we must keep the data safe, your rights over the data and its deletion and what purposes we can use it for.

Be assured that: we share your data with no-one without your express consent; we maintain computer/Internet security; and we will not engage in any direct marketing based on the information that we hold.

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Trading and Property Allowances

From April 2017 anyone making small amounts of casual income can claim two new £1,000 allowances for property income and miscellaneous trading income. The sort of income intended to benefit from these allowances is E-Bay trading or renting out your drive as a car-parking space.

Individuals with property or trading income below the level of the allowances will no longer need to complete a Tax Return or pay tax on that income. Those with relevant incomes above £1,000 can benefit by simply deducting the allowance instead of calculating their exact expenses.

Tax Relief for Training Costs

The government has opened a consultation on how to encourage vocational education both for employees and the self-employed.

The current tax rules for the self-employed mean expenditure on training intended to provide new expertise, knowledge or skills for their existing trade does not qualify for a tax deduction. It is instead treated as capital expenditure because it creates an enduring benefit to the business.

Reforming the rules so that the self-employed can deduct expenditure in these circumstances would support those learning new skills to expand their business. This would also be more consistent with the existing rules for employees, which allow a deduction if an employee is reimbursed for expenditure on training based on whether it is to "impart, instil, improve or reinforce any knowledge, skills, or personal qualities".

Restriction of Tax Relief on Loan Interest for Landlords

From April 2017 the way that tax relief is given for rental property businesses will change. Instead of the interest paid being a deduction in the accounts, the relief will be given separately in the Tax Return to ensure that higher rate relief is not given.

This change is being brought in gradually so that 25% of interest will be treated in this way for 2017/18, rising to the full 100% in 2020/21.

This change will increase the tax bills of higher–rate taxpayers with property income. Landlords who pay tax only at the basic rate will be unaffected.

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Scottish and Welsh Rates of Income Tax

The Scottish Parliament has started to use its powers to vary the rates of tax and the size of the rate bands applicable to Scottish residents. For 2018/19 the three UK rates are replaced in Scotland by five rates as follows:

Bands	Band name	Rates (%)
Over £11,850-£13,850	Starter Rate	19
Over £13,850-£24,000	Basic Rate	20
Over £24,000-£43,430	Intermediate Rate	21
Over £43,430-£150,000	Higher Rate	41
Above £150,000	Top Rate	46

The rates will apply automatically to all taxpayers identified as resident in Scotland by their Tax Return or employer.

Similar powers are being devolved to the Welsh Assembly from April 2019. For 2018/19, however, residents of Wales will continue to pay tax on the UK rate bands

Bands	Band name	Rates (%)
Over £11,850-£46,350	Basic Rate	20
Over £46,350-£150,000	Higher Rate	40
Above £150,000	Top Rate	45

As always, if you would like to discuss any of the matters raised here please do get in touch.

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