Viewpoint Accountants

TAX NEWSLETTER

Edition 87 - November 2017

Welcome to the November monthly tax newsletter. These newsletters are designed to keep you informed of the latest tax issues.

We hope you enjoy reading the newsletter; remember, we are here to help you so please contact us if you need further information on any of the topics covered.

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CHANGES TO PENSION TAX RELIEF IN THE BUDGET?

There is again speculation about further restrictions to tax relief on pensions in the Chancellor's Autumn Budget. With the Chancellor looking to increase tax revenues without increasing tax rates, a raid on pension savings is an easy target as the cost of pension tax relief is estimated to be in excess of £35 billion a year.

Currently individuals can generally obtain tax relief at their marginal tax rate on up to £40,000 each tax year. Thus, for a higher rate taxpayer, a £10,000 gross pension investment costs only £6,000 after tax relief. Consider increasing your pension savings just in case?

NEW RESTRICTION FOR THOSE IN PENSION DRAWDOWN

One of the measures affecting pensions announced in the Spring 2017 Budget that was not included in the first Finance Act, concerns a new £4,000 pension input limit for those who are drawing income from their money purchase pension fund.

The new flexible drawdown rules introduced from 6 April 2015 has allowed those with money purchase schemes such as Self Invested Personal Pension schemes (SIPPs) to draw as much or as little as they wish each year. Other than the 25% tax free lump sum, the amounts withdrawn are taxed as income on the Individual. The new £4,000 (previously £10,000) annual limit in the latest Finance Bill is intended to be an anti-avoidance measure to deter pension "recycling" where the amounts withdrawn are reinvested in the pension scheme to obtain further tax relief.

Please contact us if you wish to discuss any aspects of pension planning.

AND INCREASED CONTRIBUTIONS FOR WORKPLACE PENSIONS IN 2018

Auto-enrolment of staff in workplace pension schemes now applies to even the smallest of employers, although there are exclusions. The current minimum contributions are 1% from the employer and 1% from the employee but these limits are scheduled to increase to 2% and 3% respectively from 6 April 2018.

The contributions will then increase to 3% from the employer and 5% from the employee from 6 April 2019. Employees will have a further opportunity to opt out of auto-enrolment.

HMRC HAVE UPDATED THEIR GUIDANCE ON SALARY SACRIFICE SCHEMES

The rules for salary sacrifice arrangements changed with effect from 6 April 2017 and HMRC have updated their guidance for employers. Apart from 5 exceptions the amount assessed as employment income for new salary sacrifice arrangements is now the greater of the salary foregone and the taxable benefit as set out in the tax legislation.

Fortunately, the two most common arrangements are unaffected by the changes - childcare vouchers and pension contributions. The HMRC guidance reminds us of the importance of amending the employee's contractual salary before the next salary payment. Remember also that the employee's salary cannot be reduced below National Minimum Wage.

HMRC TACKLES EMPLOYERS WHO USED EBTs SCHEMES

With tax planning schemes as with many things in life, what looks too good to be true generally turns out to be so. This seems to be true for tax avoidance schemes using Employee Benefit Trusts (EBTs) as during the summer HMRC won a landmark case at the Supreme Court against Glasgow Rangers Football Club concerning the payment of players and other employees via EBTs. Rangers had argued that the payments were not liable to PAYE and national insurance. The court has agreed with HMRC that the payments should have been treated as remuneration.

The government have been trying to block such schemes for many years with anti-avoidance legislation but various alternative planning strategies have been devised to sidestep the anti-avoidance rules.

As a consequence of the Rangers Supreme Court decision, HMRC are now pursuing employers who have used similar payment arrangements, including Employer Funded Retirement Benefit Schemes (EFURBS), and in appropriate cases will be issuing follower notices and accelerated payment notices to collect the PAYE, NICs, interest and penalties.

FURNISHED HOLIDAY LETTING BUSINESS IS NOT A BUSINESS FOR IHT RELIEF

A furnished holiday letting business is treated as a trade for most tax purposes. For example, capital allowances are available on furniture, and CGT entrepreneurs' relief is available on disposal of the business.

However, a recent tax case has determined that a holiday letting business in Cornwall did not qualify for inheritance tax business property relief.

Despite the provision of a range of services to customers, the judge agreed with HMRC that the business was wholly or mainly that of making or holding of investments and as such ineligible for any relief from inheritance tax.

Note that the restricted deduction for interest that started to apply to buy-to-let businesses from 6 April 2017 does not apply to furnished holiday lets.

There are special rules for a rental business to qualify as furnished holiday lettings, in particular the property must be available for letting for 210 days a year, and actually let for 105 days.

MANY WILL NOT GET A SELF ASSESSMENT TAX RETURN NEXT YEAR

The government are gradually phasing out the self-assessment tax return and replacing it with an individual tax account pre-populated with data supplied by employers, pension companies and State Pension figures from DWP.

With effect from April 2017, HMRC will have the power to assess income tax or CGT liabilities using information they already hold. This new system will be called "Simple Assessment" and will initially apply to two groups:

Firstly, new state pensioners with income more than the personal tax allowance in the tax year 2016/17.

Secondly, PAYE customers, who have underpaid tax and who cannot have that tax collected through their tax code.

Taxpayers will have 60 days in which to challenge incorrect information in a simple assessment.

We have concerns about the accuracy of this data so please contact us if you drop out of self-assessment and would like us to check the HMRC figures in future.

DIARY OF MAIN TAX EVENTS

DATE	WHAT'S DUE
1st Nov	Corporation tax for year to 31/01/17. *(unless quarterly payments apply)*
19th Nov	PAYE & NIC deductions, and CIS return and tax, for month to 05/11/17. *(due 22/11/17 if you pay electronically)*
1st Dec	Corporation tax for year to 28/02/17. *(unless quarterly payments apply)*
19th Nov	PAYE & NIC deductions, and CIS return and tax, for month to 05/12/17. *(due 22/12/17 if you pay electronically)*
30th Dec	Deadline for filing 2016/17 tax return online in order to request that HMRC collect outstanding tax via the 2017/18 PAYE code.

FURTHER INFORMATION OR ADVICE

If you would like further information or advice about any of the issues raised in this newsletter or any other tax-related matter then **Steve Bird** would be delighted to hear from you.

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