

Welcome to the September 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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## TIME TO DECLARE OFFSHORE INCOME GAINS AND ASSETS WARNS HMRC

HMRC is urging UK taxpayers to come forward and declare any foreign income or profits on offshore assets before 30 September to avoid higher tax penalties.

New legislation called 'Requirement to Correct' requires UK taxpayers to notify HMRC about any offshore tax liabilities relating to UK income tax, capital gains tax, or inheritance tax.

Some UK taxpayers may not realise they have a requirement to declare their overseas financial interests. Under the rules, actions like renting out a property abroad, transferring income and assets from one country to another, or even renting out a UK property when living abroad, could mean taxpayers face a tax bill in the UK.

From 1 October more than 100 countries, including the UK, will be able to exchange data on financial accounts under the Common Reporting Standard (CRS). CRS data will significantly enhance HMRC's ability to detect offshore non-compliance and it is in taxpayers' interests to correct any non-compliance before that data is received or be faced with higher penalties.

The most common reasons for declaring offshore tax liabilities are in relation to foreign property, investment income and moving money into the UK from abroad. Over 17,000 people have already contacted HMRC to notify them about tax due from sources of foreign income, such as their holiday homes and overseas properties.

## HOW DO I NOTIFY HMRC?

Taxpayers can correct their tax liabilities by using HMRC's digital disclosure service as part of the Worldwide Disclosure Facility

Once the taxpayer has notified HMRC by 30 September of their intention to make a declaration, they will then have 90 days to make a full disclosure and pay any tax owed. We can assist you in making the necessary disclosure and tax calculation if these new rules apply to you.

## CHECK YOUR PENSION SAVINGS ANNUAL ALLOWANCE

HMRC have updated their guidance on the rules for carrying forward the unused pension savings annual allowance, together with a calculator on their website.

For most taxpayers the maximum amount of pension savings that qualifies for tax relief each tax year is £40,000. It is possible to increase this amount by utilising unused relief brought forward from the previous 3 tax years, provided the individual was a member of a pension scheme that year.

The brought forward relief from the earliest year is utilised before later years. Thus for the current tax year 2018/19 the unused relief from 2015/16 may be utilised in addition to the current year relief, followed by 2016/17 and then 2017/18.

## 2015/16 PENSION ANNUAL ALLOWANCE LAPSES ON 5 APRIL 2019

To utilize the 2015/16 unused relief any additional pension savings would need to be paid to the pension fund by 5 April 2019, otherwise the relief from 2015/16 will lapse.

Note however that for some taxpayers the method of calculating unused relief for 2015/16 is extremely complicated as the government changed the pension rules part way through the year on 8 July 2015. The amount of pension allowance will depend on the pension input period of your scheme and we can assist you in calculating the 2015/16 relief if you have not already had full relief already.

## TAPERED PENSION TAX RELIEF FOR THOSE WITH HIGH INCOME

For most taxpayers the maximum pension input annual allowance is currently £40,000.

However, from 2016/17 those taxpayers with 'adjusted income' over £150,000 and 'threshold income' over £110,000 receive a tapered annual allowance. For those persons affected the allowance tapers by £1 for every £2 that their adjusted income exceeds £150,000 down to a minimum annual allowance of £10,000.

The calculations of 'adjusted income' and 'threshold income' are complicated and we can assist if you believe that this restriction applies. There are ways in which these figures can be reduced so as to minimize the effect of the restriction.

## AND YOU MAY HAVE TO PAY TAX IF YOUR PENSION SAVINGS ARE TOO HIGH!

If your pension savings are more than your annual allowance for the tax year, and you do not have unused annual allowances from the 3 previous tax years to cover the difference, you'll have to pay tax on the excess.

You'll get a statement from your pension provider telling you if you go above the annual allowance. If you're in more than one pension scheme, ask each pension provider for statements. This will help you work out how much you've gone above the allowance.

There is a calculator on the HMRC website but we can of course help you check that you have not exceeded the limits.

As you can see from the above, despite the "simplification" of pensions by George Osborne in 2015, the system is still extremely complicated and we are expecting yet further reforms in future Budgets. Nevertheless, saving in a pension is still very tax-efficient as for a higher rate taxpayer the net cost (of saving £10,000 in a pension is currently £6,000.

## JOINT AND SEVERAL LIABILITY FOR UNPAID VAT

Certain traders can be made liable for the unpaid VAT of another VAT-registered business when you buy or sell specified goods. HMRC have recently updated VAT notice 726 which advises traders to carry out due diligence into their supply chain.

The specified goods are any equipment made or adapted for use as a telephone and any other equipment made or adapted for use in connection with telephones or telecommunication, such as SIM cards.

Also included is equipment made or adapted for use as a computer and any other equipment for use in connection with computers or computer systems and also other electronic equipment for use by individuals for the purposes of leisure, amusement or entertainment, such as Satnavs and games consoles.

## DIARY OF MAIN TAX EVENTS

DATE	WHAT'S DUE
1 <sup>st</sup> September	Corporation tax for year to 30/11/17 <i>(unless quarterly instalments apply)</i>
19 <sup>th</sup> September	PAYE & NIC deductions, and CIS return and tax, for month to 05/09/18. <i>(due 22/09/18 if you pay electronically)</i>
1 <sup>st</sup> October	Corporation tax for year to 31/12/17 <i>(unless quarterly instalments apply)</i>
5 <sup>th</sup> October	Deadline for notifying HMRC of chargeability for 2017/18 if not within Self-Assessment and receive income or gains on which tax is due
19 <sup>th</sup> October	PAYE & NIC deductions, and CIS return and tax, for month to 05/10/18. <i>(due 22/09/18 if you pay electronically)</i>

## 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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