Viewpoint Accountants

TAX NEWSLETTER

Edition 98 - October 2018

Welcome to the October 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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CLASS 2 NICS TO CONTINUE FOR SELF-EMPLOYED

In 2016 the government consulted on a proposed abolition of Class 2 National Insurance contributions (NICs) for the self-employed. This flat rate contribution, currently £2.95 a week is payable by the self-employed in addition to Class 4 contributions based on the level of profits. The flat rate contributions were due to cease on 5 April 2019 but will now continue "for the life of this parliament".

The reason for the u-turn concerns businesses owners with low profits or making losses. In order to maintain their NI Contribution record, many self-employed individuals voluntarily continue to pay Class 2 contributions despite their profits being below the £6,205 small earnings exemption. Having a full NI contribution history helps maximize an individual's entitlement to State Benefits. For example full State Pension entitlement requires 35 years contributions.

With the abolition of Class 2 NICs, those with low profits or making losses would need to make voluntary Class 3 contributions (currently £14.65 a week, £761.80 a year) in order for that year to count as a contribution year.

CHECK YOUR CONTRIBUTION HISTORY

As mentioned above, in order to maximise entitlement to full State Benefits a full contribution record Is required. It is possible to check your National Insurance record online to see:

- What you've paid, up to the start of the current tax year (6 April 2018)
- Any National Insurance credits you've received
- If gaps in contributions or credits mean some years don't count towards your State Pension (they aren't 'qualifying years')
- If you can pay voluntary contributions to fill any gaps and how much this will cost.

IT CONSULTANT WINS IR35 PERSONAL SERVICE COMPANY CASE

The government have been consulting on extending the personal service company rules that currently apply to public sector workers to those in the private sector, but in the meantime tax tribunal decisions are still being decided against HMRC.

In a recent case involving an IT consultant working on various projects to implement the new Universal Credit system the First Tier Tax Tribunal decided that the consultant would not have been an employee if directly engaged. A key factor was that the the level of control over the consultant fell far below the sufficient degree required to demonstrate a contract of service.

AND FOOTBALL REFEREES ARE SELF-EMPLOYED

The degree of control was also held to be a critical factor in determining that football referees in charge of matches in the Championship and lower leagues were self-employed. HMRC were arguing that the referees should be taxed as employees and subject to PAYE. Interestingly, those refereeing Premier League matches are employees of the Premier League and HMRC are expected to appeal the decision of the First Tier Tribunal.

TAX EFFICIENT CHILDCARE SCHEMES

Earlier this year the government announced that no new childcare voucher schemes could be set up after 5 October 2018. This was a six month extension from the previous 5 April 2018 end date. If those employers offering such schemes at 5 October are prepared to keep administering their scheme then they will continue to be available but will eventually be phased out.

The current scheme allows employers to provide vouchers to employees to pay for care of their children up age 16. Vouchers to the value of £55 a week can be provided tax free to basic rate taxpayers with differing tax free amounts for higher rate and additional rate taxpayers.

The replacement scheme is the government's "tax free" childcare account which started this year for children up to age 12. Under this scheme the government tops up the savings in the childcare account by 25% up to £2,000 per child per year (£4,000 for a disabled child).

Thus, savings of £8,000 would be topped up by the government to £10,000 and the £10, 000 could then be used to pay Ofsted registered childcare providers such as nursery fees, childminders, after school clubs and summer camps.

Unlike childcare vouchers, the new childcare accounts will be available to both employees and the self-employed.

For those already in childcare voucher schemes it may be beneficial to switch to the new childcare account and we can help you calculate whether or not that would be beneficial.

ADVISORY FUEL RATE FOR COMPANY CARS

These are the suggested reimbursement rates for employees' private mileage using their company car from 1 September 2018.

Where there has been a change the previous rate is shown in brackets.

Engine Size	Petrol	Diesel	LPG
1400cc or less	12p (11p)		7p
1600cc or less		10p	
1401cc to 2000cc	15p (14p)		9p
1601 to 2000cc		12p (11p)	
Over 2000cc	22p	13p	13p (14p)

You can continue to use the previous rates for up to 1 month from the date the new rates apply.

For hybrid cars use the equivalent petrol or diesel rate. However, for wholly electric cars there is a new 4p advisory rate from 1 September 2018.

DON'T FORGET THERE MAY BE TAX TO PAY ON YOUR DIVIDENDS IN JANUARY

The rules for taxing dividends changed radically from 6 April 2016 with the removal of the 10% notional tax credit and the introduction of new rates of tax on dividends. For many taxpayers that meant more tax to pay on those dividends on 31 January 2018. The same will also apply on 31 January 2019.

If you are a higher rate taxpayer and received £30,000 of dividends in 2017/18 £25,000 of those dividends would be taxed at 32.5% meaning £8,125 due on 31 January 2019.

If you can let us have all of your tax documents as soon as possible we can let you know how much tax you need to pay next January so that you can set aside sufficient funds.

DIARY OF MAIN TAX EVENTS

DATE	WHAT'S DUE
1st October	Corporation tax for year to 31/12/17 *(unless quarterly instalments apply)*
5th 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
19th October	PAYE & NIC deductions, and CIS return and tax, for month to 05/10/18. *(due 22/10/18 if you pay electronically)*
1st November	Corporation tax for year to 31/01/18 *(unless quarterly instalments apply)*
19th November	PAYE & NIC deductions, and CIS return and tax, for month to 05/11/18. *(due 22/11/18 if you pay electronically)*

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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