

# A R Lee & Co

CHARTERED CERTIFIED ACCOUNTANTS

## Newsletter



## Whoever said politics is boring.....

As we write this newsletter, the political and diplomatic war of words and action between the UK and Russia continues to escalate following the use of a weapons grade nerve agent in Salisbury.

This has at least temporarily diverted attention away from the ongoing negotiations over Brexit, which continue to cause uncertainty in the markets generally.

At the same time, we must all continue to run our businesses and plan for the future as best as we can. As a firm, we have been getting to grips with a number of important changes to the way in which we work.

In February, we migrated our IT systems to a new fully hosted platform provided by our very long-

standing IT support company, Trichromic. We are also now in the middle of introducing a new paperless document management system (DMS) using software from Virtual Cabinet. This will help us to improve our communications and meet the new data processing standards applicable from May this year.

The new software provides us with a secure portal through which we will be able to communicate with our clients and also provide documents that can be approved and signed digitally and returned to us electronically. When this happens for the first time, you will receive an email with sign-up instructions, which are very easy to follow.

We have also installed a new digital telephone

system which will give us greater flexibility of use and options going forward.

All of these changes were facilitated by the installation last year of an extremely fast fixed fibre broadband connection to our building which provides a constant up and download speed of 500MB. This was made possible by a partnership between Southend Borough Council and City Fibre to create a completely new network in the town and to provide connections at a much lower cost than BT.

Our new systems are designed to enable us to provide the range and quality of service that our clients will need as we all move forward in an ever increasing digital world.

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## Employment News

### Minimum Wage Increases



#### Apprenticeships

From 1 April 2018 the National Minimum Wage (NMW) and National Living Wage (NLW) will both increase as follows (previous rates in brackets):

NLW for workers aged 25 and over	£7.83	(£7.50)
NMW main rate for workers aged 21-24	£7.38	(£7.05)
NMW 18-20 rate	£5.90	(£5.60)
NMW 16-17 rate	£4.20	(£4.05)
NMW apprentice rate*	£3.70	(£3.50)

\* for apprentices under 19 or 19 or over and in the first year of their apprenticeship.

### Minimum Pension Contributions

The minimum workplace pension contributions also increase from 6 April 2018 and 6 April 2019 as follows:

Date	Employer	Employee	Total
Before 6 April 2018	1%	1%	2%
6 April 2018 to 5 April 2019	2%	3%	5%
After 5 April 2019	3%	5%	8%

Please also remember that all new employers must now immediately provide a qualifying workplace pension scheme as soon as the first eligible worker is engaged, so please seek appropriate advice before you take on your first employee.

*“All payments in lieu of notice will be liable to both Tax and NI”*

### Termination Payments

The treatment of termination payments for both tax and national insurance purposes is changing from 6 April 2018 so please check carefully if you have to make any such payments after that date. All payments in lieu of notice will be liable to both tax and N.I. even if other elements of the termination payment are covered by the £30,000 exemption limit. Any other payments in excess of the £30,000 threshold will be liable to employer's N.I.



### Dynamic PAYE Coding Notices

HMRC are now using far more information sources to determine the tax codes they issue and are seeking to make adjustments for any potentially underpaid tax more quickly. It is therefore more important than ever that you carefully check and understand any new tax code that you receive, or confirm with us if you are at all uncertain. It will also help if you activate your Personal Tax Account with HMRC, as this will enable you to check the information HMRC hold about your employment income and benefits etc.

## Making Tax Digital (MTD) Update

All VAT registered businesses with an annual turnover in excess of the registration limit of £85,000 will be required to maintain their Vat records and to submit their Returns digitally using approved software with effect from the first Return period commencing after 1 April 2019.

A business which is currently registered for VAT, but whose turnover is less than £85,000 will not be required to comply with MTD until such time as turnover increases above the limit.

Once Returns are filed under MTD, they must continue to be so, even if turnover falls below £85,000.

Software companies are busy updating their products to comply with the new regulations, but if you do not currently use recognised software, then you will need to change your systems. You may well wish to do this before 1 April 2019 if your current financial year ends before that date, so that the whole of your next year's records are maintained using the same new system.

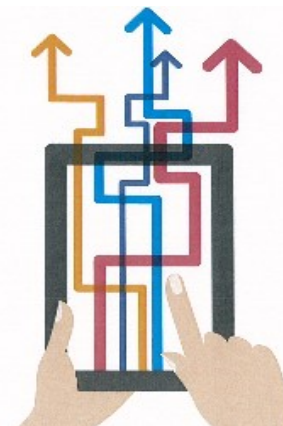
There are some limited exceptions to the new rules. A business will be exempt if it is:

- Subject to insolvency procedures;
- Entirely run by practicing members of a religious society whose beliefs prevent them from using computers; or
- It is not reasonable or practical due to age, disability, or the remoteness of the business location.

Any claim for exemption will need to be discussed and agreed with the VAT helpline.

MTD is still to be extended but this will be on a tax by tax basis, probably starting in 2020 and, initially, for income tax purposes. Both HMRC and the Government now accept their original timetable was far too ambitious and, thankfully, have adopted a much longer time frame.

Please let us know if you will be affected by the new rules and we will be pleased to help you choose the most appropriate and cost effective software for your business and provide any training that is needed.



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## Staff News

Many of you will know that Laura went on maternity leave in January and we are very pleased to announce that Olivia Esme arrived safely on 30 January weighing 6lb 13oz.

We know you will join us in sending our best wishes to Laura, Dan and Olivia.



## This and That

### Self Employed NIC Merger Postponed

Classes 2 & 4 NIC were to be merged from 6 April 2018, with Class 2 NIC abolished from that date, but this has now been delayed until 6 April 2019. This will enable anyone who chooses to pay voluntary Class 2 NIC to enhance their State Pension entitlement by one more year at a relatively cheap rate before the system finally changes.

### Childcare Voucher Scheme Extended

The existing salary sacrifice childcare voucher scheme for employees was due to be closed to new members from 6 April 2018, but has been unexpectedly extended for a further 6 months. Only the new, but less favourable, Government Tax Free Childcare Scheme will be available for new joiners after this date, although this will at least be available to the self-employed for the first time.

### Help to Save Accounts Pushed Back

Delayed until October 2018, this new Government saving scheme will enable anyone receiving Working Tax Credits or Universal Credit who works at least 16 hours per week to save up to £50 per month for up to four years and to receive a 50% bonus worth up to £1,200 from the Government free of tax. The new account will be available via the Government website [www.gov.uk](http://www.gov.uk) and further details are expected later this year.

### HMRC Annual Tax Calculation

HMRC are trying to reduce the number of taxpayers who have to submit Self Assessment Tax Returns by issuing annual Tax Calculations under a new simplified assessment process. However, our experience so far has been very poor, with many calculations being incorrect. Do let us know if you receive a Tax Calculation and we will check it for you.

### Advisory Fuel Rates for Business Mileage

From 1 March 2018 (previous quarter in brackets)

Engine size	Petrol	Diesel	LPG
1400cc or less	11p (11p)		7p (7p)
1401cc – 2000cc	14p (14p)		8p (9p)
Over 2000cc	22p (22p)		13p (14p)
1600cc or less		9p (9p)	
1601cc – 2000cc		11p (11p)	
Over 2000cc		13p (13p)	

### Enhanced Capital Allowances for Fuel Efficient Vehicles

The current Co2 limits at which higher rates of capital allowances are available will be reduced from 1 April 2018 to:

100% first year allowance 75gms/km to 50gms/km

18% writing down allowance 130gms/km to 110gms/km

For vehicles with Co2 emissions above 110gms/km, the rate of relief will be 8%.

### The New Trading and Property Allowances

These two new allowances were introduced from 6 April 2017 and enable individuals to receive up to £1,000 of either trading or property income free of tax and without any requirement to disclose to HMRC. If gross income exceeds £1,000, the new rules also permit a minimum £1,000 expense deduction which will be beneficial if other taxable income exceeds the personal allowance and actual business costs are less than £1,000.