

A R Lee & Co

CHARTERED CERTIFIED ACCOUNTANTS

Newsletter

Things can only get better.....



Inside this issue:

Employment News 2

- Voluntary Overtime and Holiday Pay
- Employment Tribunal Fees

Making Tax Digital (MTD) update 2

Property Corner 3

- Finance Cost Restrictions
- Higher Stamp Duty Land Tax (SDLT) Rates
- New Energy Efficiency Rules

This and That 4

- Data Processing Penalties
- General Data Protection Regulations
- Abolition of Class 2 NIC
- Advisory Fuel Rates for Business Mileage

In our last newsletter, we referred to unprecedented economic and political change created by Brexit issues and other world events which have now been made worse by the outcome of the General Election and also the European Union's hard line attitude to the initial negotiations. The EU appears to be defending the European Project at all costs and is also trying to deter other countries from wanting to leave the EU.

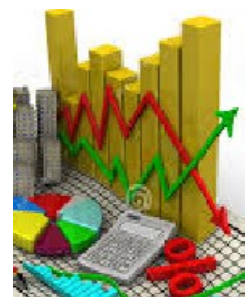
As might have been expected, the Pound has suffered badly in the process, increasing the cost of imported materials and foreign travel but, for some, this gives an opportunity to increase exports of their goods and services.

Perhaps counter intuitively, shares have increased in value, but this is mainly due to exchange rate movements, which may reverse if and when the value of the Pound recovers.

Inflation continues to pick up and is now much closer to 3%, which will put pressure on the Bank of England to increase interest rates. However, these are not expected to increase by more than a relatively small amount for several years yet.

Property values have started to stabilise and in some areas of the country have actually fallen. It is not yet clear which way the market will go, but the gap between house prices and income levels (affordability) is as high as

it was in 2007, which may lead to either a prolonged slowdown in growth or even a reduction in prices until the gap reduces again.



At times like this, it is tempting to think that things can only get better, just like the 1994 hit single by D:Ream predicted.

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Employment News

Voluntary Overtime and Holiday Pay

The Employment Appeal Tribunal (EAT) has decided that pay for statutory annual leave should be calculated to include voluntary overtime, provided the overtime is worked with sufficient regularity to be considered as part of “normal remuneration”. Employees are entitled to be paid “normal remuneration” in respect of the four week minimum period of paid leave under the Working Time Regulations 1998.

“Supreme Court rules fees for bringing claims in the employment tribunals are unlawful...”

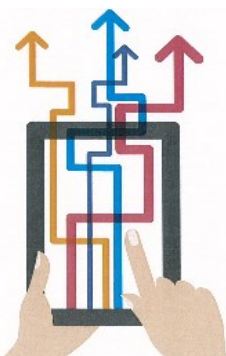
Employment Tribunal Fees

The Supreme Court has recently ruled that fees introduced in 2013 for bringing claims in the employment tribunals are unlawful and must therefore be refunded to applicants.

The new fees caused applications to fall by about 70%, particularly for lower value claims. With effect from 26 July 2017, claimants no longer have to pay any fees and we are therefore

likely to see an immediate increase in applications against employers. The Courts are also considering late applications where applicants can show they were deterred from claiming due to the new fees.

Making Tax Digital (MTD) Update



Thankfully, common sense has prevailed and the government and HMRC have actually listened to the barrage of criticism that was raised against their original MTD proposals, which have now been heavily modified. Instead of businesses and landlords with gross income of more than £10,000 having to submit quarterly reports electronically, the revised legislation will only require businesses with turnover of more than

£85,000 to keep their records digitally and, initially, only for VAT purposes. This will be compulsory from April 2019 and reporting for other taxes will not be made compulsory before 2020. MTD will be made available on a voluntary basis for all businesses and for all taxes, so they can decide when they wish to make the change.

This will give software developers and professional advisors much needed time to adapt

their systems to suit the new regime and to allow adequate time for testing. We are very pleased with this change of approach and we will continue to work with all our clients to prepare them for MTD as necessary. However, the Government and HMRC remain determined that over time everyone will be reporting their figures electronically on a quarterly basis, but over a much longer transition period.

Property Corner

Finance Cost Restrictions

The new rules limiting tax relief for both mortgage and loan interest and any related fees commenced on 6 April 2017 and are being phased in over the next three years. The rules will eventually fully limit relief to the basic rate from 6 April 2020 and will therefore increase

the tax payable on rental income for anyone whose income before deduction of interest relief exceeds the basic rate threshold, currently £45,000. As a result, some landlords have decided to reduce their borrowings by selling property or, alternatively, looking to see if they can

transfer their portfolio to a different form of ownership. However, any such changes will require detailed planning and we will be pleased to assist with this.



Higher Stamp Duty Land Tax (SDLT) Rates

We are all still getting to grips with the additional 3% SDLT charge that applies where an individual, joint purchaser or company purchases an additional residential property costing over £40,000. Spouses or civil partners are treated

as joint purchasers even if the additional property is bought individually. The extra charge will not apply if you are replacing your main residence within 36 months of sale, but if the purchase occurs prior to sale, then the extra tax is payable.

However, a refund can be claimed if the previous main residence is sold within 36 months of buying the new one.

“Spouses or civil partners are treated as joint purchasers.....”

New Energy Efficiency Rules

The Energy Efficiency Regulations 2015 require that, from April 2018, private commercial and residential landlords must ensure their properties reach at least an EPC rating of E before

granting or renewing a tenancy. If not, the landlord will be required to carry out improvements until the EPC rating reaches the minimum level and they may need technical help to achieve

this in the most cost effective way. Clearly, older properties are likely to be most affected.



This and That

Data Processing Penalties

The Information Commissioner's Office (ICO) is stepping up action against businesses that hold or process personal data, but are not properly registered with the ICO and are imposing large penalties for failing to do so. If you record personal information as part of your business and you are not sure if you should be registered, the ICO has a very useful self-assessment toolkit available on its website at www.ico.org.uk.

Advisory Fuel Rates for Business Mileage

From 1 September 2017 (previous quarter in brackets)

Engine size	Petrol	Diesel	LPG
1400cc or less	11p (11p)		7p (7p)
1401cc – 2000cc	13p (14p)		8p (9p)
Over 2000cc	21p (21p)		13p (14p)
1600cc or less		9p (9p)	
1601cc – 2000cc		11p (11p)	
Over 2000cc		12p (13p)	

General Data Protection Regulations (GDPR)



New data protection rules will apply from 25 May 2018, increasing the requirement to safeguard personal information stored by businesses relating to customers, suppliers or employees. Businesses who may be affected by these changes are urged to monitor the guidance available on the ICO website referred to above.

Abolition of Class 2 National Insurance Contributions from 6 April 2018

Hooray, you might say, but Class 2 N.I. is a very cheap way of ensuring entitlement for the self-employed to state benefits, including the state pension. In order to maintain entitlement, the rules for Class 4 N.I. are also being changed. Although liability to

Class 4 only starts when profit exceeds £8,060, credit will be given for contributory benefits as soon as profit exceeds the small profit threshold (SPT) of £5,965. If profit is less than this, then entitlement can only be achieved by paying voluntary Class 3 contributions

at £14.10 a week, which is substantially more expensive than currently paying voluntary Class 2 contributions of £2.85 per week. This will particularly affect foster carers, whose income is largely covered by exemptions.