

## Introduction

Who knows what news tomorrow will bring....

As we prepare this newsletter, the independent gang of 8, has already become the gang of 11 and by the time we publish it may well be even more! The Government may, or may not, have reached a new compromise agreement with the EU, and Parliament may, or may not, have taken control of the process. We have never lived through such a prolonged period of uncertainty.

Perversely, the UK economy continues to do well, despite the bad news coming from the car industry in particular, although this does seem to be due to far wider global issues, rather than just Brexit uncertainty. The number of people in employment continues to grow and the percentage of working age unemployed has fallen to just 4%. This is leading to a skills shortage and also above inflation pay increases, particularly for those working in the legal, IT, hospitality and sales & marketing sectors.

Share and currency markets continue to fluctuate significantly with each piece of good or bad news and investors remain nervous and have been adopting defensive positions. This does appear to have resulted in a reduction in investment in the UK economy in the past year but, hopefully, this will only be a temporary slowdown, although much is riding on a successful Brexit outcome.

Whilst all of this may appear to matter little to small and medium sized businesses, any continued reduction in business confidence and investment will eventually filter down to us all.

We hope you will find something of interest to you in this newsletter and do let us know if you have any questions or comments. We are always pleased to hear from you.



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## Employment News

### Trivial Benefits Exemption

We have previously drawn attention to the tax-free exemption of £50 per person per trivial benefit provided that was first introduced in April 2016. The exemption is designed to exclude from tax the cost of small benefits provided to both employees and directors, provided they have not been given in cash or an equivalent, or as a reward for work done, or under the terms of a contract. The exemption can be used to cover the cost of gifts for birthdays, anniversaries, at Christmas, or on the birth of a child, or on bereavement, or used to cover the cost of team-building events, including drinks and meals, provided the average cost per head is less than £50. Employees can receive an unlimited number of trivial benefits per year, but directors are limited to £300 in total. Such benefits might include bottles of drink, flowers, chocolates, turkeys and meals out. However, the key is, they should never be given as a reward for work done or personal performance, otherwise they will be taxed as normal.



### Minimum Workplace Pension Contributions

The final planned increase in pension rates will take effect from 6 April 2019:



Date	Employer Minimum Contribution	Employee Minimum Contribution	Total Minimum Contribution
6 April 2018 - 5 April 2019	2%	3%	5%
6 April 2019 onwards	3%	5%	8%

### Advisory Fuel Rates for Business Mileage

From 1 December 2018 (previous quarter in brackets)

Petrol	12p (12p)	15p (15p)	22p (22p)
Diesel	10p (10p)	12p (12p)	14p (13p)
LPG	8p (7p)	10p (9p)	15p (13p)

### National Living Wage (NLW) and National Minimum Wage (NMW)

Minimum wage rates will increase from 1 April 2019:

25 years and above	by 4.9%	from £7.83 to £8.21 per hour
21 to 24 year olds	by 4.3%	from £7.38 to £7.70 per hour
18 to 20 year olds	by 4.2%	from £5.90 to £6.15 per hour
16 to 17 year olds	by 3.6%	from £4.20 to £4.35 per hour
Apprentices	by 5.4%	from £3.70 to £3.90 per hour



## VAT

### Making Tax Digital for Vat (MTD for Vat)

Even if Brexit is delayed, HMRC have confirmed that MTD for Vat is going ahead as planned on 1 April 2019 and there are several things that Vat registered businesses will need to do in preparation for this:

Check your vatable turnover for the 12 months to either 31 March, 30 April or 31 May 2019, depending on your Vat return periods. If this exceeds £85,000, then compliance with MTD for Vat will be compulsory from the start of the next Vat period. If it less, you can continue exactly as before, although you will need to monitor your accumulative turnover at the end of every month for the previous twelve months. If this ever exceeds £85,000, then compliance with MTD for Vat will become mandatory from then on.

In order to submit future returns under MTD for Vat, you will need to notify HMRC by completing the sign-up process, but don't do this until after you have submitted your final return under the old system first.

Once MTD for Vat applies, your business records will need to be compliant with the rules and all future returns submitted using compatible software and existing software may well need to be updated to achieve this.



We have already been contacting those clients who will need most help to comply with these new requirements, but if you have any concerns about your own situation, please let us know and we will help you.

### New Reverse Charge for The Construction Industry



We provided details of this change in our previous newsletter and the Government has confirmed the new rules will start from 1 October 2019. They will apply when a Vat registered subcontractor supplies standard or reduced rate services to another building contractor in the supply chain and not directly to the end property owner. If you think this will apply to you, then you will need to review your systems and procedures to make sure they will be able to cope, either as a subcontractor or as a main contractor. Do let us know if you need any help or advice.

## Property Corner

### Capital Allowances For New Commercial Buildings – Structures and Buildings Allowances (SBAs)

A new tax relief has been introduced for expenditure incurred on or after 29 October 2018 on the construction of new commercial property (including conversions and renovations) by anyone who is within the charge to UK income or corporation tax. This will include both trading and investment property businesses and will apply to the construction of office, retail and industrial buildings, as well as certain other structures. Residential property is specifically excluded from relief.



The relief is only available on the cost of construction, so this will exclude the cost of the land and any legal or planning fees which must be apportioned where necessary. Relief is given to the person who incurs the expenditure, so this could be either the freeholder, or a long leaseholder.

Relief is available from the date on which the new structure is first brought into use and is given on a straight line basis at the rate of 2% per year over a 50-year period. If a building is sold, the new owner will be able to claim any remaining relief available. Any relief that is claimed must be deducted from the allowable cost of the asset for Capital Gains Tax purposes. Plant and machinery allowances for integral features and fixtures can continue to be claimed as previously and are not affected by the new relief.

### Future Changes In The Rental Sector

Private landlords are to be required to join a new “Housing Complaints Resolution Service” or face a fine. Letting and managing agents have been required to be members of a redress scheme since October 2014, but not landlords. The Government say this will make it easier for people to claim compensation when it is due.

The Government has been consulting on a proposed new mandatory three-year tenancy agreement to replace the current Assured Shorthold Tenancy (AST) agreement. Although the new style agreement will be for a three year fixed term, it will include an initial six-month break clause, at the option of either the landlord or tenant, and the right for the landlord to terminate early if the property is to be sold or occupied by the owner, or if rent is unpaid. Student property and short term lets will be exempt. A rent cap is not currently proposed, but any increase must be either index linked or capped.



This newsletter has been prepared for general interest and it is important to obtain professional advice on specific issues. We believe the information contained in it to be correct as at 22 February 2019. While all possible care is taken in the preparation of the newsletter, no responsibility for loss occasioned by any person acting or refraining from acting as a result of the material contained herein, can be accepted by the firm or its directors.