

# A R Lee & Co

## *newsletter*

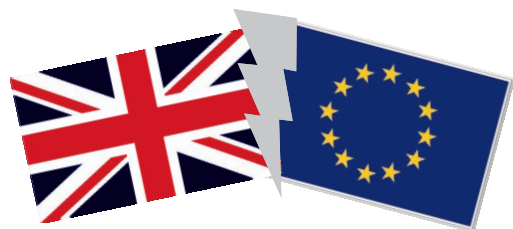
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Few of us have ever lived through such a period of both economic and political change and it sometimes seems quite overwhelming. As accountants, we are used to continuous change, but not necessarily so rapidly and Making Tax Digital (see over) will require substantially increased communication and cooperation between accountants and their clients and will truly create a "Brave New World" in tax administration which, at the moment, appears quite scary!

Having coped with the introduction of Real Time Information (RTI) for PAYE, workplace pensions (auto-enrolment) and a complete change to the way in which Limited Company accounts are prepared (new UK GAAP), as well as continuous tax changes, we had hoped for a bit of peace and quiet, but that is not going to happen. However, we will continue to advise and support our clients as we all face these fresh challenges over the next few years.

We expect many clients will need to review and upgrade their record keeping systems in the next year or so and we will be offering advice and additional training where necessary to achieve this.

We anticipate that by the time you receive this newsletter, the Government may have triggered Article 50 and formal negotiations with the EU for the UK's exit will have commenced. How long this will take is anyone's guess, but we suspect the ups and downs of the negotiating process will lead to continuous fluctuations in confidence, which will also affect the financial markets, so we may be in for quite a roller-coaster ride over the next few years.



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## Employment News

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

Following the introduction of the NLW on 1 April 2016, both the NLW and NMW will be adjusted on 1 April each year and the new rates from 1 April 2017 are:



© Living Wage Foundation

25 years old and older - £7.50 (4.2%)	Apprentice rate * - £3.50 (+2.9%)
21-24 year olds - £7.05 (+1.4%)	
18-20 year olds - £5.60 (+0.9%)	
16-17 year olds - £4.05 (+1.25%)	

\*The apprentice rate is for apprentices aged 16 to 18 and those aged 19 or over and who are in their first year. All other apprentices are entitled to the NMW for their age.

### Workplace Pension Minimum Contributions

The original dates on which minimum employer contribution levels were due to increase have been delayed by six months and the rates will now be:

	Employer	Employee	Tax credit	Total
Up to 5 April 2018	1%	0.8%	0.2%	2%
6 April 2018 – 5 April 2019	2%	2.4%	0.6%	5%
6 April 2019 onwards	3%	4.0%	1.0%	8%

### Salary Sacrifice Schemes

From 1 April 2017, the tax and employer National Insurance benefits of Salary Sacrifice Schemes will be stopped for all new schemes, except those relating to employer provided pension saving or advice, childcare vouchers, workplace nurseries, or Cycle to Work. Schemes already in place at 5 April 2017 will be subject to the new rules at the earliest of:

- ◆ An end, change, modification or renewal of the contract
- ◆ 6 April 2018, except for cars, accommodation and schools fees, when the last date is 6 April 2021.

### Personal Tax Accounts (PTA)

The Government is encouraging all employees to activate their PTA and approximately seven million have already done so, but there is still another thirty-three million to go. Many people abandoned their attempt to activate last year due to difficulty in answering the required security questions. However, HMRC has now made this a much easier process. By activating their PTA, employees will be able to update their personal data more easily and also check the income data held, which is updated in real time after submission by the employer. They can also claim any tax repayments due, check their PAYE Tax Coding Notices, and quickly and easily check their entitlement to the State Pension.

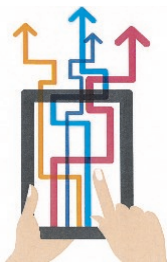
## Budget 2017 Highlights

Many of the measures included in the Budget on 8 March had been previously announced, but a few of the changes came as unwelcome surprises:

- ◆ Increases to Class 4 National Insurance rates for the self-employed from 6 April 2018 to coincide with the abolition of Class 2 National Insurance.
- ◆ A reduction in the Dividend Allowance from £5,000 to £2,000 which will mainly affect small company owners.

Helpful measures included more money to reduce the impact of changes to business rates and a delay (for some taxpayers) in the date from which they will have to make quarterly submissions under Making Tax Digital, on which we provide an update below. We have also provided news on Individual Savings Accounts (ISAs) and Tax-Free Childcare.

### Making Tax Digital - Update



Now to be called Making Tax Digital for Business (MTDfB) and taking effect from 6 April 2018, the self-employed and landlords will be required to:

- ◇ maintain their records digitally, via software or apps
- ◇ report summary information to HMRC quarterly via their Digital Tax Accounts (DTA)
- ◇ make an end of year declaration through their DTAs

The DTA is like an online bank account – secure areas where a business can see all their tax details in one place and interact with HMRC digitally.

This was originally to be mandatory from 6 April 2018 if gross income was more than £10,000, but has now been delayed until 6 April 2019 unless gross income exceeds the VAT threshold, which is currently £83,000, but increases to £85,000 from 6 April 2017.

In preparation for this, we will be aligning all VAT quarter dates with the financial year end and also encouraging all clients with gross income above the new limit to maintain their records via the most suitable software, which we can provide, together with any necessary training.

### Advisory fuel rates for business mileage

From 1 March 2017



Engine size	Petrol	Diesel	LPG
1400cc or less	11p (11p)		7p (7p)
1401cc – 2000cc	14p (14p)		9p (9p)
Over 2000cc	22p (21p)		14p (13p)
1600cc or less		9p (9p)	
1601cc – 2000cc		11p (11p)	
Over 2000cc		13p (13p)	

Hybrid cars are treated as either petrol or diesel cars for this purpose.

## This and that

### State Pension and the High Income Child Benefit Charge

Any household earning more than £60,000 and entitled to Child Benefit has tended to disclaim the benefit in order to avoid having to repay it all under the High Income Child Benefit Tax Charge, but it has recently become apparent this may adversely affect the State Pension entitlement of any non-working parent. It is therefore better to claim the benefit in the name of the non-working parent, but tick the box to receive a nil-payment. By doing this, credit is still given for State Pension for the first twelve years of each child's life, which may then increase the non-working parent's entitlement if they do not otherwise achieve the full number of qualifying years. In addition, if Child Benefit is not claimed, the child will not automatically receive a National Insurance number shortly before their 16th birthday and will have to apply for one if they want to work, open an ISA account, or receive a student loan. Claims can be re-instated within two years of the end of each tax year.

### Individual Savings Accounts (ISAs)

Next month sees the introduction of a new Lifetime ISA which will be available to anyone aged between 18 and 40 years old who will be able to contribute up to £4,000 per year and receive a 25% bonus from the Government on any savings made up to their 50th birthday. After 12 months, the fund can be used to buy a first home up to £450,000 and can be withdrawn from age 60 completely tax free. Accounts are limited to one per person and not per household, so two first time buyers can receive the bonus when buying together. If the individual already has a Help to Buy ISA, they can either transfer those savings into the Lifetime ISA, or continue saving in both, but only the bonus from one account can be used to buy a house. If funds are withdrawn for any other purpose, or before age 60, the 25% Government bonus has to be repaid.

### New Tax Free Childcare

The new scheme will be available from April and for the first time, will mean that the self-employed in particular will be able to receive the equivalent of basic rate tax relief on child care costs.

To be eligible, families will have to have all parents in work, with each expecting to earn at least £115 per week (minimum 16 hours) and less than £100,000 per year and not be already receiving support through Tax Credits or Universal Credit. The parents will need to open an account and for each £80 paid in, the Government will add £20 and the money can then be used to provide child care via approved providers. Once registered, parents will receive updates regarding entitlement and details of providers.

### Tax Free Trading and Property Allowance

April 2017 also sees the introduction of the new Trading and Property Allowance of £1,000 which exempts income from the sale of goods, renting property, supplying services or sharing assets, from the requirement to declare and pay tax on gross income of less than £1,000. If more than £1,000 is received, then the taxpayer can elect to deduct the Allowance from the gross income, or deduct their actual expenses.