

A R Lee & Co
 CHARTERED CERTIFIED ACCOUNTANTS

Newsletter

A pivotal moment in the history of the UK.....



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With less than six months to go before the UK officially leaves the EU, as a business community, we are still no closer to knowing the final outcome of the Brexit negotiations.

Matters have now reached a pivotal moment and the only thing that does appear to be certain is that large parts of the population of the UK will be unhappy with the outcome, whatever that may be.

It also appears more likely that new political parties or alliances will emerge in the coming months, which makes the future of one party government seem less likely.

Against this background, we all continue to go quietly about our own businesses and to plan for an uncertain future as best as we can. The significant changes we made to our own IT systems six months

ago are now bedded in and are beginning to show the benefits we hoped they would bring to our business.

However, we do completely understand that some clients have found it more difficult to deal with us in a digital way than others and we are doing as much as we can to facilitate each client's needs on an individual basis.

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Property Corner

New HMO Licensing Rules

From 1 October 2018, the licensing requirements for houses in multiple occupation (HMO) are changing. All properties with five

or more people from two or more separate households will require an HMO licence. At present, a licence is only required if the

property has three or more floors, but that will no longer be the case. Minimum space requirements are also being increased.



Minimum Energy Efficiency Standards (MEES)

These new regulations came into force on 1 April 2018 and require all properties for which a new tenancy is granted to have an EPC rating of at least E.

Properties with existing tenants will need to be compliant by 1 April 2020, or when the

tenant changes, if earlier. Similar rules apply to commercial properties but, for existing tenancies, only from 1 April 2023.

Where improvements are required to meet the new minimum standards, finance may be available under "The

Green Deal" to assist with the cost. These loans are repaid through the electricity bills of the improved properties based on the savings achieved, but this does require the express permission of the tenant if they are responsible for payment.

HMRC Alters Guidance to Deny Interest Relief

HMRC have changed their previously published guidance to deny interest tax relief where a rental property has been re-mortgaged and the equity released has been withdrawn from the property business and used for other purposes. Previous guidance indicated that

HMRC were happy to give relief provided the new mortgage did not exceed the value of the property when it was first let, but the revised new guidance confirms this will only be the case if the cash raised was used "wholly and exclusively for the purposes of the letting business"

i.e. re-invested in it. It is likely the revised guidance now correctly reflects the strict legal position, but HMRC is usually bound by its previous guidance. However, they are trying to resist this, although some affected taxpayers may now pursue litigation to resolve the matter.

*"all letting agents
to be both qualified
and regulated"*

Proposed New Minimum Electrical & Fire Safety Regulations

The Government was already planning to introduce new minimum standards for electrical and fire safety, but

these are likely to be increased as a result of the Grenfell tragedy. It is likely they will include the requirement for an

electrical safety certificate every five years and are likely to extend the existing gas and fire safety rules.



Tighter Regulation of Landlords and Letting Agents

The Government also has plans to make landlords in the private rented sector subscribe to an industry ombudsman scheme and to require

all lettings agents to be both qualified and regulated. It is perhaps surprising that anyone can currently call themselves a letting agent

and handle client money without following any rules at all, so these changes should be welcomed if they are introduced.

Making Tax Digital (MTD) update

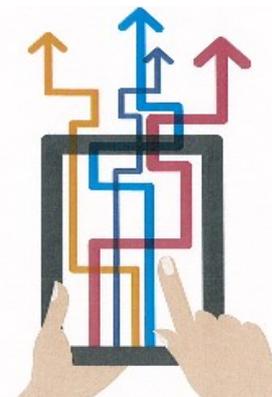
HMRC have issued detailed guidance in VAT Notice 700/22 "Making Tax Digital for VAT" which confirms the new rules all VAT-registered businesses whose current turnover exceeds the VAT registration limit of £85,000 must follow with effect from the first return period commencing on or after 1 April 2019. HMRC will also be writing directly to VAT-registered businesses in the next month or so drawing their attention to these new requirements.

Those clients already using commercial soft-

ware to maintain their business records will receive offers of MTD compliant upgrades from their suppliers over the next few months and will need to apply for these if they will now be subject to MTD for VAT, as their future VAT returns will need to be submitted in a different way directly from the software.

We are already trying to identify clients who are not currently using MTD compliant software and assisting them to find a suitable solution going forward. However, if you are not sure about

your own situation, please contact us to discuss in more detail. One benefit of Brexit, is that HMRC have had to delay their plans for extending MTD to other taxes, at least until April 2020, although they remain determined to introduce this for both Income Tax and Corporation Tax at some future point.



"HMRC will be writing to all VAT Registered businesses"

Property Corner

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Cash Basis for Landlords

For individuals and for 2017/18 Tax Returns onwards, the default basis for the taxation of rental income has changed from the "accruals" basis (rent due and expenses incurred for the year) to the "cash" basis (rent received and expenses paid in the year) where total income is less than

£150,000 for the year. Transitional provisions apply in the year of change and taxpayers can elect to continue to apply the traditional accruals basis if they wish to. As we prepare our clients' returns, we have been assessing which basis will be best to use going forward and making elections where appropriate.

Staff News

As a firm we have continued to be extremely busy and this has led to us taking longer than usual to prepare accounts in particular, but we are addressing this by recruiting new staff.

We were therefore delighted when Amy Dedman joined us at the beginning of July and she has already made a significant contribution to helping us to clear our back-log.

We continue to search for another person to join us, but good candidates are a little thin on the ground at the moment, so this may take some time.



Amy Dedman

This and That

Class 2 National Insurance to continue

Earlier this month, the Treasury unexpectedly announced that Class 2 NIC will not be abolished from 6 April 2019 as originally planned. This is good news for self-employed individuals with income currently below the small earnings profits threshold of £6,205, as by choosing to make voluntary contributions of just £2.95 per week, Class 2 NIC provides an extremely cheap way of obtaining, or increasing, entitlement to the State Pension and other State benefits.

Advisory Fuel Rates for Business Mileage

From 1 September 2018 (previous quarter in brackets)

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

New Reverse Charge for VAT and Building Contractors

In an effort to tackle missing trader fraud within the construction industry, new rules are due to come into effect on 1 October 2019 that will require VAT-registered builders, contractors and other traders associated with the building industry to apply a new reverse charge mechanism. Under the new rules, supplies of standard or reduced-rated building services between Vat-registered businesses in the supply chain will be subject to a reverse charge for VAT purposes. The main contractor will be required to account for the output tax due on the services provided by subcontractors.

Instead of paying the subcontractor inclusive of VAT, the main contractor will pay the subcontractor net of VAT, which it will retain and declare to HMRC, but at the same time claim as input VAT (if eligible). This will only apply to main contractors who use subcontractor services to make a further supply of building services to their clients and not to end users such as private clients, retailers and

landlords. It will also not apply to supplies between connected businesses.

The new rules will apply to all construction operations that currently fall within the Construction Industry Scheme (CIS) definitions from which the draft legislation has been directly lifted and will include the same exclusions.

Help to Save – Up to £1,200 for Nothing!

These new style savings accounts are now available and the Government have issued detailed guidance which is available at www.gov.uk/get-help-savings-low-income. The account will allow certain people entitled to Working Tax Credit or receiving Universal Credit to get a bonus of 50p for every £1 they save over a period of four years. The bonuses are to be paid at the end of years two and four and are based on the total amount saved. Up to £50 per month can be saved, so the maximum amount is £2,400 of savings, which will generate a maximum bonus of £1,200.