



WALKER & Co.

CHARTERED ACCOUNTANTS
AND REGISTERED AUDITOR

Tax E-News

Welcome to our monthly newswire. We hope you find this newsletter useful. Please contact us if you would like to discuss any matters further.

August 2018

MAKING TAX DIGITAL FOR VAT GUIDANCE ISSUED

HMRC have now issued their detailed guidance on the digital record keeping and return requirements for Making Tax Digital (MTD) for VAT.

VAT Notice 700/22 clarifies that spreadsheets may still be used to keep business records provided that there is bridging software that links to the Government gateway.

There will however be a one year “grace” period during the first year of MTD when businesses will not be required to have digital links between software programs, referred to in the VAT Notice as a “soft landing”.

The VAT notice includes a number of helpful examples illustrating different accounting systems and the digital links required to comply with MTD for VAT.

The VAT notice is essential reading for all VAT registered businesses.

WHEN DOES MTD FOR VAT START?

The Making Tax Digital rules apply from your first VAT period starting on or after 1 April 2019. A ‘VAT period’ is the inclusive dates covered by your VAT Return.

For example, where a business submits quarterly returns covering the periods to 28 February, 31 May, 31 August and 30 November, the business will need to comply with Making Tax Digital rules for the VAT quarter starting 1 June 2019 and ending on 31 August.

“SOFT LANDING” FOR MTD FOR VAT FOR THE FIRST YEAR

For the first year of MTD for VAT (VAT periods commencing between 1 April 2019 and 31 March 2020) businesses will not be required to have digital links between software programs. The one exception to this is where data is transferred, following preparation of the information required for the VAT Return, to another product (for example, a bridging product) that is Application Programme Interface (API) - enabled solely for the purpose of submitting the 9 Box VAT Return data to HMRC. The transfer of data to this product must be digital.

For the first year of MTD for VAT (VAT periods commencing between 1 April 2019 and 31 March 2020), where a digital link has not been established between software programs, HMRC will accept the use of cut and paste as being a digital link for these VAT periods.

However, for VAT periods starting on or after 1 April 2020, there must be a digital link for any transfer or exchange of data between software programs, products or applications used as functional compatible software.

USE OF SPREADSHEETS IN PREPARING VAT RETURNS

Example 3 in the VAT Notice describes a business that uses a spreadsheet and bridging software from April 2019, which allows the information to be transferred to HMRC via an API. It uses a spreadsheet to record all sales, purchases, and expenses in a digital format. The VAT Return is then prepared within the spreadsheet, using formulae already written into the spreadsheet.

The VAT Return information is then sent via a mandatory digital link to bridging software, which digitally

submits the information directly to HMRC. Example 6 shows how a spreadsheet would be acceptable in order to consolidate VAT information prior to submit a Group VAT return.

If you haven't already done so, please contact us to help you get ready for this significant change in VAT accounting and reporting.

RULES FOR "RENT A ROOM" RELIEF TO BE TIGHTENED UP FROM 6 APRIL 2019

HMRC propose to restrict the availability of "rent a room" relief to situations where the taxpayer is living in the let property for at least some of the time that the accommodation is let. Hence renting out a house during Wimbledon fortnight while the owners are absent would not qualify from 6 April 2019!



Rent-a-room relief was introduced in 1992 to encourage individuals to make spare capacity in their homes available for rent. The government intended this to increase the quantity and variety of low-cost rented accommodation, giving more choice to tenants and making it easier for people to move around the country for work.

Currently rent-a-room relief gives relief from income tax for up to £7,500 of gross rental income to individuals who let furnished accommodation in their only or main residence.

SPREADING THE 2019 LOAN CHARGE

Last month we alerted you to the requirement to register with HMRC by 30 September 2018 in order to settle on preferential terms before the outstanding loan charge arises on 5 April 2019.

This new tax charge applies to any outstanding loans that exist as a result of a disguised remuneration tax avoidance scheme used by your employer such as those involving Employee Benefit Trusts (EBTs).

HMRC have now announced a spreading provision that will allow individual taxpayers with total income of no more than £50,000 in 2018/19 to spread the charge over 5 years

CGT ON PROPERTY SALES DUE WITHIN 30 DAYS FROM 2020

Draft legislation in the next Finance Bill will introduce significant changes to the reporting of residential property disposals and the payment of CGT from 6 April 2020.

Currently non-UK resident taxpayers disposing of UK residential property are required to report the disposal to HMRC within 30 days. The new legislation extends this reporting obligation to UK resident taxpayers and at the same time will introduce a new payment on account regime.

This is yet another attack on buy to let landlords who currently pay CGT on property disposals on 31 January following the end of the tax year in which the disposal took place so this change will be a significant acceleration of the payment date.

WELSH INCOME TAX STARTS 6 APRIL 2019

From 6 April 2019, the Welsh Government (like the Scottish Government) will be able to set and vary the rate of Income Tax paid by Taxpayers who live in Wales.

As in Scotland the system will be administered by HMRC. Taxpayers resident in Wales who are employed or in receipt of a taxable pension will have the letter "C" as a pre-fix to their tax code to ensure the correct amount of tax is deducted under PAYE.

ASK ALEXA TO CONTACT HMRC FOR HELP

HMRC has launched new and innovative technology to help more than 3 million customers renew their tax credits. HMRC has developed a customer-focused service through Amazon Alexa specifically for those seeking help with their tax credits renewals.

Customers with Amazon Alexa-enabled devices can ask Alexa to 'open HMRC' and ask for help and information with a change of circumstances, payment information, or a renewal. No personal information is stored on Alexa and customers cannot renew their tax credits using Alexa.

It's just one part of HMRC's growing online services. Tech-savvy customers can also use the HMRC App on their smartphone to:

- renew their tax credits
- check their tax credits payments schedule
- find out how much they have earned for the year

DIARY OF MAIN TAX EVENTS AUGUST / SEPTEMBER 2018

Date	What's Due
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1/08	Corporation tax for year to 31/10/17 (unless pay quarterly)
19/08	PAYE & NIC deductions, and CIS return and tax, for month to 5/8/18 (due 22/08 if you pay electronically)

1/09	Corporation tax for year to 30/11/17 (unless pay quarterly)
19/09	PAYE & NIC deductions, and CIS return and tax, for month to 5/8/19 (due 22/08 if you pay electronically)