Taxation News

CHARTERED ACCOUNTANTS

Regular News from our Specialist Tax Team

WINTER 2018

Have you paid your tax?

31 January 2018 is the deadline for payment of balancing tax liabilities for 2016/17 together with first payments on account (POA) towards 2017/18 tax liabilities. This is the same as the deadline for filing 2016/17 self-assessment tax returns online with HMRC.

HMRC automatically charge a penalty of £100 for any late returns, with additional penalties charged for returns more than 3 months late. HMRC also charge penalties for late payment with interest charged on any payments not made by the deadline and a further 5% surcharge applied to balancing payments paid more than 30 days late.

HMRC have made some important changes to the way they accept payments of individuals' self assessment tax liabilities. Since 15 December 2017 HMRC have not accepted payments made at the Post Office, and from 13 January 2018 they no longer accept payment by personal credit card. Payment cannot be made by credit card as HMRC are no longer permitted to charge fees for payment by credit card. As a public funded body, HMRC is unable to absorb the cost of personal credit card fees as this would ultimately mean charging the fees back to customers through the public purse. However, payments by debit cards and corporate credit cards continue to be accepted.

HMRC are also encouraging all customers to pay using the following methods as these are more secure and may save you time and expense:

- Direct Debit
- Online or telephone banking (including Faster Payments, BACS & CHAPS)

Where electronic payment is not possible, payments can still be made at bank branches (with a payslip) and cheque payments for Self Assessment tax can still be posted to HMRC.

You can find more information about paying HMRC at *www.gov.uk/pay-self-assessment-tax-bill*

Budget Update

UK Budget

The Chancellor, Philip Hammond, delivered his latest Budget on 22 November 2017. Whilst it was a relatively low key Budget with little in the way of major changes, there were a number of announcements that UK taxpayers should be aware of as detailed below:

Individuals

- The personal allowance is set to rise from £11,500 to £11,850 for 2018/19 – this rise is in line with the Conservative party's pledge to set a personal allowance of £12,500 by 2020
- The basic rate threshold for 2018/19 will rise from £45,000 to £46,350 (this does not apply to Scottish rate taxpayers, please see below)
- The National Living Wage for over 25 year olds is set to rise from £7.50 to £7.83 from 1 April 2018, representing an annual pay rise of at least £600 for a full time worker
- From 22 November 2017, first time buyers will pay no SDLT on the purchase of their main residence up to £300,000. The first £300,000 will still be exempt for purchases up to £500,000, but no relief will be available where the purchase price is in excess of £500,000 (different rules apply for properties purchased in Scotland, please see below)

Businesses

- From 1 January 2018, R&D relief for companies claiming under the RDEC scheme will rise from 11% to 12%
- Indexation allowance for companies will be removed from 1 January 2018, meaning any disposals after that date will only benefit from indexation allowance up to 31 December 2017
- Rumours of a lower VAT registration threshold proved unfounded, with the Chancellor confirming that the threshold would remain unchanged at £85,000 until 1 April 2020
- The existing company car tax diesel supplement will increase from 3% to 4% from April 2018

Scottish Draft Budget

On 14 December 2017 Finance Secretary Derek Mackay delivered the 2018/19 Scottish Draft Budget.

Income tax

The Scottish Government has the power to set the rates and bands of income tax (other than those for savings and dividend income) which apply to Scottish taxpayers. Since 6 April 2016 the rates of Scottish income tax have been the same as the rest of the UK, at 20% for basic rate taxpayers and at 40% and 45% for higher and additional rate taxpayers respectively. For 2017/18 the higher rate threshold in Scotland is £43,000 whilst the threshold in the rest of the UK is £45,000, meaning that a Scottish higher rate taxpayer will pay £400 more tax in 2017/18 than a higher rate taxpayer in the rest of the UK, being £2,000 at the marginal rate of 20%.

For 2018/19 the rates and tax bands applicable on non-savings and non dividend income will be as follows:

Scottish Bands	Scottish Rates	Rates for the rest of the UK
Up to £11,850 (if entitled to full personal allowance)	0%	0%
Over £11,850 - £13,850	19%	20%
Over £13,850 - £24,000	20%	20%
Over £24,000 - £44,273	21%	20%
Over £44,273 - £150,000	41%	20% up to £46,350 40% Over £46,350 - £150,000
Over £150,000	46%	45%

For 2018/19 Scottish taxpayers with employment income of £26,000 will pay the same amount of income tax as those with a similar income in the rest of the UK. For a taxpayer earning £150,000, a Scottish taxpayer will pay an extra £1,770 of income tax compared with those on a similar income in the rest of the UK.

Another effect of the new Scottish bands is that a Scottish taxpayer earning between £24,000 and £44,273 will receive more pension tax relief. However, they will need to complete a tax return to obtain the full 21% (i.e. additional 1%) on personal contributions.

LBTT

The Scottish Government announced that they will also introduce a new Land and Buildings Transaction Tax (LBTT) relief for first-time buyers of properties up to £175,000. The relief will raise the zero tax threshold for first-time buyers from £145,000 to £175,000. According to the Scottish Government, 80% of first-time buyers in Scotland will pay no LBTT at all. The Scottish Government also announced that first-time buyers buying a property above £175,000 will also benefit from the relief on the portion of the price below the threshold. They also announced that they will launch a consultation on the policy before introducing the first-time buyer relief in 2018/19.

Good taxkeeping

With spring hopefully fast approaching, now is a good time to take a fresh look at your financial planning to ensure you have used the available exemptions and allowances before the 5 April deadline.

Capital Gains Tax (CGT) exemption is perhaps the most under used. This allows individuals to crystallise capital gains of up to £11,300 free from CGT. With strong investment growth from many assets classes over the last few years, this may be a good time to recycle gains.

You should also consider using ISA and pension allowances. An ISA is a highly tax efficient wrapper which allows individuals to shelter their capital from Income Tax and CGT. The allowance is £20,000 and this can be deposited in a cash account or invested in stocks and shares.

The pension annual allowance is £40,000. If this is paid personally tax relief is available at the individual's highest marginal rate. A basic rate tax payer will receive tax relief of £8,000 (20%), a higher rate tax payer £16,000 (40%) and an additional rate tax payer £18,000 (45%). If the contribution is paid from a limited company, it could reduce the Corporation Tax bill by £7,600. It should be noted, however, that if an individual's relevant income exceeds £150,000 their annual allowance is reduced by £1 for every £2 their income is over the limit, down to a minimum £10,000. In some circumstances it may also be possible to carry forward unused allowances from the previous three tax years.

If you have already used the above allowances all is not lost. There are other types of investments such as Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EIS) that benefit from income tax relief. These vehicles invest into small, fast growing companies in the UK and the government encourages investment by offering Income Tax relief of 30%. These types of investment also have other benefits ranging from tax-free dividends to Inheritance Tax relief but the risks inherent in such investments should not be overlooked.

This article has been provided by Douglas Considine, director of Balmoral Asset Management Limited. Please call your normal EQ contact if you would like to be introduced to Balmoral to find out more.

2017 – what a year, but there's more to come

As one year finishes and another starts, we all like to reflect on the previous year and set new year resolutions. We've set out below some of our achievements in 2017 and what our objectives are for 2018.

What did EQ Taxation achieve in 2017?

- Over 60 successful Research & Development Tax credit claims, with our team of seven delivering more than £3 million in tax savings for our clients
- Restructuring for more than 50 clients to accommodate legislative changes
- Over 15 new tax only clients recruited, where EQ are not the business accountants but are the appointed tax advisers
- Our corporate finance colleagues have delivered over £225m of debt restructuring and over £65m of business sales and acquisitions, with our taxation team dealing with the significant tax consequences of these transactions

The foregoing are only the highlights as EQ Taxation continues to expand its breadth of service and expertise. 2018 promises to be an exciting year for the firm. Here are just a few of our objectives:

- First and foremost, continue to look after our existing clients and ensure they receive a first class service
- To build on the creation of specialist teams to add further expertise to the firm
- To continue to provide members of the tax team with first class training to build skills
- To secure more tax only appointments and cement our reputation as one of the leading tax providers in Scotland

If you don't know EQ Taxation, we'd love to introduce ourselves to you. Come and meet with one of our advisers, or get in touch with one of our specialist teams:

- Employer advisory
- Estate and succession planning
- International tax
- Technology tax (R&D tax credits)
- Property tax
- Corporate finance tax

No matter what your tax needs are, EQ Taxation can help.

Farming Scotland Conference

The 15th annual Farming Scotland Conference will take place on Thursday, 8 February 2018 at Carnoustie, Angus, with a focus on innovation and sustainable farming. For information on speakers and to book your place please go to **www.farmingscotlandconference.co.uk** or contact Mary Campbell on 01307 474274. Delegate prices are £70 (including lunch) or £45 (without lunch).

Working with you.

We are always happy to offer free, no obligation, initial consultations, and often act on a consultancy basis only.

For more information on any of the services outlined in this bulletin, or to discuss a particular issue with one of our advisers, please contact our Taxation specialists.

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