

CLIENT NEWSLETTER

2017



MAKING TAX DIGITAL (MTD)

HMRCs Making Tax Digital programme is expected to be the biggest change to the UK's tax system since PAYE was introduced in 1945. Over the next 3 or more years it will initiate a phased transition of businesses over to maintaining digital accounting records. Those businesses will be required to submit digital summaries of their income and expenditure to The Treasury.



The journey starts with Beta testing in April 2017, in preparation for MTD going live in April 2018 with the self employed, partnerships and landlords with a turnover above the annual VAT threshold. After that all businesses (including limited companies) will need to comply with MTDs requirements by 2020. It is expected that this in turn will result in businesses being required to make quarterly tax payments during the next parliament.

MTDs roll schedule

- April 2017, starts with a Beta rollout for a selected few individuals to begin with, followed by more as the year to April 2018 develops.
- April 2018, for businesses who have profits chargeable to income tax and pay class 4 national insurance and have turnovers in excess of the VAT threshold.
- April 2019, for businesses who have profits chargeable to income tax and pay class 4 national insurance and their turnovers are below the VAT threshold but above £10,000.
- April 2019, for businesses who are registered for and pay VAT.
- April 2020, for businesses who pay Corporation Tax (CT).

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RESEARCH AND DEVELOPMENT R&D

Research and development (R&D) by companies is being actively encouraged through a range of tax incentives including an increased deduction for R&D revenue spending and a payable R&D tax credit for companies not in profit. At TAS, we can provide R&D advice for your company in Northern Ireland.

Research and development (R&D) by UK companies is being actively encouraged by Government through a range of tax incentives. The government views investment in research and development ('R&D') as a key to economic success. It is therefore committed to encouraging more smaller and medium sized ('SME') companies to claim R&D tax relief.

The incentives are **only available to companies** and include:

- increased deduction for R&D revenue spending and
- a payable R&D tax credit for companies not in profit.

The government is committed to improving access to R&D highlights the need for more SME companies to understand what relief is available and how the process of claiming tax relief works. Recent changes to R&D scheme rates have increased the relief available so a clear understanding is needed to ensure that companies are aware of how the tax rules work.

In the Autumn Statement 2016 the Chancellor highlighted that research and development is a key driver for economic growth and has committed to an extra £2 billion a year of additional funding by 2020/21. The government will also review ways to build on the 'above the line' tax credit which is covered in the section on Research and Development Expenditure Credit scheme below.

WHAT ARE THE TAX RELIEFS AVAILABLE FOR SME COMPANIES?

A company can claim enhanced deductions against its taxable profits for expenditure which is qualifying R&D expenditure. The amount of the enhancement has increased over the years. The rate was 125% for expenditure incurred before 31 March 2015 and has increased to 130% from 1 April 2015. This amount is in addition to the actual expenditure (i.e. a 230% total deduction from 1 April 2015). R&D enhanced relief represents an additional corporation tax reduction of 26% of the expenditure incurred.

If the R&D claim creates a tax loss, then the company may be able to surrender the loss for a cash repayment. This is 14.5% for expenditure incurred on or after April 2014. A surrendered loss could therefore give a repayment of up to 33.35% of the expenditure.

Where the company incurs qualifying R &D expenditure before it starts to trade, it can elect to treat 230% of that expenditure as a trading loss for that pre-trading period.

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The pre-trading loss created by the R&D relief can then be surrendered, as above, which could provide much needed cash flow for new companies.

Qualifying R&D capital expenditure incurred by a company would be eligible for 100% research and development allowance.

HELPING SMALLER COMPANIES

Following consultation, the government introduced in November 2015 a voluntary Advanced Assurance scheme for small businesses making their first claim. Successful applicants will receive assurance that HMRC will allow their first three years of R&D tax relief claims without further enquiry.

In addition, there will be new bespoke guidance aimed at smaller companies and more direct communication between HMRC and companies that are already claiming, or thinking about claiming, R&D tax relief.

METHODS OF CLAIMING TAX RELIEF

Companies can claim R&D tax relief in the tax return for the period when the expenditure is charged in the accounts of the company. HMRC have specialist offices which are able to offer advice on R&D claims.

HOW WE CAN HELP

Obtaining tax relief for companies incurring R&D expenditure can only be achieved if the relevant conditions are met. It is therefore vital that professional advice is sought at an early stage. If your company is in the Northern Ireland area we would welcome the chance assist you in this area. Please do not hesitate to contact us at TAS.

DIVIDEND TAX BLOW FOR SHAREHOLDERS AND COMPANY OWNERS

Company owners who pay themselves in the form of dividends rather than salary will see their tax-free allowance more than halved from £5,000 to £2,000. The reduction in allowance will come into effect in April 2018. The change is part of a wider aim to bring the taxation of self-employed people and small business owners more in line with the tax paid by employees. Half the people affected are director shareholders or private companies and the other half are investors.



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FUNNY MONEY

There's nothing more inspirational than a good quote and there's nothing more funny than a good quote too.

Here are some funny and inspiration money quotes that money can buy. Okay, not really:

- Money, if it does not bring you happiness, it will at least help you be miserable in comfort.
- The safest way to double your money is to fold it over and put it in your pocket.
- A bank is a place that will lend you money if you can prove you don't need it.
- Dogs have no money. Isn't that amazing? They're broke their entire lives. But they get through. You know why dogs have no money?.... No pockets!
- Intoxication: Euphoria at getting a refund from HMRC, which lasts until you realise it was your money to start with.
- I'm so poor I can't even pay attention.
- Someone stole all my credit cards, but I won't be reporting it. The thief spends less than my wife did.

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