



# CLIENT NEWSLETTER JUNE 2018

## GENERAL DATA PROTECTION REGULATION (GDPR)

### What is the GDPR?

The General Data Protection Regulation (GDPR) is a regulation in EU law on data protection and privacy for all individuals within the European Union. It addresses the export of personal data outside the EU.

### What does GDPR mean for my business?

The General Data Protection Regulation is likely to impact smaller businesses as they are unaware of the new legislation and will potentially be hit with large fines when it starts being enforced.

### What information does the GDPR apply to ?

The GDPR applies to “personal data”. For most organisations, keeping HR records, customer lists or contact details even IP addresses. It applies to both automated personal data and manual filing systems where personal data is accessible according to specific criteria.

### How long can you keep personal data?

How long certain kinds of personal data should be kept is governed by specific business sector requirements and agreed practises. For example, credit references agencies are permitted to keep credit data for six years.

### What is a breach of data protection?

A data breach is a confirmed incident in which sensitive, confidential or otherwise protected data has been accessed and/or disclosed in an unauthorised fashion. Data breaches may involve personal health information, trade secrets or intellectual property.

### How can security breaches be avoided?

Ensure proper physical security of electronic and physical restricted data wherever it lives. Lock down workstations and laptops as a deterrent. Secure your area, file and portable equipment before leaving them unattended. Don't leave papers, computers or other electronic devices visible in an empty house or car.

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## MID YEAR TAX PLANNING

Most people don't include tax planning on their summertime agenda, but maybe they should. The problem with waiting until the end of the year is that you reduce the time for planning strategies to take effect. If you take the time now to schedule a mid year tax planning review you will see the benefits for your business.

Mid year tax planning checklist:

- Have you taken full advantage of your annual pension contribution allowance? This is particularly beneficial where your income falls between £100,000 and £123,000.
- Where possible have you made use of your personal savings allowance £11,850 (2018/19) and the dividend tax-free rate band of £2,000 (2018/19)?
- Are you considering selling an asset that is subject to Capital Gains tax? If so, have you considered transferring a share in the asset to your spouse in order to benefit from two annual tax-free allowances, or deferring the disposal until the following tax year?
- Have you thought about transferring income-generating assets to your spouse if they earn less than you? Doing so could potentially lower your collective tax liability.
- Following changes to mortgage interest deductions, have you explored the tax implications on your rental property?



### Property & Trading income allowances

Two new allowances of £1,000 each are available to exempt small amounts of property income or trading income from 2017/2018 onwards.

Individuals with property income or trading income below the level of the allowance will no longer need to declare or pay tax on that income.

Where the gross income exceeds the £1,000 allowance, the individual can either deduct expenses as normal, or deduct the allowance from their gross income (in which case your other expenses cannot be deducted).

This exemption cannot be used against income from your own company, or a partnership in which you are a partner.

### DEADLINES

#### TAX

The deadline for making your second payment on account is 31 July 2018. Please ensure any tax you owe is paid by this date to avoid any interest from HMRC.

#### TAX CREDITS

If you have been sent an annual declaration, renew your tax credits claim as quickly as possible.

The sooner you renew, the sooner the Tax Credit office can work out your payments for the coming year. You need to reply by 31 July 2018, or the deadline shown on your renewal pack. If you don't the Tax Credit office will stop your tax credit payments.

#### COMPANIES

Any companies with a year end of 30 September must have their accounts filed by 30 June 2018 and any tax due paid by 1 July 2018.



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## HMRC investigations are on the increase

HMRC tax investigations are not an experience the average business owner wants to endure. HMRC tax investigations are stressful, lasting 16 months on average costing over £5000 in professional fees. They are almost a nightmare scenario, often not because you have actually done something wrong, but simply because you'll be forced to manage your side of the investigation. Unfortunately, you cannot totally eliminate the threat of a tax investigation. HMRC does occasionally conduct audits at random, with no conceivable trigger other than your business' name popping up on their RNG machine.

However, while you cannot guarantee that you will not be investigated, you can certainly take steps to minimise the possibility.

HMRC is famously cagey about the criteria of a tax investigation, but given the number of years they've been carried out and the amount of businesses investigated, we do know about a few red flags that can trigger a government audit.

### 1. HMRC gets a tip-off

HMRC will never admit to this and it will always tread lightly upon getting such information, but it is largely accepted that a tip-off to dodgy tax practices can be catalyst for an investigation.

### 2. Numbers fluctuate by large margins

Businesses rarely pull in the exact same figures year-on-year, that is a given. But it is also rare that margins fluctuate massively, too.

### 3. Years of unprofitability

So, you've been in business for years and somehow have yet to turn a profit. This isn't an impossibility, especially if you have a lot of investment to carry you through. However, if year after year you are handing HMRC a nice, fresh tax return that claims you don't owe a penny of tax, investigators are going to wonder why and how you are still operating. If you hope to avoid HMRC getting involved, inform them of the reasons of your unprofitability.

### 4. Omission of income

HMRC isn't just taking in your returns and investigating you. It's dealing with millions of other businesses too. If your business involves working and engaging in transactions with other businesses, your fingerprints are all over their finances. This applies to banks and lenders on interest as well. Many business owners are tempted to miss off payment here and there; to omit certain things from their tax return. The chances are that it won't get noticed on your tax return, but the more webs you weave with other businesses, the riskier this practice becomes. If you fail to declare you were paid interest, for example, and it comes up during an investigation from the company which paid you interest, HMRC is going to flag this.

They'll be forced to investigate this discrepancy.

Avoidance relies on keeping your returns honest, so that no discrepancies exist to flag.

### Protecting you against the worry and cost of a HMRC investigation

Those of you who have signed up to our fee protection service have the security of knowing we can dedicate all the time and resources needed to represent you without the worry about the unexpected costs.

It's not too late to considering joining so please give Kelley Brown a call on 02882 247546 to join or for more information.

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## FUN STUFF

### Farmer's Joke

The old favorite farmer's joke tells of the farmer's daughter who was engaged to be married to a bright and polished young solicitor. When she first brought her fiancé to visit the home her father engaged in conversation with the young man about his success with his crops.

'I have rhubarb sticks like baseball bats,' he said. 'And how do you get them to grow so big,' asked the young man.

'Oh, loads of manure,' answered the farmer. 'And my turnips are as big as footballs.'

'And to what do you attribute your success with turnips?' asked the young solicitor. 'Oh loads of manure,' said the farmer again.

'Loads of manure,' was the secret of the success of the farmer's cabbage, parsnips and every other crop that he spoke to the young man about. When the evening was over an embarrassed daughter called her mother to the kitchen and, almost in tears, begged her to get her father to use the word 'fertiliser' when in polite company. Her mother's answer was: 'If you only knew how long it took me to get him to say "manure".'

### Construction Jokes

#### Death Row

A chemist, a biologist and an electrical engineer were on death row waiting to go in the electric chair.

The chemist was brought forward first. "Do you have anything you want to say?" asked the executioner, strapping him in. "No," replied the chemist. The executioner flicked the switch and nothing happened.

Under State law, if an execution attempt fails, the prisoner is to be released, so the chemist was released.

Then the biologist was brought forward. "Do you have anything you want to say?" "No, just get on with it." The executioner flicked the switch, and again nothing happened, so the biologist was released.

Then the electrical engineer was brought forward. "Do you have anything you want to say?" asked the executioner. "Yes," replied the engineer. "If you swap the red and the blue wires over, you might make this thing work."

#### Builders Understand

Four surgeons are discussing who makes the best type of surgery patient.

The first surgeon says, "I like to see accountants on my operating table, because when you open them up, everything inside is numbered."

The second responds, "Yeah, but you should try electricians! Everything inside them is colour coded."

The third surgeon says, "No, I really think librarians are the best; everything inside them is in alphabetical order."

The fourth surgeon chimes in: "You know, I like Builders. They seem to understand when you have a few parts left over at the end and, when the job takes longer than you said it would."

#### Green Side Up

Bob the builder was going through a house he had just built with the woman who owned it. She was telling him what colour to paint each room. They went into the first room and she said "I want this room to be painted a light blue." The builder went to the front door and yelled "GREEN SIDE UP!"

When he went back into the house, she told him that the next room was to be bright red. The builder went to the front door and yelled "GREEN SIDE UP!"

When he went back into the house, she told him that the next room was to be tan. The builder went to the front door and yelled "GREEN SIDE UP!"

When he came back, the lady was pretty curious, so she asked him "I keep telling you colours, but you go out the front and yell green side up; what is that for? The builder said, "Oh don't worry about that, I've got a couple of subcontractors laying the turf out front."