



## Double delight for new Mark J Rees partners

**The promotion of a new partner is a special moment for the person involved and for the whole Mark J Rees family. So, to be announcing the making of not one but two new partners is cause for double celebration.**

From December 1, Matt Vice and Phil Bott expand the number of our partners to eight – and all eight have come through the ranks at Granville Road.

Both originally from Leicester, Matt and Phil have a combined 38 years of service at Mark J Rees where they each achieved chartered status. Matt has been with us for 23 years, after joining aged 18 as a trainee. Matt, who lives in Stoughton, said: “When you start out in this career, becoming a partner is what you like to imagine could happen. It’s really rewarding that it’s happened here at Mark J Rees, having joined as a teenager and I hope it’s hugely encouraging to our trainees and juniors of today.”

Phil joined us 15 years ago after graduating from Birmingham University. He progressed through the practice from trainee. Phil, who lives in Syston, said: “Being a partner has always been an aspiration. That level of progression has always happened here. All the partners have done the same which is a hallmark of Mark J Rees.”

As well as continuing to expand their client portfolios, both new partners will take on practice responsibilities alongside existing partners Stewart Collier, Richard King, Paul Hollinshead, Mark Harrison and the most recently promoted partners Andy Turner (2008) and Wes Scales (2012).

Matt will spearhead cloud accounting at Mark J Rees and lead our liaison with the UK & international accounting network HCWA. Phil will develop our specialism in advising not for profit organisations, including charities.

Stewart Collier said: “Both Matt and Phil are totally dedicated to their clients and to the practice. They are so focused on their clients’ needs and always have been. Everyone in the firm can see what the new partners have achieved and will know that with commitment and hard work they too can progress and could one day be partners.”



L to R: New partners Matt Vice and Phil Bott

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### Season's Greetings!

Everyone at Mark J Rees sends you every good wish for Christmas and the New Year! Our charitable donation, in lieu of sending cards this year, will benefit Steps, Leicestershire Conductive Education Centre in Shepshed.

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Andy Turner FCA FMAAT  
Wes Scales FCA FMAAT  
Matthew Vice ACA  
Phil Bott BSc(Hons) FCA

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David Richardson FCA CTA  
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David King DipPFS  
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#### Managers

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\*Partner\* refers to a director of a corporate member.

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# Are you getting it right on rent?

**Between 1.75 and 2 million people are UK landlords, the majority of whom are private individuals with just a single rental property.**

HM Revenue & Customs (HMRC) has been running a let property campaign for several years and has recently updated its examples of errors landlords often make.

**Moving in together:** You might have moved in with your partner and decided to rent out your own property rather than selling it. Even though your rental income is only just covering mortgage payments, you may still be making a profit. When calculating rental profit, only the interest element of mortgage payments is an allowable expense, and it is restricted for higher rate taxpayers.

**Property bought as an investment:** You may have bought a property jointly with the aim of renovating and then renting out. The rental expenses have to be divided between you properly. You cannot just allocate all the allowable expenses to whichever of you is paying tax at the higher rate to minimise the tax.

**Divorce:** You could have rented out your jointly owned property, with each of you then moving into smaller accommodations. Again, the rental profit will be taxable and will normally be split between you, based on your

respective shares in the property. You will both have to declare your share of the profit.

**Care home:** Perhaps your parents have moved into a residential care home, and, in order to pay the care home fees, have rented out their property. The rent is still taxable even if all the rental profit received is going towards the fees. Care home fees are not an allowable expense.

**Property bought for a child at university:** If your son or daughter stays rent-free, then there are no tax consequences. However, should rent-paying friends move in with them, the situation changes – even if the arrangement with the flatmates is informal.

If any of these situations apply to you, then please get in touch. It may be necessary to inform HMRC about any undeclared rental profit by making a voluntary disclosure – probably going back for up to six years. This will avoid the risk of higher penalties down the line if HMRC subsequently discovers the omission.



# Keeping up with employment and pension measures

**The September 2017 Finance Bill contains two measures that will affect both employers and employees.**

## Termination payments

Originally announced in the 2016 Budget, the new rules will now come into force from 6 April 2018 and introduce a new concept of post-employment notice pay (PENP). This effectively excludes from the £30,000 exemption any amounts that would have been subject to PAYE and national insurance contributions (NICs), if the employment had continued. It will do away with the distinction between contractual and non-contractual payments in lieu of notice (PILONs), and may result in tax on payments of compensation for loss of office.

Also from 6 April 2018, all taxable termination payments will be subject to employer's NICs. So in the example opposite, Stephanie's employer will have to pay NICs on £16,000, whereas under present rules there is no NIC liability. Employers will need to factor in the additional cost when planning termination payments.

In addition, the foreign service relief for termination payments to internationally mobile

employees will be abolished and replaced by a more limited exception in certain cases of non-UK employment.

## Pension allowance cut

Another measure that has reappeared in the Finance Bill currently before Parliament is the reduction from £10,000 to £4,000 in the money purchase annual allowance (MPAA) for pension contributions. The normal annual allowance is £40,000. The MPAA is not triggered if the individual only draws the tax-free lump sum, or purchases an annuity.

The change affects individuals who flexibly access their pension benefits, but make further contributions to a money-purchase scheme. The reduction to the MPAA has been backdated to 6 April 2017, the original start date before it was dropped from Finance Act 2017.

If you have exceeded the £4,000 MPAA, you must report the excess on your tax return and it will be subject to tax.



## Example

**Stephanie earns £64,000 and is entitled to three months' notice. Her employment is terminated without notice and she is paid £25,000 compensation for loss of employment and £16,000 as a non-contractual sum in lieu of notice.**

**The PENP is £16,000 – the amount Stephanie would have earned if working the notice period.**

**So of the total payment of £41,000, £16,000 is taxable and £25,000 is covered by the £30,000 exemption. Under current rules, £11,000 would be taxable after deducting the £30,000 exemption from the whole payment.**

# Domicile – wherever you lay your hat?

## Non-domiciliaries may have been deemed UK domiciled for all tax purposes since 6 April 2017, possibly without knowing it, under retrospective changes contained in the September Finance Bill.

When the measures were dropped from Finance Act 2017, there were calls to delay them until April 2018 to provide non-doms with some certainty on their status, but they have not been heeded.

Non-doms will now become 'deemed domiciled' and lose the tax benefits of their status after they have been resident in the UK for at least 15 out of the previous 20 tax years.

### How it works

A person who is deemed domiciled will generally be subject to income tax, capital gains tax (CGT) and inheritance tax (IHT) on the same basis as someone who is UK domiciled. Until 5 April 2017, deemed domicile status applied only to IHT and an individual had to be UK resident for 17 of the previous 20 tax years to be deemed UK domiciled.

People who were born in the UK with a UK domicile of origin and who return to the UK after obtaining a domicile of choice elsewhere are also now deemed domiciled.

Remittance basis taxpayers who become deemed UK domiciled under

the new 15-year rule will be able to rebase their overseas assets to their market value at 5 April 2017. This means that any gains accruing up to 5 April 2017 will not be charged to CGT. Remittance basis taxpayers will also be able to rearrange their overseas mixed funds to allow them to segregate amounts of income, gains and capital within these funds so that they can remit capital (not liable to tax) ahead of income and gains.

Also from April 2017, IHT will be charged on UK residential property even when indirectly held by a non-dom through an offshore structure. This affects three categories of property: a closely held company, an interest in a partnership or the benefit of certain loans used to acquire, maintain or improve UK residential property. An interest of less than 5% in the structure is exempt.

Because the changes have been backdated, there is transitional relief for chargeable events that are reportable or would have interest accruing on unpaid IHT from a date on or before the end of the month after the date when the Act comes into force.

If you are affected by any of these changes then we can help you review your arrangements now.



Credit: iStock/Remains



**HMRC will soon begin issuing simple assessments for the 2016/17 tax year. This new approach to collecting tax avoids the need to bring taxpayers within the self-assessment system. Simple assessments will, however, only be used where a taxpayer's tax affairs are straightforward and HMRC already has all the relevant information.**

**The initial focus will be on taxpayers who have recently reached pension age or where tax underpayments cannot be collected using PAYE coding. You will normally have just 60 days in which to query a simple assessment, with the tax then payable on the normal date – 31 January 2018 for 2016/17.**

## Making Tax Digital moves again

### The government has extended the timetable for the introduction of Making Tax Digital (MTD) after listening to widespread concerns.

Under the new timetable, MTD will initially only be introduced for VAT obligations, with a start date of 1 April 2019. And even then, you will not be required to use MTD if your turnover is below the VAT threshold.

With VAT, the move to MTD should be less problematic than it will be for other taxes. VAT returns already have to be filed online, and businesses will not initially need to provide

information to HM Revenue & Customs (HMRC) more regularly than they currently do. The move to MTD will not affect the use of retail schemes or the flat rate scheme, and it will still be possible to file only one annual return where the annual accounting scheme is used.

Under MTD, however, it will be necessary to use third party software rather than HMRC's software. The software will need to keep and preserve

your VAT records digitally for up to six years. So you will no longer be able to keep manual VAT records. The use of spreadsheets should still be possible, but this is likely to involve combining the spreadsheets with your MTD software.

The government does not intend to widen the scope of MTD beyond VAT until the system has been shown to work, and not before April 2020 at the earliest.

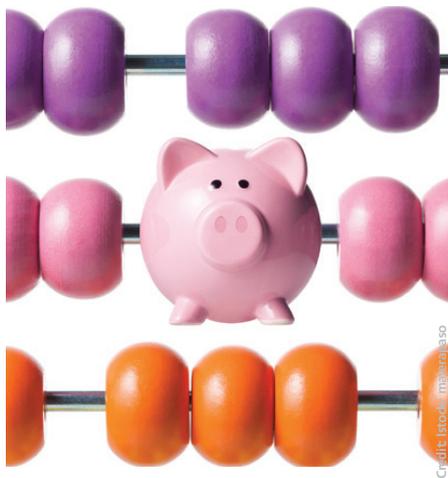
# Planning for the dividend allowance cut

**The dividend tax allowance cut has reappeared in the September 2017 Finance Bill, reducing the level from £5,000 to £2,000 from April 2018, despite hope that it would not go ahead.**

At present, individuals pay no tax on the first £5,000 of dividends they receive, under rules introduced in April 2016. Dividend income above £5,000 is taxed at 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers. These rates remain unchanged.

The £3,000 cut in the allowance will leave shareholders who receive more than £2,000 of dividends worse off by up to an annual £225 (basic rate), £975 (higher rate) or £1,143 (additional rate) depending on their income. Those likely to be hardest hit are director/shareholders who take remuneration from their company mainly in the form of dividends. For a couple who share the running of their company, the 'loss' in the figures above is doubled to £450, £1,950 or £2,286 depending on their tax rate.

Dividends remain advantageous compared



with salary for basic rate taxpayers because of the lower income tax rate – 7.5% rather than 20% – and the employee's national insurance contributions (NICs) of 12% and employer's NICs

of 13.8% on salary or a bonus. If you pay tax at the higher or additional rate, however, the effective rate of tax on dividends is only about 3.6% below that on salary, taking NICs into account as well.

Company owners who have not made full use of the £5,000 dividend allowance in 2017/18 should make up the difference by 5 April 2018, if they are in a position to do so. Remember that a company can only pay a dividend if it has enough reserves to cover the payment.

Also adversely affected by the cut in the dividend allowance will be anyone who relies on income from their investment portfolio to supplement their earnings or, in many cases, their pension. If you currently receive more than £2,000 in dividends, you might benefit from switching to investments that give capital growth rather than income.



**The latest update to HMRC's advisory fuel rates shows several 1p reductions. Rates per mile for this quarter are:**

Engine size	Petrol	Diesel	LPG
1,400cc or less	11p	9p	7p
1,401cc to 1,600cc	13p	9p	8p
1,601cc to 2,000cc	13p	11p	8p
Over 2,000cc	21p	12p	13p

The rates apply from 1 September 2017. The next review is 1 December, although current rates can be used until 31 December. The rates can be used if you reimburse an employee who has privately bought fuel for business mileage in a company car, or where an employee is required to repay the cost of private travel.

## TAX CALENDAR Every month

**1** Annual corporation tax due for companies (other than large companies) with year ending nine months and a day previously, e.g. tax due 1 October 2016 for year ending 31 December 2015.

**14** Quarterly instalment of corporation tax due for large companies (month depends on accounting year end).

**19** Pay PAYE/NIC and CIS deductions for period ending 5th of the month if not paying electronically. Submit CIS contractors' monthly return.

**22** PAYE/NIC and CIS deductions paid electronically should have cleared into HMRC bank account.

**30/31** Submit CT600 for year ending 12 months previously. Last day to amend CT600 for year ending 24 months previously.

File accounts with Companies House for private companies with year ending nine months previously and for public companies with year ending six months previously.

### NOVEMBER 2017

**2** Submit employer forms P46 (car) for quarter to 5 October 2017.

### DECEMBER 2017

**30** Deadline to submit 2016/17 tax return online to have underpaid PAYE tax collected through the 2018/19 tax code.

### JANUARY 2018

**14** Due date for CT61 return for quarter to 31 December 2017.

**31** Submit 2016/17 self-assessment tax return online. Pay balance of 2016/17 income tax, Class 2 NIC and CGT plus first payment on account for 2017/18.

### FEBRUARY 2018

**1** Initial penalty imposed where the 2016/17 tax return has not been filed or has been filed on paper after 31 October 2017.

**2** Submit employer forms P46 (car) for quarter to 5 January 2018.

### MARCH 2018

**2** Last day to pay 2016/17 tax to avoid automatic 5% penalty.

**31** Last few days to use any pension, CGT and IHT annual allowances and exemptions and to invest in an ISA in 2017/18.

### APRIL 2018

**5** Last day to submit final Full Payment Submission (FPS) or Employer Payment Submission (EPS) for 2017/18. Final day to register online to 'payroll' benefits and expenses in 2018/19.

**6** First day of the 2018/19 tax year. Changes apply to tax allowances, rates and thresholds, and ISA limits. Dividend allowance reduced to £2,000 a year. Start of new rules for employment termination payments.

**14** Due date for CT61 return for quarter to 31 March 2018.