

# SPRING NEWSLETTER 2019

**BURGESS  
HODGSON**

Chartered Accountants

## TAX UPDATE – APRIL 2019

Here at Burgess Hodgson we are continually monitoring changes to tax rules in order to ensure that we are providing the best possible tax outcomes for our clients. In recent years tax rules have changed frequently – both at major ‘set piece’ events such as the Budget, also on a frequent basis through the year. We have highlighted below two recent changes where these may have an impact on some clients.

### Entrepreneurs Relief changes – April 2019

These changes will apply from the **6 April 2019** and were originally announced in the

2018 Budget in October. The fundamental change has been overshadowed somewhat by confusion over the impact of these changes on ‘Alphabet shares’ – the original rules were subsequently changed due to an unintended consequence for holders of these shares.

Entrepreneurs Relief reduces the tax liability arising on the sale of a business – from the normal 20% rate to 10% - for the first £10 million of business sale profits. Potentially Entrepreneurs Relief can realise a tax saving of up to £1 million.

The key change arising from the Budget is the qualification period for Entrepreneurs Relief has increased from 1 to 2 years. Therefore for any business sale occurring after **6 April 2019** the underlying business must have been owned for at least two years to qualify for Entrepreneurs Relief and the reduced tax rate.

### Construction industry VAT Reverse Charge

This is a potentially significant change for businesses in the construction sector and comes into place from **1 October 2019**. The biggest impact of these changes will fall on subcontractors providing construction services to larger contractors.

The changes are complex (as with existing VAT rules for the construction sector) but in practical terms the main change will be that smaller subcontractors will, from **1 October 2019** no longer charge VAT on invoices to larger subcontractors further up the construction ‘chain’. Instead the larger subcontractors and developers will account for the VAT themselves on their own VAT return.

One of the main issues arising on smaller subcontractors is the impact on cashflow – they will no longer be able to collect VAT and then pay this over to HMRC up to four months later.

Please contact us if you have any queries on these tax changes on [tax@burgesshodgson.co.uk](mailto:tax@burgesshodgson.co.uk)

## ACCOUNTING IN THE CLOUD

April 1 may be regarded as a day of Fools for some but it also marks the introduction of HM Revenue and Customs ‘Making Tax Digital Scheme’. This has been introduced for all VAT registered businesses with a taxable turnover above the VAT threshold and requires them to maintain financial records digitally, using software to submit VAT returns.

This has led to a large push towards cloud-based bookkeeping for small businesses and a significant change in how they operate – long gone are the hand written cash books, bags of receipts and the back-ups on memory sticks; these are replaced by direct bank feeds, uploaded photos of receipts taken on smart phones, and multiple user access.

The change means that owners of small businesses can now have access to their accounting records at any time provided they have internet connection and a smart device. Furthermore, they are able to grant others, such as accountants, access to their live information meaning that the speed of decision making can be drastically improved.

As with all accounting records, the accurate maintenance of them is key and whilst the term MTD may cause concern for some, at Burgess Hodgson we see it as an opportunity to assist our clients to make informed decisions. Our Partners and Staff are highly trained in the most up to date cloud-based software and we are more than happy to assist you with making your business digital.



## MAKING TAX DIGITAL PENALTIES

Making Tax Digital applied from 1 April. If your VAT return periods are aligned with the calendar quarters then you must be maintaining your accounting records in a compliant digital format from this date.

There is a "soft landing" for the first year, so penalties will not be imposed by HMRC if your "digital links" do not work properly in transferring data between software products. However, penalties will still be due if you do not maintain your accounting records in a compliant digital format.

HMRC has the power to charge penalties under a number of headings:-

1. General regulatory penalty - between £5 and £15 per day, subject to a minimum of £50
2. Record keeping penalty - up to £500
3. Filing method penalty - up to £400
4. Inaccuracy penalty - tax geared so will depend on the quantum of tax and the behaviour of the tax payer

If you have difficulties in filing your VAT return using the new method, you should still pay the tax liability on time, otherwise the existing surcharge regime for late payment will apply. If this is the case, please get in contact with us for assistance on [mtd@burgesshodge.com](mailto:mtd@burgesshodge.com)



## INHERITANCE TAX RESIDENCE NIL- RATE BAND



The inheritance tax Residence Nil-Rate Band (RNRB) will rise from £125,000 in 2018/19 to £150,000 for the 2019/20 tax year. The RNRB is designed to enable a 'family home' to be passed wholly or partially tax-free on death to direct descendants such as children or grandchildren. It will increase to £175,000 in 2020/21 and thereafter will rise in line with the Consumer Price Index. By 2020/21 a couple could leave an estate including a family home worth £1m without an inheritance tax liability. This is based on two Nil-Rate bands of £325k each and two RNRBs of £175k each.

Provisions are also in place to protect those that have downsized. The RNRB will be tapered by £1 for every £2 for estates with a net value exceeding £2m. For those with estates in the region of £2m, careful planning may be required to benefit from the additional relief, worth a maximum of £140k in 2020/21.

Please contact us if you have any queries on [tax@burgesshodge.com](mailto:tax@burgesshodge.com)

## QUESTION TIME PANEL SEMINAR

A promotional poster for a 'Question Time' panel seminar. The background features a large, stylized clock face with numbers 12, 3, 6, and 9. The text is centered and reads: 'Question Time', 'Q&amp;A with a panel of experts in Business, Accounting, Auditing, Taxation and Company Law', and 'Thursday 23 May 2019'. In the top left corner is the Burgess Hodgson logo, which includes the text 'BURGESS HODGSON' and 'Chartered Accountants'. At the bottom left, the event details are listed: 'Registration - 8am', 'Greeted with breakfast &amp; refreshments', 'Q&amp;A - 8:30am', 'Finish - 10am', and 'RSVP: marketing@burgesshodge.com'. At the bottom right, the venue is listed: 'Cathedral Lodge, The Precincts, Canterbury, Kent CT1 2EH'.