

CONTENTS

- **European Data Protection Laws are changing**
- **Making Tax Digital for business delayed**
- **Is your company carrying out research & development?**
- **New Government childcare schemes**
- **VAT spotlight: One business or two for VAT?**
- **Trivial Benefits**
- **Motor racing sponsorship was tax deductible**
- **Tax Diary of main events**

European data protection laws are changing

The new European data protection laws come into force 25 May 2018. These new laws will affect all businesses in the UK and replace the 1998 Data Protection Act (DPA). The GDPR is a framework with greater scope and much tougher punishments for those who fail to comply with new rules around the storage and handling of personal data.

Why are these new laws being introduced?

Technology and the internet have developed at such a rapid rate that the existing rules are now deemed to be ineffective. Nowadays, the ease and sophistication of data collection means that thousands of SMEs not only collect personal details, but store, move and access them online. Personal data is used in everything from sales to customer relationship management to marketing. Cybercriminals are now much more common. In 2016, companies in the UK lost more than £1 billion to cybercrime. Major data breaches have given criminals access to names, birthdates and addresses and even social security and pension information. Cybercriminals now consider SMEs soft targets!

The GDPR is considered a necessity for the protection of data in a modern internet based society and is a chance to take a fresh look at your data security, as data breaches may impact on your business reputation.

What does the GDPR mean for SMEs?

Businesses must keep a detailed record of how and when an individual gives consent to store and use their personal data. This means a positive agreement and cannot be inferred from a pre-ticked box. Customers or individuals have the right to withdraw consent. Details must be permanently erased. This means businesses should review their existing data and delete any that they do not have a valid reason to hold it. Data should be kept secure and this will require a review of current practices to prevent data breaches.

Personal data is a key tool for SMEs looking to target and retain customers: GDPR means it must be handled with the utmost care.

How can we help?

We are currently working on a GDPR support pack and service for you, we will email you separately once this is up and running.

MAKING TAX DIGITAL FOR BUSINESS DELAYED



The Government has responded to pressure from accountants and other interested parties and announced the delay of Making Tax Digital for Business to 2020 at the earliest.

Quarterly VAT reporting using the new system will be mandatory from 2019. In a further U-turn, three million small businesses and buy to let landlords below the VAT threshold will now not be required to keep digital accounting records but will be able to move to the new system for keeping tax records at a pace that is right for them. For such businesses, Making Tax Digital will be voluntary.

Mel Stride, the new Financial Secretary to the Treasury and Paymaster General, announced that the roll out for Making Tax Digital has been amended to ensure businesses have plenty of time to adapt to the changes. Under the revised timetable:

- only businesses with a turnover above the VAT threshold (currently £85,000) will have to keep digital records, and initially only for VAT purposes from 2019
- businesses will not be asked to keep digital records, or to update HMRC quarterly, for other taxes until at least 2020

As VAT already requires quarterly returns, no business will need to provide information to HMRC more regularly during this initial phase than they do now.

All businesses and landlords will have at least two years to adapt to the changes before being asked to keep digital records for other taxes. This deferral will give much more time for businesses, supported by their advisers, to identify for themselves, at their own pace, the benefits of digital record keeping. It will also ensure that many more software products can be developed and tested before the system is mandatory.

At MNA we are continually monitoring the position with regards to MTD and how it will affect our clients. We have dedicated MTD pages on our website www.marslandnash.com which will be kept up to date for you. We will be offering a full range of services for our clients to assist with your obligations under MTD.

In due course we will run seminars on MTD for you.

IS YOUR COMPANY CARRYING OUT RESEARCH AND DEVELOPMENT?

Many companies are still missing out on valuable tax breaks for expenditure on research and development (R&D). Revenue and Customs (HMRC) have recently updated their guidance on claiming R&D tax credit relief and have reminded companies that it is possible to obtain advance assurance that the R&D activities are eligible to make a claim.



If you are a **Small or Medium Enterprise (SME)**, broadly with fewer than 500 full-time employees and either an annual turnover below 100 million euros or a balance sheet total under 86 million euros, then the tax relief is 230% of the amount spent on R&D. So if your company spent £100,000 on R&D then the profits would be reduced by a further £130,000.

In many cases this enhanced deduction will create or increase a loss which can be set off against other profits or carried forward against future profits. However it is also possible to obtain "cash back" from HMRC at the rate of 14.5%. So if the £130,000 tax relief above has the effect of turning a £50,000 profit into an £80,000 loss then HMRC would refund £11,600 in tax to the company rather than have to wait until future profits are made.

In order to make a claim for R&D tax relief the R&D project must seek to achieve an advance in overall knowledge or capability in a field of science or technology through the resolution of scientific or technological uncertainty.

Contact us if you think that some of the work being carried out by your company's technical staff might qualify as R&D and we can help you make a claim for this generous tax relief.



VAT Spotlight...

NEW GOVERNMENT CHILDCARE SCHEMES

Working parents can start applying for two new Government childcare schemes launching this year – **Tax-Free Childcare** which begins immediately and 30 hours free childcare which started in September.

This means that working parents of children, aged under 4 on 31 August 2017, can now apply through the new digital childcare service for Tax-Free Childcare and receive a Government top-up of £2 for every £8 that they pay into their Tax-Free Childcare account. This will apply to children under 12 years old but parents of disabled children under 17 will also be able to apply for Tax-Free Childcare.

This new scheme is designed for working families, including the self-employed, in the UK. For every £8 you pay in, the government will add an extra £2, up to £2,000 per child, or £4,000 per year for disabled children under 17 years old. The special account is then used to pay for childcare with an OFSTED registered nursery or childminder.

In addition, parents of 2-3 year olds, who will be eligible for a 30 hours free childcare place in September 2017, can apply through the childcare service and start arranging a place with their childcare provider.

ONE BUSINESS OR TWO FOR VAT?

A recent VAT Tribunal had to decide whether two hairdressing businesses should be treated as a single business for the purposes of VAT registration.

The distinction was critical as the two separate businesses were operating below the registration limit (currently £85,000) and the combined operation would have exceeded the limit meaning that VAT would need to be charged.

Note that HMRC have been successful in a number of cases aggregating the turnover of two businesses carried on by the same person(s).

However in this recent case it was established that the couple had never intended to run a single business in partnership.

There was also physical separation of the premises, separate of clientele, different stylists worked for each salon and separate books were kept.

Note that where the same person carries on several businesses, the combined turnover of all of those businesses needs to be considered in deciding whether or not the VAT registration threshold is exceeded.

TRIVIAL BENEFITS

Remember that from 6 April 2016, benefits are exempt from tax and NICs if all the following conditions are satisfied:

- the cost of providing the benefit does not exceed £50;
- the benefit is not cash or a cash voucher;
- the employee is not entitled to the benefit as part of their employment conditions; and
- the employer does not provide the benefit in recognition of particular services provided by the employee

Where the employer is a close company and the benefit is provided to an individual who is a director or other office holder of the company (or to a member of their family or household) the exemption is capped at a total cost of £300 in the tax year.

MOTOR RACING SPONSORSHIP WAS TAX DEDUCTIBLE

In order for an expense to be deductible against business profits it must be incurred “wholly and exclusively” for the purposes of the trade.

In a recent tax case a hotel owner near Silverstone sponsored his grand-daughter’s career as a racing driver by making payments through his company. The argument was that this would promote the motorsport credentials of the hotel, rebranded as Silverstone Hotel. The granddaughter was well known in motor racing circles and her endorsement of the hotel was designed to promote the company’s business.

HMRC sought to disallow the expense on the grounds that there was a “duality of purpose” and consequently not incurred wholly and exclusively for the purposes of the hotel trade. However the Tax Tribunal allowed the company’s appeal and consequently the payment was tax deductible.

TAX DIARY OF MAIN EVENTS

Date	What's Due
01 October	Corporation tax for year to 31/12/16 unless quarterly instalments apply.
05 October	Deadline for notifying HMRC of chargeability for 2016/17 if not within Self-Assessment and receive income or gains on which tax is due, for example rental income or CGT on the sale of a second property.
19 October	PAYE & NIC deductions, and CIS return and tax, for month to 5/10/17 (due 22 October if you pay electronically);
01 November	Corporation tax for year to 31/1/17 unless quarterly instalments apply
19 November	PAYE & NIC deductions, and CIS return and tax, for month to 5/11/17 (due 22 November if you pay electronically)
01 December	Corporation tax for year to 29/2/2017 unless quarterly instalments apply
19 December	PAYE & NIC deductions, and CIS return and tax, for month to 5/12/17 (due 22 December if you pay electronically)
30 December	Deadline for submitting your tax return online if you would like your outstanding tax for 2016/17 collected through payroll (limits apply). If you would like to pay your tax this way please ensure that we receive your tax information in good time to meet the 30 December deadline. Note that the absolute deadline for filing your self-assessment tax return online is 31 January 2018.