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Chartered Accountants

WELCOME TO THE LATEST EDITION OF TALKING TAX



This month's Talking Tax newsletter includes important details of the watering down of the government's proposal to digitalise the tax systems for individuals and businesses, highlights the tax breaks available to the digital technology sector and reminds readers of some of the main rules of the Construction Industry Scheme.

As always if you have specific questions on any of the areas covered, please feel free to get in touch.

MAKING TAX DIGITAL

The March 2015 budget introduced the concept of the demise of the "complex, costly and time consuming" tax return replacing it with a "revolutionary simplification of tax collection"; Making Tax Digital (MTD) was born.

The recent election however led to many proposals being removed from the 2017 Finance Bill and MTD clauses were included in the cull. Now the dust has settled the Government has reconsidered its stance on MTD having listened to concerns about the pace of change originally proposed for mandatory quarterly reporting.

Mandatory MTD reporting was due to begin in April 2018 for those businesses, self-employed people and landlords with turnover in **excess of the VAT threshold** and would have applied for Income Tax and Class 4 NIC purposes.

Then, from April 2019, all businesses **registered to pay VAT** were due to fall under mandatory MTD reporting, together with businesses, self-employed people and landlords **below the VAT threshold**, for Income Tax and Class 4 NIC purposes (except those with less than £10,000 turnover).

However, earlier this month the Government announced a revised timetable for a much watered down MTD as follows:

- Only businesses with turnover above the VAT threshold (currently £85,000) will have to keep digital records and **only for VAT purposes**;
- These businesses will only need to keep digital records from April 2019;
- Businesses will not be asked to keep digital records, or to update HM Revenue and Customs (HMRC) quarterly, for other taxes until at least 2020;
- Small businesses will be able to file digitally on a voluntary basis for other taxes.

As things currently stand this means that businesses and landlords with turnover below the VAT threshold will be able to choose if and when to move to the new digital system. As VAT already requires quarterly returns no business will need to provide information to HMRC more regularly, during this initial phase, than it does now.

This new stance on MTD gives all businesses and landlords at least two years to adapt to the changes before being asked to keep digital records for other taxes.

MTD will happen. The Government is committed to the policy and this slowdown now provides extra time for those concerned to consider their options carefully. We can assist with the transition and the considerations which need to be made with regard to:

- Software packages;
- Interaction with bank feeds, sales invoicing or Cloud based accounting;
- Level of accountancy knowledge required;
- Ease of use;
- Cost.

This will allow you to make your own informed decisions to find the bespoke solutions to MTD early. MTD will not go away.

If you would like to learn more about Making Tax Digital please contact Jonathan Harrhy – jonathan.harrhy@kilsbywilliams.com or Steve Kings – steve.kings@kilsbywilliams.com.

RESEARCH AND DEVELOPMENT TAX RELIEF – SPOTLIGHT ON THE DIGITAL TECHNOLOGY SECTOR

In the current post Brexit, post shock general election Britain, anticipating what tax relief will be available in the future, both to individuals and businesses, has become an art in crystal ball gazing.

However, one relief that is almost certain to remain is the Research and Development (R&D) tax credit scheme. Recently released figures from the Welsh Government state that 55% of R&D, accounted for in Wales, was taken up by businesses and the Government are keen for companies to take advantage of the tax credits available to ensure this figure continues to rise.

In January our specialist R&D team was selected to partner with Innovation Point to assist the businesses they work with to realise the benefit of R&D tax credits. Innovation Point work at the heart of the investment community matching organisations with funding opportunities to assist with business development and growth.

The partnership has been a fantastic opportunity to meet and work with innovative digital entrepreneurs and businesses. To date, some of the highlights of the partnership are:

- A law firm who have designed an in-house case management system from scratch;
- A mobile app developer specialising in augmented reality;
- An award winning local CGI/3D imaging company who produce all manner of marketing and advertising material for small and large brands.

If a company is spending time and money trying to improve products, services, processes or systems through a technological or scientific advancement then it is likely that the costs will qualify for R&D. A successful claim can significantly reduce a tax bill or provide a valuable cash injection for loss making companies. Although it sounds too good to be true, as our 100% success rate demonstrates, the tax reliefs are there to be obtained if you qualify.

If you would like to learn more about Research and Development reliefs please contact Lucy Lloyd – lucy.lloyd@kilsbywilliams.com.

CONSTRUCTION INDUSTRY SCHEME – WHEN ARE AGENCIES TREATED AS SUBCONTRACTORS?

The Construction Industry Scheme (CIS) applies to contractors and subcontractors within the construction industry. Contractors must register with HM Revenue & Customs for the CIS and apply the CIS rules to all payments made to a subcontractor - the contractor is required to verify the subcontractors' tax status to calculate the appropriate rate of tax that must be deducted from the payment.

It is usually clear who the subcontractor is if they are a sole trader, a partnership or a company. However, it is sometimes unclear when an agency is deemed to be a subcontractor.

Where a worker is supplied to a contractor by or through an agency and the worker carries out construction operations under the terms of a contract they have with the agency, the agency supplying the worker will be a subcontractor as far as the contractor is concerned. Therefore, the contractor must always apply the scheme when making payments to the agency - the contractor is required to verify the agency, withhold the applicable rate of CIS tax and record the payment on their monthly CIS returns.

Where a worker is merely introduced to the contractor by an agency and that worker carries out construction operations under the terms of a contract they have with the contractor, the agency isn't a subcontractor.

If you use an agency for subcontractors you should ensure that you are applying CIS rules correctly.

If you would like to learn more about the Construction Industry Scheme please contact Rachael Day – rachael.day@kilsbywilliams.com



Contact Us

Tel: 01633 810081 • Fax: 01633 810077 • Web: www.kilsbywilliams.com

Kilsby Williams; The firm's principal place of business and registered office is Cedar House, Hazell Drive, Newport, NP10 8FY

Every care is taken to ensure the accuracy of information in Talking Tax, but Kilsby Williams accepts no responsibility for any errors which may appear and articles do not constitute advice.

If you have any comments or suggestions, please contact Helen Vincent, helen.vincent@kilsbywilliams.com.

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