



KILSBY WILLIAMS

Chartered Accountants

WELCOME TO THE LATEST EDITION OF TALKING TAX



On 22 November, the Chancellor will deliver his latest, and if speculation is to be believed, his last Budget speech. It's certain that at least some of his announcements will have repercussions for you and your business. This year we have already had two Finance Bills, so the prospect of yet further tax changes, possibly with retrospective impact, is a daunting thought.

In this newsletter, we look at some current topical areas of tax planning and will update you after 22nd November on the key planning aspects of the Budget.

PAYE SETTLEMENT AGREEMENTS AND TRIVIAL BENEFITS UPDATE FOR 2018

A PAYE Settlement Agreement (PSA) can be a useful way of rewarding employees without them bearing the tax burden, as the employer settles the tax and NIC charges arising. A PSA can be used for benefits which are minor, infrequent, or are impracticable to calculate such as a benefit shared between employees.

Before undertaking a PSA consider firstly whether the benefit being provided could qualify as a tax and NIC free, trivial benefit. A small benefit, costing £50 or less, that is not cash or a cash voucher, should qualify as a trivial benefit, provided there is no contractual entitlement to the benefit and it is not a reward for employment services. This is a useful provision for ad hoc staff perks.

From April 2018, HMRC will be providing an online digital service for PSA submission and payment of the tax and NIC. There will be no need to apply for a PSA in advance. We are currently awaiting guidance of the full digital system from HMRC, but for now you may wish to diary note the change. This new digital system will cover any PSA benefits given on or after 6 April 2018.

If you would like to learn more about the new PSA system or the current rules or options concerning Benefits-in-Kind and Employee Rewards please contact Alison Hazledine – alison.hazledine@kilsbywilliams.com

WELSH LAND TRANSACTION TAX

From April 2018, Wales will introduce the Land Transaction Tax (LTT); its own version of Stamp Duty Land Tax (SDLT). LTT will be paid by the purchaser of a leasehold or freehold interest in Welsh land and buildings. The move takes homes under £150,000 out of the bracket for tax, however; the addition of further tax bands increases the cost of purchasing homes over £150,000, £400,000 and £750,000.

For example; buying a £500,000 home in Wales the LTT bill will be £17,500 compared with £15,000 SDLT in England.

Current rates

-	Up to £125,000	0%
-	Between £125k and £250k	2%
-	Between £250k and £925k	5%
-	Between £925k and £1.5m	10%
-	Above £1.5m	12%

The new rates in Wales

-	Up to £150,000	0%
-	Between £150k and £250k	2.5%
-	Between £250k and £400k	5%
-	Between £400k and £750k	7.5%
-	Between £750k and £1.5m	10%

We understand the 3% surcharge for additional properties purchased will still apply.

The proposed commercial rates are as follows:

Non-residential rates

-	Up to £150,000	0%
-	Between £150k and £250k	1%
-	Between £250k and £1m	5%
-	Above £1m	6%

Non-residential lease rates

-	Up to £150,000	0%
-	Between £150k and £2m	1%
-	Above £2m	2%

If you would like to learn more about Welsh Land Transaction Tax please contact Diane Nettleton – diane.nettleton@kilsbywilliams.com

TOP 10 VAT CHECKLIST

If you are expecting a VAT inspection, and want to carry out an audit on your VAT systems, we've compiled a handy checklist to help you whatever your circumstances.

1. Reconcile turnover to box 6 of the VAT Returns and be able to explain differences between the two.
2. Blocked input tax: business entertainment (but potential scope to claim for overseas customers, depending on the circumstances), cars available for private use, materials acquired by property developers subject to the Blocking Order, such as white goods, carpets etc.
3. Check unpaid creditors: where overdue for payment by more than 6 months, any input tax recovered will need to be repaid to HMRC.
4. Private use adjustment: needed if business assets used for personal/non-business purposes.
5. Check the VAT position on payments made under contracts, or by accounting entries, such as intercompany re-charges or year-end journals.
6. Ensure proof of export documentation meets the requirements.
7. Check if sales are made overseas or to the EU. If so, check the reporting requirements and place of supply rules.
8. Check if cash accounting is an option and would be beneficial.
9. Ensure VAT invoices issued comply with requirements (and credit notes if needed). Retain VAT invoices to evidence input tax recovery.
10. Does partial exemption apply? Check the VAT treatment of any rental income received by a business. Bear in mind the capital goods scheme if more than £250k spent on a mixed-use property.

If you would like to learn more about managing the VAT cost to your business please contact Karen Davies – karen.davies@kilsbywilliams.com

ARE BUSINESSES IN WALES MISSING OUT ON VALUABLE RESEARCH AND DEVELOPMENT (R&D) TAX CREDITS?

The latest figures published by HM Revenue & Customs (HMRC) for the 2015/16 tax year show that the total number of R&D tax credit claims made in Wales equalled only 3% of the total claims made across the whole of the UK. Apart from Northern Ireland, Wales made the lowest amount of R&D tax credit claims in 2015/16.

However, the latest figures do show a positive trend for the region with an increase in the year of 22% of the total R&D tax credit claims made in Wales, compared to the UK average of 19%.

Despite companies in Wales only making a total of 825 R&D tax credit claims in 2015/16, they received £65m in tax repayments which shows just how valuable making a claim could be to your business.

R&D tax credit claims can be made across a wide range of industries and services. HMRC's latest figures show that successful R&D tax credit claims have been made by companies across the manufacturing, construction, food & drink, digital & technology and the education industry sectors, to name a few.

R&D tax credit claims can provide a valuable cash injection to your business and go towards funding investment and growth in Wales.

If you would like to learn more about R&D tax reliefs please contact Lucy Creese – lucy.creese@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.

Kilsby Williams is the trading name of Kilsby & Williams LLP (Partnership No. OC 304182)

