

Welcome...

To our November 2018 newsletter designed to bring you tax tips and news to keep you one step ahead.

To be honest, I started with a ten-page, six-thousand-word newsletter covering all the measures in the recent Budget.

I realised it was just **too boring** - so I decided to delete most of it!

...and to just highlight the main points I think are relevant to our clients and contacts.

So, whilst this month's newsletter is by no means a comprehensive Budget Review (you've probably already deleted several of those) I hope you will find the items covered and the additional snippets of news, advice and tips useful.

We are committed to ensuring none of our clients pay a penny more in tax than is necessary and they receive useful tax and business advice and support throughout the year.

Please contact us for advice on your own specific circumstances. **We are here to help!**

Main Budget Changes

Personal allowance and income tax thresholds

The personal allowance for 2019/20 is set at £12,500 (£11,850 in 2018/19), and the basic rate limit will be increased to £37,500 (£34,500 in 2018-19). As a result, the higher rate threshold will be £50,000 in 2019/20. The additional rate threshold will remain at £150,000 in 2019/20. From 2021/22 onwards, the Personal Allowance and basic rate limit will be indexed with the Consumer Price Index (CPI).

Changes to the basic rate limit, and higher rate threshold, will apply to non-savings, non-dividend income in England, Wales and Northern Ireland, and to savings and dividend income in the UK.

The marriage allowance will rise from £1,190 in 2018/19 to £1,250 in 2019/20.

Tax rates

The basic rate of income tax and higher rate remain at 20% and 40% respectively, and the 45% additional rate continues to apply to income over £150,000.

There had been rumours that the dividend rate might be increased, but dividends continue to be taxed at 7.5%, 32.5% and then 38.1% depending upon whether the dividends fall into the basic rate band, higher rate band or the additional rate. Note that only the first £2,000 of dividend income are now tax free.

The annual ISA investment limit increased to £20,000 from 6 April 2017 and remains at that level for 2019/20. Dividends on shares held within an ISA continue to be tax free.

The much-rumoured further restriction in pension tax relief failed to materialise.

Capital gains tax: annual exempt amount

For 2019/20, the capital gains tax annual exempt amount will rise from £11,700 for individuals.

Entrepreneurs' Relief: minimum qualifying period extension

The minimum period throughout which certain conditions must be met to be eligible for Entrepreneurs Relief is to be **increased from one year to two years** in respect of disposals on or after 6 April 2019. However, where the claimant's business ceased, or their personal company ceased to be a trading company (or the holding company of a trading group), before 29 October 2018, the existing one-year qualifying period will continue to apply.

National Living Wage/National Minimum Wage

The Low Pay Commission (LPC) has recommended, and the Government has accepted, that the hourly rates should increase in April 2019 as follows:

- from £7.83 to £8.21 for workers aged 25 and over (the National Living Wage)
- from £7.38 to £7.70 for 21-24 year olds
- from £5.90 to £6.15 for 18-20 year olds
- from £4.20 to £4.35 for 16-17 year olds
- from £3.70 to £3.90 for apprentices aged under 19 or in the first year of their apprenticeship.

Online platforms role in ensuring tax compliance

The Government will publish its response to the call for evidence The Role of Online Platforms in Ensuring Tax Compliance by Their Users, which was launched at Spring Statement 2018. This will set out the Government's intention to improve guidance for people and businesses earning money through online platforms, and to explore how greater use of data can further support sustainable compliance with the tax rules.

HMRC to join preferred creditor list

From 6 April 2020, the Government will change the rules so that when a business enters insolvency, more of the taxes paid in good faith by its employees and customers and temporarily held in trust by the business go to fund public services, rather than being distributed to other creditors. This reform will only apply to taxes collected and held by businesses on behalf of other taxpayers (VAT, PAYE income tax, employee National Insurance contributions and Construction Industry Scheme deductions).

The rules will remain unchanged for taxes owed by businesses themselves, such as corporation tax and employer National Insurance contributions. This will be legislated for in Finance Bill 2019/20.

New Capital Allowances for Commercial Buildings

A new 2% straight line tax deduction is being introduced for the cost of construction or renovation of commercial buildings and structures.

This tax break will apply to eligible construction costs incurred on or after Budget day and will be available to commercial property landlords as well as trading businesses. The cost of the land is specifically excluded.

Corporation Tax to reduce to 17% from next year!

As previously announced the current 19% rate is scheduled to reduce to 17% from 1 April 2020.

More Business Rates Relief for small businesses

There has been much lobbying from the small business sector to reduce business rates to enable traditional retailers in particular, to compete with internet traders.

The Chancellor has announced a one third reduction in business rates for small businesses with premises with a rateable value up to £51,000.

Capital Gains Tax Entrepreneur' Relief Changes

The Chancellor has announced that the minimum qualifying period for CGT entrepreneurs' relief will be increased from 12 months to 24 months for disposals on or after 6 April 2019.

There are further changes affecting shareholdings in personal companies. In addition to the individual holding 5% or more of the ordinary share capital and voting control they will also now be required to be entitled to 5% or more of the company's distributable profits and assets in a winding up. As now the individual must also be an officer or employee of the company concerned; and the company must be a trading company or the holding company of a trading group.

IR35 'Off-Payroll Working' rules to be extended to private sector (for medium and larger 'employing companies' – from 2020)

Controversially, the Government have decided to extend the rules for personal service companies in the public sector to workers in the private sector from April 2020.

This follows a consultation in Summer 2018 on how to tackle non-compliance with the intermediaries legislation (commonly known as IR35) in the private sector. IR35 was introduced in 2000 and many consider the rules are widely ignored and have been ineffectively monitored by HMRC.

The new 'Off Payroll Working' legislation which has applied in the public sector since April 2017 seeks to ensure that individuals who effectively work as employees are taxed as employees, even if they choose to structure their work through a limited company (and often also a recruitment agent).

There will be further consultation on the detailed operation of the rules, and small businesses (yet to be defined) engaging such workers will be excluded.

This will represent a significant administrative burden on large and medium-sized businesses who will be required to decide whether the rules apply to payments to such workers and deduct tax and NICs.

Getting Customers and Clients to pay you on time

You've done the work. You've invoiced the customer 60 days ago. You are still waiting to get paid 30 days after payment was due. It's time to chase for payment.

It's never easy chasing customers for payment. However, this is business and you are entitled to be paid for the work that you have done. Unless your firm is a bank, you are not in the business of providing credit for your customers. So, what should you do?

Manage expectations

You should set out your invoicing and payment terms with your customers early on. If you are dealing with a new customer, you should consider asking for 50% of the cost before you start doing work for them. Talking about these terms up front with your new customer will help to avoid any awkward conversations further down the line.

Discounts and interest charges

Some businesses offer customers a discount for settling invoices early. You could offer your customers a 5% discount if they pay an invoice within 10 working days. Conversely, you could charge them 5% interest for payments that are over 60 days late. You can set this out in your payment terms at the very beginning of an interaction.

Regular reminders

You should create a standard email that you can send out to customers as a payment reminder. Your email should be firm but not aggressive.

You should set out that payment is due and make it easy for your customers to click a link through to an online payments page, should they want to settle their bill immediately. You could even set automated reminder emails that go out 10, 20 and 30 days after the initial invoice date.

Your customers are busy people. Sometimes they forget to process invoices and they might be a bit behind on their admin work. Sometimes a gentle nudge is all that is needed in order to ensure payment. You need to strike a balance between regular follow up and maintaining a good relationship with your customers, so that they come back to do business with you again in the future.

Firm but fair is best.

Avoiding Confirmation Bias

Most business people these days have too much information and not enough time. We don't have the time to weigh up every facet of every decision. This tends to encourage us to take shortcuts where we can. As such, we often go into a meeting or a negotiation with an idea as to what the outcome might be. This is known as confirmation bias. It is our natural tendency to seek out information or to look at things in a way that confirms our preconceptions.

It is almost impossible to be unbiased in our day to day lives. The key to managing our confirmation bias is awareness. For example, if you feel uncomfortable about the facts surrounding a particular decision, try to tune into what is driving that emotional response. Are you uncomfortable because you think you are right and the facts prove you wrong?

Will the outcome of the decision-making process result in a positive outcome for the business? If so, then try to park your personal feelings on the subject and go along with the decision that is best for the business.

When making bigger business decisions, you should involve a team of people so that alternative options can be considered. Having a different view to others in the room is healthy. Debate should be encouraged - especially when it comes to business decisions. Encourage those around you to share alternative views and invite others to play devil's advocate.

You should avoid leading questions. If you want to make unbiased decisions, you need to gather data, analyse that data and move forward on the basis of what the data tells you rather than what you would like the answer to be.

Need Help?

Please contact us if we can help you with these or any other tax or accounts matters.



We are committed to ensuring that all clients receive useful tax and business advice and ongoing support throughout the year. If you have a business problem (or opportunity) to discuss please call us.

In addition, if there's anyone else who you think would benefit from the newsletter, please forward the email to them or ask them to contact us to be added to the newsletter list.

New Clients Welcome

If you are not already a client of Hanley & Co we would be delighted to hear from you. You may be setting up in business or considering changing your accountants.



We offer all potential new clients a [Free Unlimited Initial Consultation - with Absolutely No Commitment.](#)

We feel sure they will also benefit from receiving our free 50 page 'New Business Kit' or one of our 'How To Pay Less Tax' guides.

Please contact us to request your copies now.

About Us

Hanley & Co provide personal advice to all clients based on over twenty years' experience as practising accountants. We have clients across the North West of England and some even further a-field.



Visit our website <http://www.hanleyandco.co.uk> for more information.
HANLEY & CO - ACCOUNTANTS YOU CAN TALK TO

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