

Welcome...

'Better late than never' - after all the Tax Return deadline 'fun' at Hanley & Co here is January's Tax Tips & News.

This is our monthly newsletter designed to bring you tax and business tips and news to keep you one step ahead of the taxman.

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 in your own specific circumstances. **We are here to help!**

Make the most of tax efficient savings offers

As the end of the current tax year approaches, it is worthwhile making a **check to ensure that the various tax-efficient savings opportunities have been utilised** wherever possible. The following paragraphs highlight some of the areas where savings may be made.

ISAs

The maximum annual investment limit for Individual Savings Accounts (ISAs) will remain at £20,000 for 2019/20. The limit effectively allows a couple to save £40,000 a year between them and receive interest on the investment tax free. There will also be no capital gains tax to pay when the account is closed.

Junior ISAs are available to UK-resident children under-18 and run on similar lines to 'adult' ISAs. The maximum investment limit for 2018/19 is £4,260, rising to £4,368 for 2019/20, which provides adequate scope for parents and grandparents to make tax-free savings investments on behalf of their children/grandchildren.

Help-to-buy ISAs continue to be available to assist first-time buyers save a deposit to purchase their first home. Broadly, up to £200 a month can be saved in the ISA (along with an initial deposit of £1,000, and up to a maximum of £12,000) and, provided certain conditions are met, the government will provide a 25% boost to the savings up to a maximum of £3,000 per person. A couple buying together could therefore save up to £30,000 tax-free towards the purchase of their first home.

Premium Bonds

With a return rate comparable with regular savings accounts (currently 1.40%), it is not difficult to see why Premium Bonds (PBs) remain one of Britain's favourite ways to save. In the 2018 Autumn Budget, the Chancellor announced several changes to PBs, which should help make them more accessible for all. Currently the minimum amount of PBs that can be purchased is £100 (or £50 by standing order). The good news is that this limit will be cut to £25 by the end of March 2019. This will apply to both one-off purchases and regular savings.

In addition, the rules on who can purchase PBs are being changed. Currently, only parents and grandparents can buy PBs for children under 16. Although the timescale is yet to be confirmed, it has been announced that in future, it will be permissible for other adults to buy PBs on behalf of children. The person purchasing the bonds for children will have to be over 16, and must nominate one of the child's parents or guardians to look after the bonds until the child turns 16.

The maximum Premium Bond holding will remain at £50,000.

NS&I has also confirmed that it will be launching a new PB app in the new year, which is designed 'to make saving easier'.

Although Premium Bonds are not strictly an 'investment', they can be encashed at any time with the full amount of invested capital being returned - and in the meantime, any returns by way of 'winnings' will be tax-free. The odds on winning a prize in any one month are currently 24,500 to one. There are currently two £1m prizes, five £100,000 prizes and ten £50,000 prizes each month.

Bank and building society accounts

The personal savings allowance (PSA) was introduced with effect from 6 April 2016 for up to £1,000 of a basic rate taxpayer's savings income and up to £500 of a higher rate taxpayer's savings income each year. The PSA is not available for additional rate taxpayers. The allowance will be available in addition to the tax-advantages previously available to investors with individual savings accounts.

Broadly, the PSA means every basic-rate taxpayer can earn £1,000 interest without paying tax on it - equivalent to the interest on almost £75,000 in some easy-access savings account. The PSA remains unchanged at £1,000 and £500 respectively for 2018/19 and 2019/20.

Business trends to watch in 2019

Here are some of the top Business Trends to watch in 2019.

Marketing will continue to become more personalised

Marketing is becoming increasingly personal, and this trend will keep going as we move into the new year. No longer will stock images, generic campaigns or impersonal calls to action convince consumers. In order to appeal to increasingly sophisticated customers, you'll have to provide high-value, targeted and personalised content.

Technology will not replace the human touch

Technology is always improving, but AI (artificial intelligence) and predictive analytics will not replace the human when it comes to delivering the customer experience. While there are definitely some great opportunities ahead for AI, it will not be a true game-changer, at least in the next year. AI can really be thought of as 'augmented intelligence,' because it can augment the human, giving people better information, greater insight and can help businesses to become more efficient.

Flexible working is set to become the norm.

Businesses are changing the way they use space to drive productivity. More firms are embracing the open-plan office. The behaviour of employees will also change as they adapt to the new environment. New tech tools will be used, and more employees will choose to work flexibly and away from the office.

Data privacy regulations

The EU General Data Protection Regulation (GDPR) established a global standard, impacting all firms from start-ups to established international businesses. Acceptance for GDPR will be driven by a likely continued increase in cyber-crimes and data breaches in 2019. The new world of cyber security threats will most likely encourage other regions to consider the introduction of data protection regulations similar to GDPR.

The war for talent will continue

Hard-to-find talent and hard-to-fill jobs are constants in the new world of work. HR professionals will focus on building a fit-for-the-future workforce with approaches from three fronts: creatively sourcing talent wherever they can find it, engaging and developing the talent they have on hand, and building a future pipeline of talent.

Advisory fuel rate for company cars

These are the suggested reimbursement rates for employees' private mileage using their company car from 1 December 2018. Where there has been a change the previous rate is shown in brackets.

Engine Size	Petrol	Diesel	LPG
1400cc or less	12p		8p (7p)
1600cc or less		10p	
1401cc to 2000cc	15p		10p (9p)
1601 to 2000cc		12p	
Over 2000cc	22p	14p (13p)	15p (13p)

Note that for hybrid cars you must use the petrol or diesel rate.

You can continue to use the previous rates for up to 1 month from the date the new rates apply.

Considering capital expenditure?

Businesses considering investing more than £200,000 in plant and machinery could benefit from a change to the capital allowances rules in January 2019, which should allow them to obtain tax relief at an earlier time.

Capital allowances are treated as a trading expense of a particular accounting period, so they can potentially increase a loss, or turn a profit into a loss for tax purposes, which in turn, will impact on the amount of tax payable by a business. Where a business is considering expenditure on qualifying items, it may be beneficial to undertake some upfront planning.

The annual investment allowance (AIA) for capital allowances purposes is a 100% allowance for qualifying expenditure on machinery and plant. Put simply, this means that a business buying a piece of equipment that qualifies for the AIA can deduct 100% of the cost of that asset from the business's profit before calculating how much tax is due on that profit.

VAT-registered businesses claim the AIA on the total cost of the asset less any VAT that can be reclaimed on that asset. Non-VAT-registered businesses can claim the AIA on the total cost of the asset.

The 2018 Autumn Budget confirmed that the **AIA investment limit would be raised from £200,000 to £1,000,000 with effect from 1 January 2019**. However, the increase will only be available for a limited period. The expectation is that the threshold will revert to its current level from 1 January 2021.

Businesses considering making significant investments in, say, the next five years, may wish to consider bringing their purchase forward, so as to benefit from the increased AIA limit and obtain immediate tax relief on their investment.

Where a business spends more than the annual AIA limit, any additional qualifying expenditure will still attract relief under the normal capital allowances regime, but this will result in relief being spread over

several years, rather than in one go.

It is also worth remembering that connected companies are only entitled to one AIA between them.

Passing on the family home

New inheritance tax rules for passing on the family home started on 6 April 2017. This additional relief should be taken into consideration when drafting your Will and we can work with your solicitor to make sure your Will is tax efficient.

From 6 April 2017 an additional nil rate band of up to £175,000 is available on death where your residence is left to direct descendants. This is in addition to the normal £325,000 nil rate band.

This additional relief is however restricted. If your assets exceed £2 million. The rules are fairly complicated but we can review your personal circumstances to ensure that you take advantage of all the relief that you are entitled to.

This additional inheritance tax relief is available even when you downsize to a smaller property.

For example if a married couple currently live in a large house worth £500,000 and downsize to a flat worth £250,000 they could give away some of the proceeds during their lifetime and yet still benefit from inheritance tax relief based on the higher valued property. They could even sell up completely and move into a rental property and still get the inheritance tax relief!

VAT: Supplies of digital services to consumers in the EU

The VAT rules for businesses supplying digital services to private consumers in other member states change with effect from 1 January 2019.

From that date, the place of supply will be the UK where both:

- a UK business is not established in any other EU member state; and
- the total value of cross-border digital sales is less than £8,818 in the current and preceding calendar years.

Businesses affected will no longer need to register for VAT in other EU countries where they have consumers or use the VAT Mini One Stop Shop Scheme (VAT MOSS).

Where the business turnover is below the UK VAT threshold (currently £85,000) it will also be possible to de-register from VAT.

Businesses based outside of the EU but registered for VAT could not previously use the non-union VAT MOSS. This restriction is now being lifted.

Those businesses registering for the scheme will send HMRC a VAT MOSS return of qualifying sales and payment each calendar quarter. HMRC will send the relevant parts of the return and payment to the tax authority of the country where the consumers are based. The business may however, still need to send a separate VAT return if it has non-qualifying sales.

Obvious innovation

Innovation can be driven by taking an 'obvious' idea from one context and applying it in another.

The successful development and implementation of new, innovative ideas is crucial in business. Your innovation could focus on improving business processes, bringing new and improved products and services to market, increasing efficiency or, most importantly, improving profitability.

Being innovative in business isn't all about being the next Steve Jobs or inventing the light bulb. Some of the most innovative business ideas come from taking an idea from another market sector and applying it in a new or innovative way in your own business in order to solve a different problem.

For example, Henry Ford didn't invent the car. Karl Benz invented that. Ford also didn't invent the assembly line, but he is famous for using the assembly line in order to improve the efficiency of his business. So why do people call Henry Ford an innovator?

Ford might not have invented anything 100% original, but he knew how to take existing ideas and develop them into something extraordinary. Henry Ford wanted to take the idea of an automobile reserved for the rich and bring it to the masses. He took existing ideas and applied them in a new way in order to realise his vision.

We are surrounded by new technologies. We live in an age where businesses are experimenting with Artificial Intelligence, Augmented Reality, Video Calling, High Speed Internet, online shopping with same day delivery and much more.

The best businesses of tomorrow will adapt today's technology in new and innovative ways in order to bring new products or services to the market.

In order to innovate in your own business, take a step back and look at your market. Is there a gap where you can apply technology from another sector and implement it in your business in order to give you a competitive advantage?

They say that imitation is the greatest form of flattery. You may not be the next Steve Jobs but maybe you could copy a few of his ideas in order to create your own market leading business.

Pension planning

For most taxpayers the maximum pension contribution is £40,000 each tax year, although this depends on their earnings. This limit covers contributions by both the individual and their employer. **This can be your own trading limited company.**

Note that the unused allowance for a particular tax year may be carried forward for three years and can be added to the relief for the current year, but then lapses if unused. Hence the unused pension allowance for 2015/16 will lapse on 5 April 2019 if unused. Note that under the current rules the net after tax cost of saving £10,000 in a personal pension for a higher rate taxpayer is only £6,000 but there are rumours that this generous relief may be reduced in future.

New capital allowances for commercial buildings

The Autumn 2018 Budget announced a new 2% straight line tax deduction for the cost of construction or renovation of commercial buildings and structures. HMRC have now issued a technical note setting out the details for the operation of the new relief.

Unlike the old Industrial Buildings Allowance the new relief is available for the construction of shops and offices as well as factories and warehouses.

The new tax break is available where the contract is entered into and construction costs are incurred on or after 29 October 2019. The allowance is available to commercial property landlords as well as trading businesses. There are special rules for leasehold buildings which determine whether the landlord or tenant is entitled to the allowance.

Note that there are more generous plant and machinery allowances available for fixtures and fittings within the building and we can work with you to help you maximise tax relief. The AIA referred above would mean that there may be 100% capital allowances for equipment such as central heating and air conditioning.

How to overcome your fear of failure

One of the most common things holding people back from achieving their potential in business is the fear of failure.

It is human nature to fear the unknown. When we push ourselves outside of our comfort zones, whether in business or in our personal lives, it is pretty normal to feel some degree of stress and anxiety.

In business, many of us consider our work to be representative of who we are as a person. As such, we can often view a failure in the workplace as a personal failure. This fear can often manifest itself in such a way that we avoid reaching for new targets or striving towards new goals in case we fail. We fear that such a failure in such a public way could change the way others view us and indeed how we view ourselves. This can result in us holding ourselves back because we fear failure.

It can be helpful to refocus and see “failures” as “learning opportunities”. Some of the world’s greatest entrepreneurs, including the likes of Richard Branson, have failed several times in business. However, they view these failures as learning opportunities.

Each time you fall over, you must learn how to get back up and apply that learning next time around.

Change the way you think about your goals and objectives. Don’t frame each business objective in order to avoid a potential failure. This is setting the objective in a negative context. Instead, set your objectives in a positive context. For example, set an objective to explore a new potential business case in order to learn about that opportunity. The goal is to learn, rather than to create, a new part of the business.

Finally, it can be helpful to visualise obstacles. Think of a situation in which you are afraid of failure. Visualise yourself hitting an obstacle, allow yourself to feel the fear, and then see yourself moving forward.

Next, spend a few minutes planning how to overcome whatever obstacles may stand in your way. Then see yourself succeeding despite these obstacles. You need to train your brain to focus on the solution rather than the fact that there is an obstacle in your way.

January questions and answers

Q. What should I do about an error I accidentally made on my latest VAT return?

A. You can adjust your current VAT account to correct errors on past returns if the error:

- was below the reporting threshold (in broad terms this is less than £10,000, or up to 1% of your box 6 figure (up to a maximum of £50,000);
- was not deliberate; and
- relates to an accounting period that ended less than 4 years ago.



When you submit your next return, add the net value to box 1 for tax due to HMRC, or to box 4 for tax due to you. Make sure you keep good accurate records relating to the adjustment.

Any errors that do not meet these conditions must be notified to HMRC directly.

Q. My husband and I own a rental property in joint names. We would like to transfer ownership of the property to our twelve year old son. Can minors own property in the UK?

A. In this country, a minor (someone under the age of 18 in England) cannot legally own a property. This means that an adult must be the legal owner, and own it on bare trust for the minor, who will be the beneficial owner. You can therefore transfer to your son, but he will not become the legal owner until he is 18.

Another issue to be aware of is that when a parent transfers an asset to a minor child, and the asset produces income of more than £100 per year, the parent is liable to income tax on that income until the minor reaches the age of 18.

Q. My estate, which includes my home, is currently worth around £600,000. I am single, have never been married and have no children. I intend leaving my estate to my siblings. Will they qualify as 'direct descendants' and, in turn, will my estate qualify for the extra £175,000 family home inheritance tax (IHT) allowance?

A. The existing IHT nil-rate band is set to remain at £325,000 until the end of 2020/21.

An additional nil-rate IHT band may be available when a residence is passed on death to a direct descendant. The set additional amounts are as follows:

- £100,000 in 2017/18
- £125,000 in 2018/19
- £150,000 in 2019/20
- £175,000 in 2020/21

There is a tapered withdrawal (of £1 for every £2) of the additional nil-rate band for estates with a net value of more than £2 million.

Unfortunately, the additional relief will only be available where the family home is passed by lineal descent. This will include a spouse or civil partner of a lineal descendant, including the widow, widower or surviving civil partner of a lineal descendant who has died, provided that the surviving spouse or civil partner has not remarried or formed a new civil partnership. A lineal descendant includes a step-child, adopted child, foster child, child in the care of a kinship carer or child under guardianship, and that child's first lineal descendants.

Need Help?

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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

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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 you will also benefit from receiving our free 50 page 'New Business Kit'. Please contact us to request your copy now.

About Us

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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.

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