

# FINANCIAL TLC FROM TCL

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## ACCOUNTANCY AND TAXATION NEWSLETTER FROM THOMAS CROFT LIMITED

Quarterly

June 2016

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#### THOMAS CROFT PEOPLE:

##### Mark's marathon effort for Action Duchenne



On 24<sup>th</sup> April 2016, Mark Thomas, Director of Thomas Croft, together with his daughter Gemma, successfully completed the London Marathon, raising much-needed funds for Action Duchenne. Contributions so far amount to just over three-quarters of their £5,000 target, and they would be very grateful for any further donations at [www.justgiving.com/Gemma-Renwick2](http://www.justgiving.com/Gemma-Renwick2). Thank you for all your help so far!

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## ***Spring Masquerade Soiree raises funds for Action Duchenne***

A sparkling event on 29<sup>th</sup> April saw Mark Thomas's networking group, Just Networking, organise fund-raising for Action Duchenne, with a red carpet, drinks reception, gourmet dinner, live music and close-up magic. The event was attended by Martin Bashir, the charity's patron, here seen with Thomas Croft directors (L to R) Mark Witt, Mark Thomas and Tony Croft, together with Tony's fiancée, Grace Reynolds.



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## **ACCOUNTANCY AND TAXATION:**

### ***Digital records will soon be compulsory***

**When will this happen and how should you prepare? Mark Thomas supplies the details**

The government will require unincorporated businesses with income of £10,000 per year or more that don't currently use software to keep financial records, soon to do so. Companies will have to use digital record keeping no matter what the level of their income. For example, the new regime will include landlords who receive rents, etc. of more than £10,000 per year.

The government will provide free apps to help businesses. However, these won't be sufficiently comprehensive for some and therefore you may have to purchase commercial software. This can be relatively cheap, less than £100 per year for a small business, but using software isn't as simple as keeping manual records. Most require a working knowledge of double-entry accounting, which may mean having to pay a bookkeeper instead of doing it yourself.

Although the deadline given is "by 2020", the government also says that some businesses will need to comply with digital record keeping by April 2018. It doesn't say which!

Our advice would be that, if you keep records manually, you should start planning for the change now. Look for suitable software and someone who knows, or can learn, how to use it.

***If you are in any doubt about your position in relation to this issue, please talk to your usual Thomas Croft contact as soon as possible.***

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## ACCOUNTANCY AND TAXATION:

### ***New rules on dividends has tax implications***

#### **Action needs to be carefully thought through, says Matt Whitlocke**

In the year to 5<sup>th</sup> April 2017, if you intend to receive dividends from a company, then you will be aware that from April 2016 there have been some changes to the way dividends are taxed in that the Dividend Tax Credit has been replaced by a new tax-free Dividend Allowance. Mark Witt alerted you to this in the last issue, but it is worth reiterating in a bit more detail.

The Dividend Allowance means that you won't have to pay tax personally on the first £5,000 of your dividend income, no matter what non-dividend income you have.

You'll pay tax on any dividends you receive over £5,000 at the following rates:

- 7.5% on dividend income within the basic rate band
- 32.5% on dividend income within the higher rate band
- 38.1% on dividend income within the additional rate band

As you can see, this could have a significant impact on your own personal tax liability for the year to 5<sup>th</sup> April 2017.

To only utilise the 0% rate of tax, you would need to receive no more than £5,000 worth of dividends in the year, resulting in £0.00 tax due personally. To only utilise the 7.5% basic rate of tax band, you would need to receive no more than £43,000 worth of dividends in the year, resulting in £2,025.00 tax due personally. To best utilise the 32.5% higher rate of tax band before you start to lose £1 of the personal allowance for every £2 above £100,000, you would need to receive no more than £100,000 worth of dividends in the year, resulting in £20,550.00 tax due personally.

Once the total income exceeds £150,000 any income from dividends will be subject to 38.1% tax personally.

It is worth noting that the current rules for Self Assessment Tax Returns are that if an individual has a tax liability of more than £1,000 and less than 80% of this tax liability is collected at source, then HMRC would expect the individual to make a payment on account of the following tax year.

***If you are in any doubt about your position in relation to this issue, please talk to your usual Thomas Croft contact as soon as possible.***

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## ACCOUNTANCY AND TAXATION:

### ***HMRC's new guidance on business travel***

#### **Travel expenses now exempt from tax and NI, with certain conditions**

Following changes in the rules on 6 April 2016, qualifying business expenses that you reimburse to your employees, or meet on their behalf, don't count as their taxable income and don't need to be reported to HMRC on Form P11D. Expenses qualify for this treatment if, had the employee borne the cost personally, they would be entitled to claim a tax deduction for it.

Under the old rules once you reported the expense to HMRC, your job was done. It would consider whether the expense qualified for a tax deduction. However, since 6 April it's employers who must decide. If you believe an expense would be tax deductible you can reimburse the employee, record the transaction in your business records and that's the end of the matter. But if it's not a qualifying expense you must treat it as earnings and deduct PAYE tax and NI.

Some types of expense aren't a problem - it's easy to decide if they are tax deductible. For example, where an employee works from home and buys the stationery they need to do their job, you can reimburse them tax and NI without a worry. However, other expenses are less clear cut.

The general rule is that an expense is tax deductible, and therefore can be reimbursed or paid for without applying PAYE tax or NI, if it's incurred "wholly, exclusively and necessarily in the performance of the duties" of the employee's job.

HMRC has revamped its guide to employee travel expenses (Booklet 490) to cover the new rules.

***If you are in any doubt about your position in relation to this issue, please talk to your usual Thomas Croft contact as soon as possible.***

## ACCOUNTANCY AND TAXATION:

### ***Is a P11D needed for 2015/16?***

#### **Mark Thomas explains a new expenses rule**

If an employee puts in an expenses claim for the last three months, and most of it relates to 2015/16, but he was reimbursed in 2016/17, what should your bookkeeper enter, if anything, on the P11D for 2015/16?

From the previous article, you know that since 6 April 2016 certain job-related expenses are exempt from tax and NI. The exemption will most often apply to business travel, subsistence, entertainment and subscriptions, but isn't limited to these.

Many employers will face the situation described above when preparing P11Ds for 2015/16. Why does it matter? The answer is that, apart from wanting to get it right, there's potential for tax to inadvertently be avoided.

Under the rules which applied up to 5 April 2016 employees (including directors) are taxable on expenses reimbursed to them, but can make a claim for a tax deduction for costs incurred in the course of doing their job. Under the new rules expenses reimbursed since 6 April 2016 are exempt. That might mean an employee is entitled to a tax deduction under the old rules for expenses that are exempt under the new rules.

We recommend that, if you have reported expenses claimed by employees on Forms P11Ds for the year to which they relate, rather than the year in which you reimbursed them, continue with that practice. This will ensure there's no accidental tax avoidance.

If you've stuck to the rules and reported expenses in the year that you reimbursed them then take one of two steps: when you pass the P11D details to the employee to report on their 2015/16 tax return, attach a note identifying the amount of expenses they should not claim on their tax return because they've been exempted under the new rules; or tell the employee to claim a tax deduction for the expense on their 2015/16 tax return, but be aware that there will be a corresponding tax charge for 2016/17 when you report the expense on the P11D for that year.

***If you are in any doubt about your position in relation to this issue, please talk to your usual Thomas Croft contact as soon as possible.***

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## BUSINESS SUPPORT – HUMAN RESOURCES:

### ***New rights for zero-hours workers***

#### **Alix Passey Brown of Twyford HR gives you the details you need**

New rules from 11 January 2016 give greater protection to zero-hours workers, protecting them from dismissal and discrimination if they look to work for another employer whilst engaged under a zero-hours contract.

Zero-hours workers enjoy a basic set of employment rights, such as the right to paid annual leave and to the National Minimum Wage for hours worked. Regulations were introduced in May 2015 to render exclusivity clauses unenforceable in zero-hours contracts.

To give these provisions greater force, as of 11 January 2016, any dismissal of a zero-hours worker because they work for, or provide services to, another employer, in breach of an exclusivity clause in a zero-hours contract, is automatically unfair.

It is also unlawful to subject a zero-hours worker to a detriment because he or she seeks to work for another employer in breach of an exclusivity provision in a zero-hours contract.

Given that exclusivity clauses are already effectively prohibited, the new regulations are likely to have limited impact. However, zero-hours workers now have a mechanism to enforce the prohibition on exclusivity clauses in an Employment Tribunal, should an employer seek to enforce them.

***Twyford HR Ltd provides HR, employment law, health & safety and pensions support for businesses and charities. We offer a first consultation without charge to clients of Thomas Croft Ltd.. Please contact us at [info@twyfordhr.co.uk](mailto:info@twyfordhr.co.uk) or call us on 01962 711552 for further information.***

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# DATES AND DEADLINES FOR THE QUARTER

## JULY 2016

- 1st** Payment of **Corporation Tax<sup>^</sup>** for companies with 30 September 2015 Y/E
- 6th** Submit Forms **P11D(b)** for the Tax Year 2015/16 to HMRC and provide employees with their Forms P11D
- 7th** Filing of **VAT Returns** online for Q/E 31 May 2016 and payment of VAT\*
- 19<sup>th</sup>** Submission of **CIS Returns/PAYE RTI and payment of CIS/PAYE/NI** for the month and also Quarterly payments
- Pay any Class 1A NIC liabilities** due for the Tax Year 2015/16
- 31st** Filing deadline to **Companies House** for Limited companies with 31 October 2015 Y/E
- Filing deadline of **Corporation Tax Returns** for Limited Companies with 31 July 2015 Y/E
- Payment of Self Assessment **Income Tax** – 2nd Payment on account of 2015/16 liability

## AUGUST 2016

- 1st** Payment of **Corporation Tax<sup>^</sup>** for companies with 31 October 2015 Y/E
- 7th** Filing of **VAT Returns** online for Q/E 30 June 2016 and payment of VAT\*
- 19th** Submission of **CIS Returns/PAYE RTI and payment of CIS/PAYE/NI** for the month
- 31st** Filing deadline to **Companies House** for Limited Companies with 30 November 2015 Y/E
- Filing deadline of **Corporation Tax Returns** for Limited Companies with 31 August 2015 Y/E

## SEPTEMBER 2016

- 1st** Payment of **Corporation Tax** for companies with 30 November 2015 Y/E
- 7th** Filing of **VAT Returns** online for Q/E 31 July 2016 and payment of VAT\*
- 19th** Submission of **CIS Returns/PAYE RTI and payment of CIS/PAYE/NI** for the month
- 30th** Filing deadline to **Companies House** for Limited companies with 31 December 2015 Y/E
- Filing deadline of **Corporation Tax Returns** for Limited Companies with 30 Sept 2015 Y/E

- NB**      \*      It should be noted for all VAT payments that HMRC require cleared funds to be received by them by the due date
- ^      Where the statutory payment date falls on a non-business day, if payment is not paid by the last Bank working day, interest may be charged . Only payments made by the Faster Payments Service will credit HMRC's bank accounts on a weekend or bank holiday
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# FINANCIAL TLC FROM TCL

## *Get the right accountancy and taxation advice*

At Thomas Croft Limited, we pride ourselves on offering a service that gives you:

- **Expertise:** our directors – Mark Thomas, Tony Croft and Mark Witt – have over 60 years' experience between them, allowing you to benefit directly from their depth and breadth of expertise.
- **Range:** we offer the full range of accountancy, taxation and tax enquiry services to clients from private individuals to multi-million pound multi-nationals, meaning that our service to you can evolve as your needs grow.
- **Affordability:** you pay for exactly the level and type of accountancy, taxation and tax enquiry services that you need, thereby saving significantly over the in-house alternative.
- **Confidence:** with Thomas Croft Limited in your corner, you can relax in the knowledge that your accountancy and taxation liabilities are being taken care of in a professional, expert and timely manner.

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***NOTE: to ensure that we have your up-to-date details on file, please confirm your current email address with us when you are next in contact. Thank you!***

***If you have a colleague or business contact who you consider would benefit from this newsletter, please, with their permission, pass us their details. We will be glad to forward a copy to them.***

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