EMTACS NEWS

SPRING 2019



**DO HAVE A READ OF THIS YEAR’S NEWSLETTER**

**IT CONTAINS ITEMS OF HIGH IMPORTANCE**

(not that it hasn’t in the past of course)

**Very important information under the following headlines:**

Making Tax Digital

HMRC POA GLITCH

Portal Tips

2019/20 Coding Notices

# MAKING TAX DIGITAL

Making Tax Digital is the actual arrival of one of the biggest changes to the system since the start of self-assessment in the 1990s. MTD is part of a trend whereby the Revenue transfer the bulk of the leg-work for doing Returns (Tax and VAT) on to the individuals. Without getting overly nostalgic, when I first worked for the Inland Revenue in the mid-1970s it was acceptable to go in to a Tax Office with your receipts and a nice Tax Officer (in a Reading Festival ’75 T-shirt) would give you a hand in knocking out some figures and they would then translate these into assessable profits via an obscure system and send out a tax assessment for you to pay.

Self-Assessment meant that all of this arithmetic became totally the taxpayer’s responsibility to complete on an annual basis. MTD ups the game for this reporting and makes it a quarterly requirement. Now I can appreciate that this is not great news for those whose concept of bookkeeping remains a bag of mixed invoices, receipts, payslips, shopping lists, takeaway menus etc, all to be sorted out as close to the deadline of 31 January as possible. For such people, you probably have another year of bad behaviour, but the shock will be all the worse so maybe you need to start getting your act together a little more now.



Well that looks nice and simple.

The people who are being forcibly included in the MTD system with effect from 1 April 2019 are those who are compulsory VAT-registered because their turnover is above £85,000 per annum. The test for this is turnover for the year up to 31 March, 30 April, or 31 May 2019 (depending on the date to which your VAT Returns are done). You can also volunteer for being in the MTD system if your turnover is below £85K.

Assuming you are deemed to be in the system, what changes? Well you will no longer be able to file paper VAT Returns, nor will you be able to file by using the HMRC website where you can just enter the figures into the appropriate 9 boxes. You will now have to use “appropriate software”. If we do your VAT Return, this isn’t a problem. We use a product called VT which complies with all of the HMRC rules but if you are doing your own VAT Returns then the back of a fag packet workings will no longer do.

There has to be a digital record of your bookkeeping (no matter how neat your handwriting might be!). This isn’t a requirement for invoices to be kept digitally so there’s no compulsion to keep digital images of receipts – keep them in an orderly collection but keep the actual figures in at least some kind of spreadsheet. You then have to be able to file directly into the Inland Revenue software by using software of your own. There are commercial bookkeeping products that do this which are fine but the simplest of solutions is to use what’s called ‘bridging software’ which enables you to carry on with your own spreadsheets and file from them directly into the HMRC VAT computer. We have come across a version of this called VitalTax which is an Excel add-in and would be great for clients doing their own VAT. If you have a look at [www.vitaltax.co.uk](http://www.vitaltax.co.uk) it will tell you all about it. It’s free for the first year and only £1/month thereafter.

We also want to get across the fact that for most clients a commercial accounting software package (cloud based or otherwise) e.g. Sage, QuickBooks, Xero, Free Agent etc. isn’t required, will cost an awful lot more and is likely to over complicate things. They all look user-friendly and are made to appear so on TV advertising but are not as straight forward as they seem. They all require a bit of knowledge in certain accounting areas and this is a learning curve that can deter you from keeping on top of things. If this is your preferred method however, please do call and speak to us first.

Some clients will benefit from a deferred date of 1 October 2019 to join the party and these will be mainly those eccentrics who do their VAT Return on an annual basis. We also have a few clients who are not far off the VAT registration threshold. If you are one of these clients, you should keep an eye on your turnover each month, and do a rolling 12 month calculation, to check whether or not you have gone over the £85K threshold. If you do at any point, please let us know in a timely manner and then you will need to register for VAT and MTD either yourself or ask us to do it for you.

Once you have determined that you have to register for MTD and file using compliant software, if you are doing your own VAT Returns, you will need to go to <https://www.gov.uk/guidance/use-software-to-submit-your-vat-returns> to sign up for MTD (compulsory) using your Government Gateway ID and password and VAT registration number. You will most likely be asked to confirm other details at this point. Once done, you will receive a confirmation email within 72 hours. Please make sure you do not submit a VAT Return until this email has been received. You should also not sign up for MTD until after you have filed your final VAT Return under the old system. (to 31 March/30 April/31 May 2019). The first VAT Return that needs to be filed under MTD is the first quarter in which the whole 3 months fall on or after 1 April 2019.

* Mar, Jun, Sep, Dec quarters:

Your first VAT quarter under MTD will be quarter ending 30 June 2019.

* Apr, Jul, Oct, Jan quarters:

Your first VAT quarter under MTD will be quarter ending 31 July 2019.

* May, Aug, Nov, Feb quarters:

Your first VAT quarter under MTD will be quarter ending 31 August 2019.

And of course, from that point onwards, the new system’s Returns have to be filed using your new-fangled software.

Although quarterly VAT filing is the first step, the second step will be to introduce quarterly filing for Income Tax. We are told that this will now not come in until 2021 at the earliest. You may have heard an earlier April 2020 date – they only recently changed their mind about that – but this has been put back. We aren’t going to bombard you with information about how this will be implemented because (a) one thing at a time, (b) HMRC have not really been definitive about it and (c) even if they had been we wouldn’t trust them not to change their plans (again).

We think that the Revenue want to have their system up and running smoothly before adding any further weight to it. At least their self-knowledge is good enough to realise that there may be problems. I’d be amazed if they got their act together for April 2021. The whole thing will make Brexit look smoothly organised and probably end up with last-minute delays.

If you need/want more information about this then please call us and we’ll do our best to explain things. Frankly to use an endearing new Americanism – the whole thing is a complete goat rodeo.

One final thought – you will still have an entitlement to exemption from this way of filing stuff online – on grounds of “disability, age, remoteness of location or any other reason”. This means if you’re blind, elderly or running a Scottish croft, they’ll be understanding. Also if you convert to being Amish or something similar then that’s a get-out too. But good luck about being a professional without access to any forms of technology.

***LK vs HMRC***

It feels like I have been writing about this next subject for a decade or more but it concerns the never-ending battle between HMRC and the Personal Service Company. The tax status of individuals is often not complex. They’re either an employee or they are a self-employed person, but in some circs this definition is being blurred and it can be in your best tax interests to blur it. So it can be the case that your liability is going to be smaller if your own pet company provides your services to the ultimate boss. Hence the PSC term.



Clearly this is a bit grey and smartarsed accountants bash heads with HMRC all the time. A recent victory has tilted this situation in favour of the accountants. Lorraine Kelly was the unlikely battlefield and ITV were the Ultimate Boss. She (along with a good many artists) was bullied/pushed into providing her skills for the likes of ITV and the BBC through a Personal Service Company. If the BBC employ Chris Evans for £1M/year then they have to pay an extra £128,000 in employers’ National Insurance. If they hire Chris Evans’s company to provide Chris’s services then they avoid that. So LK providing her services to ITV has just been ruled as providing her services ‘as a theatrical artist’ rather than as an employee and therefore does not fall foul of IR35. Lorraine was said to present a persona of herself, and as such is ok to be trading through a Limited Company and therefore able to claim expenses such as agent’s fees against the income. Now, this is not all done with yet. HMRC are carefully considering the outcome and deciding whether to appeal or not, so watch this space. Once we have a definitive outcome, it can be stored as case law and we can see what affect this may have on our clients.

The BBC in particular is coming in for a lot of flak, because they forced hundreds of their employees to operate as PSCs. With the Revenue overturning their status and making them employees in hindsight, it’s costing the individuals a great deal and more than if they had stayed as employees all along. The BBC aim to get the issue sorted with HMRC, are offering to stump up some of this money but are denying it was their fault. They would say that, wouldn’t they?!

# FEES

At the present time the ‘typical’ fees of £290 for accounts and £130 for a Tax Return will stay the same, but there is one important change. Technically the cost of preparing a Tax Return is not tax-deductible. Most clients provide us the information to do both at the same time, so we do the Tax Return for ‘free’, but charge £420 for doing the accounts. However for those clients who do not, in order to ensure the tax-deductibility of the Tax Return, we will be charging for it when preparing accounts which may be some time before we will have actually done it! If you’re someone just with Property Income, then we’ll rope the two together in a similar fashion.

The level of fees will be staying put until the Autumn, when there’ll likely be a small rise. We hope that this is yet another small persuasion to get things done promptly – every little helps.

***HMRC POA GLITCH:***

There’s been a peculiar problem with the Revenue’s computer this year. Normally if your tax liability for say 2017/18 is say £1,800, it automatically asks for instalment payments for 2018/19 of £900 each. It’s only when your liability is less than £1,000 that it doesn’t ask for anything. Only for some people this year, the system has dropped the ball and it hasn’t been putting instalment payments in place – not on statements, not on on-line accounts or anywhere.

If you find yourself in this position, unfortunately it doesn’t take away your need to pay up in the end, but it does mean you can keep the money until such time as you’re asked for it and you won’t be charged interest on the delay in payment. Do bear in mind though, this could mean a much larger payment in January 2020 and so if you do want to make payments during the year, even though it looks like you haven’t been asked, let us know. If you do so without informing us, there is a chance the Revenue’s computer may take your payment as an accidental overpayment and simply give it back to you despite your best intentions, so we need to change something on your computer record to avoid this.

***PORTAL TIPS:***  
One of the spinoffs of the tiresome changes to the rules about sending data over the Internet is that you get informed of portals being set up or documents being added via emails coming from EMTACS ([noreply@docsportal.co.uk](mailto:noreply@docsportal.co.uk)). These are important as ever, and we’re sure you wouldn’t ignore them. But it’s possible that your system may, without you asking.  
  
Please check your junk mail for these emails as they have been known to be filtered. If you do find one in the junk folder, please indicate ‘sender as trusted’ in order for these to be received in your main email folder in future.

Also do scroll down to the bottom when viewing documents in the portal as some may not be in view initially. When adding documents etc there is also a Confirm box at the bottom that needs to be clicked in order for the upload to be actioned. This may also not be in view initially so could be missed – closing the window before doing so can leave things hanging and they won’t be uploaded. We’d also recommend saving documents like accounts to your own pc or mac as these will be deleted from the portal system before long and the thought that you can always go back and pull them up is a temptation that won’t work out.  
  
***2019/20 CODING NOTICES***

If you have received a notice of coding and it contains estimates for your forthcoming rental income then please let us have a copy – the Revenue no longer send us copies of your coding notices, so we won’t know if they’re indulging in this little trick. You see by including your rental income now in your coding they are inviting you to pay tax on your rental income starting now when it’s very likely not due until 31 Jan 2021. Their line is that it avoids having to pay the tax in one go and they’re making your lives smoother.



Hogwash – they just see a way of starting to get their money 20 months early. If you could get paid for your 2021 gigs now, I’m guessing you’d go for it! In truth it’s always good to pass on Revenue notices of coding to us – as I said, we don’t get sent them.

***MARRY IN HASTE?***

There’s a hidden tax break which a lot of people don’t notice and which can slip through our fingers too. If a couple (married or civil partnered) have a set-up where one half does not use all of their personal allowance and the other half is a Basic Rate taxpayer then they can claim a Marriage Allowance. The maximum saving amounts to 10% of the personal allowance which for the 2019/20 year is £250. Not huge but better than a kick in the teeth. The allowance has to be claimed by the lower earner by asking for it to be transferred. This then changes the tax-code of the Basic Rate taxpayer.

We can easily miss this because we don’t always know the circs of each client’s partners and just glean it from conversations sometimes. Even then, we can’t claim it because we aren’t the authorised agent of the non-taxpayer – they have to do it themselves, but it is dead easy and the Revenue have made it so. Go to [www.hmrc.gov.uk/apply-marriage-allowance](http://www.hmrc.gov.uk/apply-marriage-allowance) and follow the breadcrumbs. Or make yourself a very large cup of tea and call 0300-200-3300 but be prepared to wait! If we do act for the non-taxpayer, even easier, remind us of your marriage and we will ensure this is dealt with on your Tax Return.

***WON’T GET FOOLED AGAIN***

***(or should that be WHO ARE YOU)***

Talking of phone numbers – be very wary of 0300-200-3833 – which looks like an HMRC phone number but isn’t. There’s a new version of scamming money off people by ringing people up, claiming to be from HMRC and saying that there is money outstanding (sometime citing an investigation) and that a payment should be made straight away. They leave you the phone number and when you contact them they use recordings made from on the HMRC phone system which add to the believability of the whole thing and invite you to make a payment.  
  
All a bit more credible than some of the other ones but they’ve encouraged HMRC to underline a couple of things. They will never directly email or text taxpayers and won’t call to request then-and-there payment of any liabilities. Unless you’re dealing with someone at the Revenue who’ve you’ve contacted previously, they won’t be talking to you – so if in the slightest doubt about a call, offer to call the main HMRC line 0300-200-3300 yourself and ask to be put through.

***HOUSEKEEPING***

Hopefully by now you are all aware of the HMRC’s ‘regular and predictable’ travel stance. It continues to be the case that this is not claimable and so only short term travel to the same place and/or ad hoc travel will be claimed.

Clothing also remains an area of contention. Technically, only specific workwear or blacks are allowed and any clothes you can wear to a supermarket without getting the odd funny glance, are not.

Continuing our saving the environment, we are no longer going to automatically send out accounting record books. This is because many are never used or returned. On the flip side, we know some of you do continue to use the cash book, and so please give Jane a call on the usual number in order to ask for one and we will be more than happy to send one out.

Those of you who have a standing order with us will have noticed that you have not heard from us in this regard for a while. It is an exercise we will soon be doing at this end and so we will be in touch should you need to alter the monthly amount in any way. As you know, the idea is to be in credit for 6 months of the year and in arrears for the other 6 months. This is not always the case for some of you and so suggested changes will be on their way in due course.

The information we ask for on the yearly coloured forms is very important to ensure your Tax Return is correct and complete. We have on occasions in the past completed and filed returns without always seeing the form as it was never sent in, however, this will no longer be the case. If we do not receive a completed form back from you, we will not file the Tax Return until received, so if you are one of the clients who doesn’t always send the form back, be prepared to be chased for it!

