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Issue 17 – March 2017

Personal & Business Taxation – Audit & Assurance – Accounting & Business Services

Business groups set out Spring Budget priorities

Business groups have outlined their priorities for businesses and the economy ahead of the 2017 Spring Budget.

In a letter to Chancellor Philip Hammond, the Confederation of British Industry (CBI) called on the government to 'back businesses' growth ambitions' to help build prosperity across the UK, and to work alongside firms to 'prioritise stability' during periods of economic uncertainty.

The CBI also urged the government to tackle the UK's 'outdated' business rates regime and limit its 'growing burden' on businesses.

Echoing the call of the CBI, the British Chambers of Commerce (BCC) also recommended that the government take action on 'delivering real reform' to the business rates system. It called for HMRC to abandon the 'fiscal neutrality principle' in business rates reform, suggesting that this acts as an 'unacceptable barrier' to the revision of the system.

In its submission, the BCC outlined its desire for the government to bring forward the switch from the Retail Price Index (RPI) to the Consumer Prices Index (CPI) to April 2017, instead of during 2020, as is currently planned.

Meanwhile, the Federation of Small Businesses (FSB) has advocated for a 'pro-business' Budget that supports self-employed individuals, urging the government to help more people start up in business. It also called for the government to 'improve job creation and drive productivity across the nations and regions of the UK'.

In a radical move, the Institute of Directors (IoD) has claimed that the UK tax system is 'not keeping up with the growth of self-employment and the digital economy', and has called for the Chancellor to create a new Tax Commission when he presents his Budget. The IoD argues that the new commission should investigate how tax applied to the self-employed could be brought into line with employees, and how online stores could be taxed fairly in relation to high street shops.

The Institute has also called for an increase in the Annual Investment Allowance (AIA) cap from £200,000 to £1 million and a consultation on 'liberalising' investment schemes for business start-ups.

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Making Tax Digital: HMRC releases further details on its plans

HMRC has published its response to the feedback it received on its Making Tax Digital (MTD) consultations, shedding a little more light on its plans to create a new tax system 'fit for the digital age'.

The new regime, which is set to be introduced between 2018 and 2020, will require businesses and individuals to register, file, pay and update their information via a secure online tax account.

Under the system, self-employed individuals and landlords will be required to use software or apps to keep digital business records, and to make regular updates regarding their income tax, VAT and national insurance contributions online. HMRC previously proposed a number of exceptions to the requirement to maintain digital records, including unincorporated businesses or landlords where turnover or gross income from property is less than £10,000. The government is now considering the exemption further.

The government has published a raft of proposals, taking into account the views of consultation respondents, and its latest decisions include:

- permitting businesses to use spreadsheets for their record-keeping, which can be linked to the appropriate software for the purposes of sending updates to HMRC
- the requirement to keep records digitally does not mean that firms have to make and store receipts and invoices online
- charities (but not their trading subsidiaries) will not be required to keep digital records
- end of year activity must be concluded and sent to HMRC by either 31 January or 10 months after the last day of the period of account (whichever is soonest)
- the entry threshold for cash basis accounting will increase to £150,000 and will be extended to unincorporated property businesses where cash basis receipts do not exceed £150,000
- giving taxpayers at least 12 months to familiarise themselves with the changes before any late submission penalties are applied.

HMRC emphasised that it intends to introduce the changes gradually, and that the initiative will be thoroughly piloted with businesses before being fully implemented.

However, the plans have been subject to significant criticism, particularly in regard to the 'short' timetable for their implementation. The Federation of Small Businesses (FSB) called for the introduction of MTD to begin in 2020, rather than in 2018 as planned, and for smaller businesses to be exempted from the scheme altogether.

Mike Cherry, National Chairman of the FSB, commented: 'The timetable laid out by ministers in Autumn Statement 2015 is now a total fantasy. It is unachievable given the latest delays. The programme cannot begin before 2020 without causing considerable disruption to economic growth, investment and employment.'

Meanwhile, the Chartered Institute of Taxation (CIOT) also called for a delay in the implementation, and for the mandation threshold for MTD to be raised from the proposed £10,000 turnover to £83,000.

ESSENTIAL TAX DATES FOR MARCH

1 March
New advisory fuel rates applicable from this date.

2 March
Last day to pay any balance of 2015/16 tax and NICs to avoid an automatic 5% late payment penalty.

31 March
End of corporation tax financial year.
End of CT61 quarterly period.
Filing date for Company Tax Return Form CT600 for period ended 31 March 2016.

QUOTE OF THE MONTH

'We still have a hill to climb in convincing people about the benefits apprentices can bring to business.'

City and Guilds Managing Director, Kirstie Donnelly