

# TAKE ACCOUNT

Welcome to the latest edition of our newsletter, which we hope will be of interest.

The Partners and Staff would like to take this opportunity to wish you all a Happy Christmas and a peaceful and prosperous New Year.

## Gifts of up to £50 to Employees

From April 2016, new rules were introduced to allow employers to provide their directors and employees with "trivial" benefits in kind, tax free.

The new rules were brought in as a simplification measure so that certain benefits in kind do not now need to be reported to HMRC, as well as being tax free for the employee. Not surprisingly, there are a number of conditions that need to be satisfied to qualify for the exemption, as follows:

- the cost of providing the benefit does not exceed £50;
- the benefit is not cash or a cash voucher;
- the employee is not entitled to the benefit as part of any contractual obligation, e.g., a salary sacrifice scheme;
- the benefit is not provided in recognition of particular services performed by the employee as part of their employment duties or in anticipation of such services.

This exemption will, therefore, generally apply to small gifts to staff at Christmas, on their birthday or other such occasions and includes gifts of food, wine or store vouchers.

Where the employer is a "close" company and a benefit is provided to a director or other office holder of the company, the exemption is capped at a total cost of £300 in the tax year.

## Changes in Capital Allowances

Significant changes to the Capital Allowances regime were announced in the 2018 Autumn Budget.

The majority of UK firms are able to claim a 100% Annual Investment Allowance (AIA) on the first portion of expenditure on most types of plant and machinery, excluding cars. The AIA applies to businesses of any size and most business structures, however, there are provisions to prevent multiple claims.

In this year's Autumn Budget, the Chancellor announced a temporary increase in the AIA which will rise from £200,000 to £1m. This applies to expenditure incurred from 1<sup>st</sup> January 2019 to 31<sup>st</sup> December 2020. Businesses are, therefore, advised to time the purchase of plant and machinery carefully in order to make full use of the increase.

However, there are concerns that the temporary increase in the AIA could actually reduce the tax relief available to some firms.

The provisions contained in the 2018/19 Finance Bill mean that a business with a year end of 31<sup>st</sup> March 2021 will have an effective AIA limit of £800,000, provided the business has incurred all of its qualifying expenditure for that year in the nine months to 31<sup>st</sup> December 2020.

However, if the expenditure is instead incurred in the three months to 31<sup>st</sup> March 2021, the amount of AIA available will be restricted to £50,000. Many businesses (other than those with a 31<sup>st</sup> December year end) will therefore have to consider the tax implications of the precise timing of their capital expenditure.

A new Capital Allowances regime for structures and buildings was also announced. The Structures and Buildings Allowance will apply to new non-residential structures and buildings. Relief will be provided on eligible construction costs incurred on or after 29<sup>th</sup> October 2018, at an annual rate of 2% on a straight line basis. Relief will not be available for the cost of land or dwellings.

**For further advice on maximising the AIA for your business, please get in touch with your usual Myrus Smith contact.**

Winter 2018



**CHARTERED ACCOUNTANTS**

Norman House  
8 Bunnell Road  
Sutton  
Surrey  
SM1 4BW

Tel: 020 8661 1625  
Fax: 020 8643 3446  
Email: [mail@myrus-smith.co.uk](mailto:mail@myrus-smith.co.uk)  
Website: [www.myrus-smith.co.uk](http://www.myrus-smith.co.uk)

## Don't Forget

**31<sup>st</sup> January 2019** – is the deadline for filing your 2018 Tax Return and paying any tax due – if you have yet to let us have the information to prepare your Return, time is running out!

Please, please, let us have your Tax Return information as soon as possible, so that we can minimise the last minute rush and be more pro-active in dealing with your tax affairs

**6<sup>th</sup> July 2019** – 2018/19 Form P11D filing deadline.

**31<sup>st</sup> July 2019** – Second payment on account for 2018/19.

**31<sup>st</sup> October 2019** – Deadline for filing 2019 'paper' Tax Returns. The online filing deadline remains 31<sup>st</sup> January 2020.





### Restriction on Mortgage Interest Tax Relief

Individuals who receive rental income on residential property in the UK or elsewhere and incur finance costs (such as mortgage interest), will no longer be able to deduct all of the finance costs from their property income to arrive at their taxable profits. They will instead receive a basic rate reduction from their Income Tax liability for such costs. Landlords will be able to obtain relief as follows:

- 75% for 2017/2018
- 50% for 2018/2019
- 25% for 2019/2020
- 0% for 2020/2021 and beyond.

---

### Class 2 National Insurance: not quite the end of the road

Class 2 National Insurance gives an entitlement to contributions based benefits such as State Retirement Pension, Maternity Allowance and Employment and Support Allowance (ESA). Your entitlement to these benefits and the amount you can get depends on your National Insurance Contribution (NIC) record.

The government was initially planning to abolish Class 2 NICs and merge Class 2 and Class 4 NICs with an increase to Class 4 NICs. However, it has now been announced that these are being put off for 12 months.

Class 2 payments will now continue until 6 April 2019, rather than ending on 6 April 2018. The delay will enable the government to look again at what abolishing Class 2 will mean for just under one million self-employed people whose profits fall below the 'small profits threshold.' This threshold is set at £6,025 per annum for the tax year 2017/18, rising to £6,205 in 2018/19.

---

### Use it or lose it!

Time is running out to claim unused pension allowance.

Since the 2016/17 tax year the £40,000 annual pensions allowance has been tapered by £1 for every £2 of income in excess of £150,000. For those with income above £210,000, the annual allowance is capped at £10,000 gross. However, you still have the opportunity to utilise any unused allowance for the previous 3 tax years. This rule has not changed, but in reality if you already reach the £10,000 limit each year, the last year of unused allowances available is likely to be 2015/16.

Taking this into consideration, you may wish to maximise the tax relief claimed by making additional pension contributions before **5 April 2019**. After that date the unused allowance for 2015/16 will be lost forever. Please contact your pensions adviser for further assistance.

---

### Team News

**Sharuka Joshua** joined our Tax Team in April and is an Accounting and Finance graduate. She is currently studying towards a taxation qualification and is also AAT qualified (Association of Accounting Technician). Sharuka enjoys horror films and shopping.

**Vivek Hariram** joined our Audit and Accounts Team in February, bringing considerable knowledge to the department. Vivek is a keen gardener and DIY enthusiast.

**Seema Haria** joined us in June. She has been working in accountancy for more than 10 years, and has experience in many areas of accounting and tax. She enjoys yoga and is a huge Arsenal fan (someone has to be!!).

**Rebecca Allen** joined us in January, taking over from Dawn as our Payroll Manager. Rebecca loves spending time with her friends and family.

Weekly Mufti Fridays raised £200 which the partners have increased to £600. Donations were split between these charities:



The Christmas Jumper day and competition raised £65. Following a donation by the partners, a total of £200 will be donated to Save the Children.



The Christmas Raffle is set to raise £150, which the partners have agreed in advance to increase to £300, which will be sent to Alzheimer's Association.

**This makes a grand total of £1,100 donated by the Staff and Partners of Myrus Smith in 2018 to worthwhile charities!**

---

*Wishing you all a very Merry Christmas and a Happy New Year!*



---

### DISCLAIMER

This newsletter has been produced for the general information of our clients, professional contacts and friends of the firm. It is intended to give a brief summary of issues which we consider may be of interest and is correct at the time of going to press. However, clients are advised to contact us specifically for advice before acting, or refraining from acting, in respect of any matter, based on the information contained herein.

Myrus Smith Chartered Accountants is registered to carry out audit work in the UK and Ireland and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales [ICAEW].

