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INSIDER
MARCH 2017

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Firms prepare for Making Tax Digital

Businesses will be given at least 12 months to prepare for the transition to digital tax accounts.

Businesses, self-employed people and landlords will need to submit quarterly updates to HMRC and keep their records digitally by 2020, but this will be phased in. The current plan is to start quarterly reporting from April 2018 for landlords and the self-employed, with micro businesses next to come online.

After the publication of draft legislation, the following details have been confirmed:

- firms will be able to use spreadsheets to record their receipts and expenditure
- quarterly updates will not apply to charities
- those with turnover of under £10,000 a year will be exempt from the process
- accounting for income and expenditure on a 'cash in, cash out basis' will be extended.

There will be a 12 month period before late submission penalties will be applied. This will let businesses get used to the new system and allow for feedback.

Jim Harra, director general customer strategy and tax design at HMRC, said:

"The appetite for digital services is growing and traditional paper-based processes make no sense in the 21st century where the vast majority use digital services."

Preparing for the changes

One of the most noticeable changes for businesses is the need to use digital software to keep both company and individual records up to date.

A March 2016 business survey by the ICAEW found that 75% of respondents were not using software to maintain their accounts.

Businesses will be able to use spreadsheets to collate records but must ensure that the documents are compatible with the software available.

It is the business' responsibility to choose software that both suits their needs and is compatible with the HMRC digital tax account system.


Talk to us about managing these changes.

Pensioners staying in work drives up retirement income

The rise in the proportion of pensioners in employment accounts for a quarter of pensioner income growth, according to the Resolution Foundation.

Since 2001 pensioner income has grown so that now a typical pensioner household is £20 a week better off than a typical working household.

In this time, the proportion of pensioner households in which at least one person works has increased from 12.5% to 20%.

Younger pensioners also have consistently higher incomes than their older counterparts, with those who turned 65 in 2001 seeing their income grow 7%, compared with a 30% increase across the general pensioner population.

Other findings:

- 74% of gross retirement employment income goes to the wealthiest 20% of pensioners
- 80% of gross self-employment income goes to the wealthiest 20%
- the poorest 20% of pensioner's income comes almost exclusively from benefits
- workless pensioner households have seen their real income grow by 34% since 2001.

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Adam Corlett, economic analyst at the Resolution Foundation, said:

"The main driver of pensioner income growth has been the arrival of successive new waves of pensioners, who are more likely to work, own their home and have generous private pension wealth than any previous generation."

Older workers and the labour market

A survey of employees over the age of 50 by Aviva shows that the majority believe there are fewer employment opportunities due to their age.

The survey of over 2,000 employees aged over 50 found that:

- 83% believe there are fewer opportunities open to them
- 88% believe they have more skills than their younger counterparts
- 79% were less inclined to try and find a new job
- 64% will have to work for longer than they had originally planned.

Get in touch with us to discuss your retirement income.

Late payment regulations support SMEs

Large companies and limited liability partnerships (LLPs) will have to publish their payment practices and performance twice a year from April 2017.

This new reporting requirement will include the average time taken to pay supplier invoices.

The government hopes this will help to reduce late payments. It is estimated that SMEs are owed £26.3 billion in overdue payments.

Mike Cherry, national chairman at the Federation of Small Businesses, said:

"We estimate that if payments were made promptly, 50,000 business deaths could be avoided every year, adding £2.5 billion to the UK economy.

"It's now crucial that these regulations are introduced and robustly enforced with proper sanctions put in place for any large business that tries to hide its payment practices."

Combating late payments

Late payments can have negative consequences for a company's cashflow and its ability to trade.

The new reporting regulations apply to large companies and LLPs if they have exceeded 2 or more of the following thresholds on their last 2 balance sheet dates:

- £36 million annual turnover
- £18 million balance sheet total
- 250 employees.

Failure to publish the payment report on time or accurately will be a criminal offence.

It is hoped that businesses are deterred from bad payment practices and increased transparency will help small businesses choose their larger business partners.

Small business minister Margot James said:

"Large businesses have an important role to play and the guidance published will help them fulfil their responsibilities and improve payment practices across the board."

Talk to us about your cashflow today.

Apprenticeship levy approaches

Businesses are preparing for the apprenticeship levy which is due to launch on 6 April 2017.

Employers with an annual pay bill of over £3 million will have to pay a 0.5% levy of their wage bill which will go towards apprentices and training for their business.

An annual levy allowance of £15,000 will also be available to each employer.

Research by City & Guilds found that 33% who are eligible to pay the levy are still not aware of the coming changes.

Kirstie Donnelly, MBE managing director of City & Guilds, said:

"It's vital that everyone in the skills sector and government gets out there and communicates with these less enlightened businesses to help them see the huge potential benefits apprenticeships can bring."

Paying the levy

From April 2017, eligible businesses will have to report the amount due to HMRC.

The levy must be reported on the Employer Payment Summary within 14 days after the end of each tax month, so for example the first report will be due on 19 May 2017.

Reporting must continue until the end of the tax year, even if your bill reduces and you no longer have any levy to pay.

The apprenticeship levy should be paid at the same time as your monthly PAYE payment.

Contact us today to discuss the apprenticeship levy.