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Tenant fees ban set to cost landlords £82.9m

A new ban on tenant fees could push costs of more than £80 million onto landlords, government figures have shown.

The tenant fees bill, which was published on 2 May 2018, includes a ban on all fees charged to tenants apart from rent, deposits, and certain necessary costs.

A government impact assessment confirms that “the main costs fall on landlords and letting agents” as a result of the changes, with landlords expected to absorb £82.9 million in the first year.

Letting agents also face a greater cost, estimated at £157.1 million for the same period of time.

Aside from rent and deposits, landlords and letting agents will only be able to charge tenants for:

- a change or early termination of a tenancy when requested by the tenant
- utilities, communication services and council tax
- a default by the tenant, such as replacing a lost key.

As well as banning fees, the bill will introduce a cap on holding deposits of up to one week's rent, and security deposits at no more than six weeks' rent.

Fees for a change to the tenancy will also be capped at £50, unless the landlord can prove the change incurred greater costs.

Those in breach of the ban could face a fine of £5,000 for a first offence, with further offences within five years resulting in either penalties of up to £30,000 or prosecution.

The new rules are due to come into force next year as the measures pass through parliament.

Businesses call for more government support

Four out of five entrepreneurs in the UK believe the government could do more to support their small business, research claims.

Aldermore surveyed 1,799 people, including 642 small business owners, and found 79% of respondents believed existing initiatives did not provide enough support to SMEs.

Apprenticeship levy funds go towards the training of apprentices, but only 36% of SMEs polled were aware of the funding and only 4% had accessed this form of government support.

A similar pattern emerged with capital allowances, with 27% of respondents aware of the scheme and only 5% utilising it to support their business.

Government-funded startup loans were on the radars of 40% of those polled, but just 6% had used them.

The research also reveals 54% of business owners hold less than £1,000 in cashflow, while 15% are experiencing cashflow problems.

Ewan Edwards, head of savings at Aldermore, said:

“Small businesses represent five million enterprises employing over 15 million people in the UK, but the current system of support suffers from needless complexity, low awareness and low take-up.

“There is a clear gap in the market for providing well-targeted small business support, such as simple tax breaks and a taxpayer-funded cash bonus, to help them get started.”

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HMRC defers launch of digital accounts for individuals

HMRC has delayed rolling out digital services for individuals, such as the simple assessment and dynamic coding changes.

The move was announced in an email sent to stakeholders, which confirmed the delay was down to a shift in key priorities driven by the need to free up civil servants for Brexit.

Jon Thompson, chief executive at HMRC, said:

“We feel the need to take a step back and look carefully at what we could, and should, deliver in light of those [Brexit] challenges.

“The things we’re stopping or pausing will slow our journey, but they don’t change our overall ambition to become the world’s most digitally-advanced tax authority.

“But crucially, they will allow us to support EU exit while continuing to deliver ambitious changes for our customers.”

‘Simple assessment’ is intended to be used where a taxpayer has a secondary income or gain of more than £10,000, such as from self-employment or property.

It is a tax assessment made by the Revenue, not by the taxpayer, and as such will be the opposite of a self-assessment made alongside a tax return.

Under the ‘dynamic coding’ system, otherwise known as real-time tax codes, the intention is to replace potential underpayments with in-year adjustments.

The tax codes are adjusted to reflect changes in an employee’s circumstances as soon as HMRC becomes aware of the change. But this system has also been hit with a range of issues.

HMRC said in its email sent to stakeholders:

“We’re halting progress on simple assessment and real-time tax code changes.

“The Making Tax Digital (MTD) for Individuals programme has made significant progress, so we’ve laid foundations that will enable us to return to this in the future.”

The delay for individuals will not affect the obligation for VAT-registered business to submit digital accounts from April 2019, which remains on track after a pilot scheme got under way last month.

No new timeline is in place for the rollout of MTD for Individuals at the time of writing.

 *We’re happy to discuss digital accounts.*

Deadline for reporting benefits in kind nears

Most employers are currently getting their houses in order when it comes to reporting employee benefits and expenses ahead of the 6 July 2018 deadline.

At the end of the tax year, employers may need to inform HMRC if any taxable benefits were handed out to members of staff over the previous 12 months.

These include company cars, health insurance, non-business travel or entertainment expenses, and assets provided by an employer that have significant personal use.

Each taxable employee benefit is calculated differently, depending on the type of expense or benefit provided.

Most taxable employee benefits can be deducted through payroll, as long as the employer has registered with HMRC before the start of the tax year.

Otherwise, businesses may need to submit a P11D form to HMRC for any taxable expenses or benefits that have not been deducted through payroll.

Even if you put employee benefits through payroll during 2017/18, you’ll still need to send a P11D(b). You’ll also need to send a P11D to show any benefits you paid that you didn’t payroll.

These forms enable the Revenue to calculate how much you need to pay in class 1A national insurance contributions (NICs), as well as how much PAYE is due from the employee on the benefit.

This is then normally collected from the employee by adjusting their tax code, with each benefit in kind having a different tax code.

It’s important to get this right to ensure the correct amount of tax is paid, while an exemption system is in place for certain benefits which are not liable for tax.

These include costs related to travel, business entertainment, any business credit cards, fees and subscriptions.

There’s also a penalty of £100 per 50 employees for each month or part month the P11D(b) is late, with interest also charged on late payments to HMRC.

The deadline for paying class 1A NICs is slightly later, on 22 July 2018 (or 19 July if paying by cheque), and financial penalties apply if you are late.

 *Find out more about P11D requirements.*