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## HMRC confirms 'soft landing' for Making Tax Digital

**HMRC has confirmed that digital reporting requirements will be relaxed during the first year of Making Tax Digital (MTD) for VAT-registered businesses.**

From April 2019, businesses with annual taxable turnover of more than £85,000 will be required to maintain digital records for VAT and submit quarterly returns alongside the annual tax return.

Under the requirements of MTD, any transfer of data between software programs must be carried out using digital software.

However, for VAT periods starting in the 2019/20 tax year, businesses will not need to have digital links for all software, and will be able to manually transfer or cut and paste their records instead.

This does not include the submission of the VAT return itself, which must be shared with the Revenue using an application programming interface (API).

In December 2017, HMRC said it anticipated there would be a "soft landing period without application of record-keeping penalties" in 2019/20 to give businesses time to adjust to the new system.

Its VAT notice, published in July 2018, legally confirmed the relaxed reporting requirements but made no mention of how the soft landing on penalties will apply.

John Cullinane, tax policy director at the Chartered Institute of Taxation, said:

"It would have been completely inadequate for the law to require you to do one thing, but then for HMRC to say informally that they would not enforce it.

"Most businesses want to comply with what the law requires them to do, and this approach from HMRC helps ensure that is the case."

## Stamp duty tax break saves first-time buyers £284m

**Philip Hammond's decision to abolish stamp duty land tax (SDLT) for most first-time buyers on all properties worth up to £300,000 saved homeowners £284 million in the first half of 2018.**

The chancellor scrapped SDLT in Autumn Budget 2017 for most people taking their first steps on the property ladder in England, Northern Ireland and for a limited time in Wales.

Speaking at the time, Hammond expected the move to cut SDLT for 95% of first-time buyers and abolish it for 80% of them.

SDLT was axed on the first £300,000 of all purchase prices up to a value of £500,000, with a 5% rate chargeable on the portion between £300,000 and £500,000.

Those who bought their first home in Wales could have benefited from the move between 22 November 2017 and 1 April 2018, at which point the devolved land transaction tax replaced SDLT.

More than 121,500 first-time buyers have been able to get on the property ladder in the six months between 1 January 2018 and 30 June 2018.

Mel Stride, financial secretary to the Treasury, said:

"Our cut to stamp duty for first-time buyers is helping to make the dream of home ownership a reality for a new generation.

"In addition, we're building more homes in the right areas and have introduced generous schemes such as the Lifetime ISA and Help to Buy."

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## Inheritance tax receipts reach record high of £5.2bn

The Treasury fetched a record high of £5.2 billion in inheritance tax receipts last year, according to statistics published by HMRC.

Inheritance tax receipts increased 8% year-on-year in 2017/18 to continue a long-term trend, which began when the nil-rate band was frozen at £325,000 with effect from 6 April 2009.

Since then, inheritance tax receipts have grown by an average of 10% a year, with the latest increase £388 million higher than in 2016/17.

Rising residential property prices are a contributing factor to the ongoing rise in inheritance tax receipts, with house prices soaring above the rate of inflation over the same period.

However, the most recent statistics do not take into account the full impact of the residence nil-rate band (RNRB), which was introduced on 6 April 2017 in addition to the £325,000 nil-rate band.

Eligible estates qualify for an extra £125,000 through the RNRB in 2018/19 if the deceased owned a home, or a share of one, that was included in their estate and left to their direct descendants.

It enables someone to pass on a family home worth £450,000 without incurring inheritance tax liabilities in 2018/19 – and will increase a further £25,000 in each of the next two years.

Steve Webb, director of policy at Royal London, said:

“The amount of money raised from inheritance tax has doubled in less than a decade, and a steadily rising proportion of estates are now caught within the inheritance tax net.

“Even the introduction of an additional nil-rate band for families passing on a home to their children was not able to stem the growth in inheritance tax revenues, yet it remains riddled with anomalies.

“Inheritance tax is a complex tax, and the sooner it is overhauled the better.”

Sean McCann, chartered financial planner at NFU Mutual, agreed:

“We’ve seen in recent years a more aggressive approach from the taxman that has driven a surge in inheritance tax receipts.

“Simplification of this can’t come soon enough for many families, but taking financial advice should be a priority for anyone with a potential inheritance tax problem.”

## SMEs cite VAT as ‘biggest administrative headache’

VAT creates the biggest administration burden for around two-thirds of businesses in the UK, research from the British Chambers of Commerce (BCC) has claimed.

The report, which polled more than 1,100 businesses of all sizes, found that 64% were bamboozled by an array of rates and rules to comply with VAT legislation.

This percentage is likely to increase in the near future as VAT-registered businesses with taxable turnover of more than £85,000 prepare for Making Tax Digital to take effect from April 2019.

More than half (54%) said payroll tasks were the next biggest compliance burden, with many firms confused by the national insurance contribution thresholds and rates they are required to pay.

Corporation tax (41%) proved to be the third biggest administration headache for businesses in the UK, while three in four (75%) respondents feel HMRC red tape has increased in the last five years.

Adam Marshall, director-general of the BCC, said:

“It’s time to tackle the huge costs and complexities of the UK tax system, which sap away time and resources that could be better spent raising business productivity and growth.

“We want to see more investment in frontline HMRC support that’s geared towards making compliance easier for SMEs.

“There should also be greater independent scrutiny of new tax proposals with the aim of minimising the administrative burden on business.

“HMRC must be given both resources and a clear remit to focus more on supporting, rather than pursuing and punishing, small and medium-sized firms as they work to get tax right.

“Making tax administration simpler would provide businesses with more time and headroom to focus on investment and growth.”



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