MAKING TAX DIGITAL

The Government's introduction of "Making Tax Digital" has been postponed to April 2019 to ensure that businesses have sufficient time to adapt to the changes in the process and then, it will only be to meet VAT obligations (i.e. businesses who have a turnover above the VAT threshold) – the smaller businesses will not be required to use the system at that stage but could choose to do so voluntarily should they so wish.

The Government has stated that it will not widen the scope of Making Tax Digital beyond VAT until it has been proven to work well and not before April 2020 at the earliest. HMRC is aiming to become one of the most digitally advanced tax administrations in the world by modernising the tax system to make it more effective, more efficient and easier for customers to comply.

The benefits of "Making Tax Digital" are:-

- No annual submission of Personal Tax Return
- No repeated submission of information already held by HMRC but in a different department
- No mistakes due to incorrect submission of information from customers
- No late submissions of Personal Tax Returns leading to penalties and/or interest charges for the customer
- HMRC will be able to source information from elsewhere directly – e.g. employers, banks, building societies and other government departments
- Customers will be able to see the information that HMRC holds and to check at any time that their details are complete and correct
- HMRC will be collecting and processing information affecting tax as close to real time as possible, therefore customers will not have to wait until the end of the year to know how much tax they should pay
- By 2020 the Government plan is that customers will be able to see a comprehensive financial picture of their HMRC account at any time
- Customers will be able to interact with HMRC digitally at a time to suit them
- Support through webchat and secure messaging will be available

Oakwood Reminder

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Business is great but we are always looking for more.
Please pass on this newsletter to anyone you feel may benefit.
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JANE'S EDITORIAL

Well summer is over and autumn is on its way! It will soon be Christmas and the budget will be delivered to us on 22 November! I apologise straight away but most of this Reminder is from or about HMRC. Unfortunately Making Tax digital is in the public eye and of course disclosure and phishing is always high on the agenda. Data protection and getting information for your mortgage adviser are also covered herein. To make matters worse or better, depending on your outlook, statistics published as below make interesting reading. It falls to me to say if the top 50% of taxpayers paid 90% of the tax, why not let the rest of us off this year?

Do let us know if you require another copy of the Reminder for a colleague or someone you will recommend us to and be assured, they will receive, what we hope is, the best customer service you receive already! Do please read the Reminder as some of it will apply to you at some point in time.

TAX STATISTICS – THE SUMMER INCOME TAX DATA, PUBLISHED ON 31 MAY 2017 SHOWS THAT:-

- In 2014/15 the top 50% of taxpayers had 75.3% of income and were liable for 90.3% of tax
- The number of people paying any income tax at all is predicted to fall by 400,000 in the current tax year compared with 2014/15, mainly as a result of increases in the Personal Allowance
- The top 1% of taxpayers had 12.3% of total income but were liable for 27.2% of total tax
- Total Income Tax of £167 billion in 2014/15 is expected to increase to £173 billion this year

These statistics only relate to income tax. National Insurance raises £110 billion, capital gains tax a further £6.9 billion and inheritance tax £3.8 billion.

A few weeks ago we thought we knew what the immediate future held for UK personal tax, but now all bets are off.

DATA PROTECTION – THE FUTURE

General Data Protection Regulations take effect on 18th May 2018.

Whilst the existing rules regarding data protection will continue to apply, the principal changes are:-

- Privacy notices – when collecting personal data, the individual must be informed of the lawful basis for processing the data, the data retention periods and that the individual has a right to complain to the Information Commissioner's Office (ICO) if they suspect there is a problem with the way their data is being handled.
- Subject Access Requests – the 42 day maximum period to comply with data access requests is reduced to 1 month and the right to charge a fee for providing information will no longer be allowed.
- Right to be forgotten – this has now been given regulatory effect. Data cannot be retained where there are no legal grounds for doing so.
- Children – under 16s benefit from additional protection. Consent must be given by a parent.

Consent

Obtaining individual's consent to general processing of data is the mechanism most often used at present to justify the processing. Employers often include such a clause in the contract of employment. By signing the contract, the employee has given consent to the processing of data about them by the employer. This will not be possible under the new regulations.

Whilst consent will remain, it will have to be explicit, freely given and specific to the data processing which is envisaged. Furthermore, it cannot be included within a document seeking to cover other matters. Therefore the consent clause in an employment contract is unlikely to meet the standard which will be required – there will need to be a separate consent document.

Offshore Matters

In September 2016, HMRC initiated a Worldwide Disclosure Facility (WDF) aimed at individuals with unpaid taxes connected to overseas assets. WDF provides a last opportunity to individuals who have unpaid taxes connected with offshore assets to come forward, prior to information being shared under the Common Reporting Standard (CRS) and tougher legislation coming into force on 30th September 2018.

Deliberate Omissions

The final disclosure facility is known as the Contractual Disclosure Facility (CDF). This will most commonly be offered by HMRC as part of an enquiry where tax fraud is suspected. A disclosure under the CDF will normally be a substantial and detailed document which is seldom completed without the advice of a tax adviser specialising in this.

However the CDF is not limited to disclosures prompted by an HMRC enquiry – it may also be used for voluntary disclosures. You may ask why anyone would opt for the costlier and more complex CDF over the more simple DDS? The answer is that CDF (unlike DDS) offers a guarantee of immunity from prosecution.

Therefore, if omissions from tax returns are deliberate, substantial, and have taken place over a prolonged period of time (or involve businesses where HMRC would be especially inclined to prosecute for tax fraud such as accountants, tax advisers and the like), CDF should certainly be considered, weighing up the additional cost and complexity against the risk of criminal proceedings.

Advantages in coming forward

These range from peace of mind and being able to sleep at night - to reducing the costs to be paid, having some control of the process and in the more serious of cases, securing immunity from a criminal investigation.

Which disclosure option should you choose?

The online facility is a straightforward way for individuals to disclose unpaid taxes but please do contact us should you become aware that the information you have provided to us in order to complete your tax return, has been incomplete or incorrect and has resulted in an understated submission.

CYBER SECURITY ALERT

Recently HMRC was made aware of a phishing campaign targeting businesses specifically. The HMRC email has "Your 2016 Tax Report" in the subject line and contains a word document which is malicious. Everyone should be cautious of any executable downloadable files purporting to be from HMRC, particularly if they were not expected. If you think that an email is suspicious please report it to phishing@hmrc.gsi.gov.uk. If you have fallen victim and suffered financial loss, this should be reported to Action Fraud through their website, or on 0300 123 2040. (Please note this number will be charged at your normal network rate). They are open Monday to Friday 09.00-18.00 hrs.

SA302 PROCESS

HMRC are aware that a number of agents are still phoning them for a paper copy of their client's tax calculation and/or their Tax Year Overview. Many agents are telling them they need this because their client's lender will not accept the self-serve copy printed from their HMRC online account or the commercial software used to file the Self Assessment (SA) return, or their commercial software does not print. HMRC have been working with the:-

- Council of Mortgage lenders and their members to understand their requirements and make the necessary changes so that they will accept self-served copies of the tax calculation from the HMRC online account or the commercial software used to file the SA return. All the lenders who will accept self-serve copies have also agreed to be added to a list of lenders which has now been published on GOV.UK
- Commercial software companies to ensure their software offers a print facility. This means that all agents who have filed a SA return online will be able to print a copy of the tax calculation and/or the Tax Year Overview when it suits them rather than calling HMRC and waiting up to 2 weeks to receive a copy. Now that HMRC have made all the changes required to allow agents to self-serve online, they will no longer be issuing paper copies of the tax calculations directly to agents from 4th September 2017.

Making Tax Digital (MTD) update

On 13th July, the Government announced that it will include legislation for Making Tax Digital for Business (MTDfB) in the next Finance Bill, reaffirming its commitment to digitising the tax system for businesses and their agents. The Government also confirmed that the Finance Bill will be introduced to Parliament as soon as possible after the parliamentary summer recess. Mel Stride, Financial Secretary to the Treasury and Paymaster General said: “Businesses agree that digitising the tax system is the right direction of travel. However, many have been worried about the scope and pace of reforms. We have listened very carefully to their concerns and are making changes so that we can bring the tax system into the digital age in a way that is right for all businesses”.

Under the new timetable:-

- Only businesses with a turnover above the VAT threshold (currently £85,000) will have to keep digital records and only for VAT purposes and update HMRC quarterly.
- They will only need to do so from 2019
- The government will not widen the scope of MTDfB beyond VAT before the system has been shown to work well, and not before April 2020 at the earliest.

MTDfB will be available on a voluntary basis for the smallest businesses. This means that businesses and landlords with a turnover below the VAT threshold will be able to choose when to move to the new digital system for VAT and for other taxes. HMC expect many businesses will choose to use MTDfB voluntarily and benefit from a streamlined digital experience. The first businesses have already started keeping digital records and providing updates to HMRC as part of a live pilot to test and develop the MTDfB service for income tax. HMRC will continue to develop and expand this pilot over the coming months before starting to pilot MTDfB for VAT. HMRC will start to pilot MTDfB for VAT by the end of this year, starting with small-scale, private testing, followed by a wider, live pilot starting in Spring 2019.

SOMETHING TO DECLARE? A BRIEF GUIDE TO VOLUNTARY DISCLOSURES TO HMRC

What do you do if you become aware that your past tax returns have understated your taxable income? Even if the incorrect return has been made in good faith, the failure to correct the honest error promptly, is itself regarded and penalised as dishonesty.

If you discover an understatement for a tax year within 22 months of the end of the year, it is possible to amend the tax return. Interest will automatically be charged on any tax paid late and penalties may or may not be chargeable depending on the circumstances.

In other circumstances, it will be necessary to use one of the HMRC’s “disclosure facilities”.

Domestic disclosure facilities

HMRC will first target an industry sector by offering a limited period in which to “come clean” on favourable terms. After closure of this disclosure opportunity, it will aggressively target the sector with increased investigation activity.

As at June 2017, three domestic disclosure campaigns are open and no end dates have been set for these. They are as follows:-

Let Property Campaign

Second Incomes Campaign

Credit Card Sales Campaign

For disclosures which are not appropriate to a current sector campaign, the use of HMRC’s Digital Disclosure Service (DDS) is encouraged. This starts with registration of an intent to disclose. You are given 90 days to work out the tax, interest and penalties due and to pay HMRC. It is possible for you to provide some narrative with the online disclosure figures, but this is extreme limited.

VAT

Tax is not sufficiently joined-up for HMRC’s Digital Disclosure Service to encompass VAT irregularities. Some VAT errors can be adjusted on your next VAT Return – others must be separately notified on a special form.