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Tax gets digital

Making Tax Digital (MTD) is a bold plan by HMRC which aims to get small businesses and the self-employed to complete their tax records and returns entirely online. Whereas the first phase of the MTD legislation saw only businesses with a taxable turnover of over £85,000 affected, the 'second phase', which will come into force on April 1, will see all VAT-registered businesses needing to register for Making Tax Digital. From this date, you will also need to keep your tax records digitally (for VAT purposes only) and submit your VAT return information to HMRC only through MTD-compatible software. HMRC's eventual aim is for all tax filing to go completely paperless. From April 2024, Self-Assessment taxpayers will need to comply with Making Tax Digital for income tax. Currently, HMRC can levy a fine of up to £400 should your business fail to submit a return under the MTD requirements. Earlier this year, HMRC also announced that two new penalty regimes will be introduced in January 2023 – one for late filing and the other for late payment. In a similar system to speeding fines, businesses will receive a 'point' each time their submission deadline is missed. Once you have accrued a certain number of points, a £200 penalty will be applied. However, until this new system comes into place, VAT returns are still subject to the current default surcharge of £400. If you haven't already, you'll need to sign up to MTD on the Gov.uk website. This cannot be done less than five days before your accounts are due.

You will need:

- Your business email address.
- Government Gateway user ID and password – if you do not have a user ID, you can create one when you use the service.
- Your VAT registration number and latest VAT return.
- Your National Insurance number if you're a sole trader.
- Your company registration number and Unique Taxpayer Reference if you're a limited company or registered society.
- Your Unique Taxpayer Reference and the postcode where you're registered for Self-Assessment if you're a general partnership.
- Your Unique Taxpayer Reference, the postcode where you're registered for Self-Assessment and your company's registration number if you're a limited partnership.

Retired

Pensioners boosted by promise to re-instate triple lock

Pensioners are in line for a £733 boost to the state pension next year, after the Government promised to reinstate the state pension "triple lock". Ministers denied millions of pensioners a record £822 increase in the state pension this year due to its controversial decision to suspend it this April. The triple lock dictates how much the state pension rises by each year – the highest of inflation, wage growth or 2.5%. It will rise by just 3.1% this year, September's figure for inflation, rather than wage growth, which was 8.1%. The Government said that a jump in wage growth caused by furlough and redundancies during the pandemic made the manifesto pledge to keep the triple lock unaffordable at a difficult time for public finances. The increase will fall far short of inflation, which is expected to be above 8pc by the end of the year. This will leave pensioners £458 worse off in real terms. The Government will save £10bn in benefit spending in the 2022-23 tax year by curbing the uprating. This comes as a further blow for pensioners who are among the most vulnerable to rising energy prices and have little protection as the cost-of-living crisis bites.

Investor / Saver

More pressure on Crypto firms

Britain's Advertising Standards Authority has issued enforcement notices to more than 50 cryptocurrency firms, which could be sanctioned if they don't clean up their act. Regulators have issued repeated warnings about 'misleading' and 'irresponsible' crypto ads, which have become common place online, as well as on some public transport networks. The ASA described the issue as 'a red alert priority' on Tuesday, with the regulator working closely with the Financial Conduct Authority and having already taken action to ban several crypto ads. It told the 50-plus firms to review their crypto ads and 'ensure they understand and are complying' with advertising rules so that consumers are treated fairly. At the start of the year, a plan was set out to address misleading crypto-assets promotions and bring them into line with other financial advertising. ASA rules state that advertisers should clearly state that cryptocurrencies are unregulated in the UK and that the value of investments are variable and can go down. They also must not state or imply that investment decisions are 'trivial, simple, easy or suitable for anyone', or manufacture 'FOMO (fear of missing out)' by implying a sense of urgency to buy. The ASA said its compliance team will conduct follow-up monitoring of the firms concerned, and if problem ads persist after 2 May it will take 'targeted enforcement action to ensure a level playing field'.

All

Pension transfers decline

The total number of customers advised to transfer out of their defined benefit scheme has fallen between April 2020 and September 2021 by 31%. A freedom of information request to the Financial Conduct Authority by Kroll revealed that 34,053 people were advised to transfer out of their DB scheme in the 18 months to September 2021. This compared to 49,456 reported to have been advised to transfer out in the previous 18 months. The data showed a decline in transfer recommendations after the FCA moved to crackdown on unsuitable advice in this area. In October 2020, a ban on contingent charging came into effect with a view to remove the conflicts of interest which arise when an adviser only gets paid if a transfer goes ahead. Only consumers with certain identifiable circumstances, such as those suffering from serious ill-health or experiencing serious financial hardship, are exempt. At the same time as the ban, the FCA introduced a new form of advice. Abridged advice sits in between triage and full transfer advice but can only result in a recommendation to not transfer out. It begins with an introductory chat with the client, where the adviser can get some high-level information about their circumstances to then determine that they are not a viable candidate for a transfer. Last year, data from the FCA, obtained by LCP through a Freedom of Information request found more than two in three members who were charged on a contingent basis ended up transferring their defined benefit pension. The data showed there was a "significant" correlation between the adviser charging structure and the extent to which those who seek DB transfer advice ended up transferring out.

Property Owner

House prices hit new highs

The average price of a property coming onto the market was £354,564 in March 2022, shows the latest house price index from Rightmove. This 1.7% monthly increase, which compares to 2.3% in February, is the largest recorded for March since spring 2004. It also means that as of March, house prices grew 10.4% annually, the fastest growth seen for this metric since June 2014. The index adds that all regions and counties except London and Scotland experienced annual increases of 10% or more. London and Scotland increased 6.3% and 8%, respectively. The data also shows that 22% of property deals are being agreed on the Rightmove website within the first week of going on sale, and 47% within the first two weeks.

All

UK tax receipts rise

Government statistics issued yesterday show that HMRC tax receipts are £80bn higher than they were before the pandemic. Growth in tax returns was fuelled in part by a 35% year-on-year surge in the UK's capital gain tax bill, which is up from £10.8bn to a record £14.6bn in the past year. This is owed largely to a hike in tax in entrepreneurs selling businesses. HMRC's yield from capital gains tax has increased sharply in recent years, with the latest total almost double the £8.1bn collected five years ago and more than treble the £4bn collected a decade ago. Self-assessment income tax receipts collected in January and February 2022 saw a small reduction of just over £800 million from the same two months in 2021. Whilst the self-assessment receipts have dipped, capital gains tax receipts are positively buoyant. Rules on paying tax on property transactions throughout the year mean that there is now a steady inflow each month. Total receipts are up nearly £5 billion (£4.8 bn) in the last 12 months. There was much speculation following the Office of Tax Simplification's suggestion for an alignment of capital gains tax rates to income tax rates, and this has led to additional trades with investors acting to bank gains before a tax rise that never came. It just shows the power of speculation, as the government have created revenues here from investors' fears!

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