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LANDLORDS NOW DO THE JOB OF THE HOME OFFICE

TERESA FORD, DIRECTOR

As from 1 February 2016 anyone renting property, whether furnished or unfurnished, including renting a room to a lodger, will have to ensure that their tenants or lodgers have a legal right to live in the UK. Failure to do what one would assume is the job of the Home Office will result in a fine of up to £3,000.

Precise details of what landlords must do are set out in the Code of Practice which can be found at www.gov.uk/government/publications/right-to-rent-landlords-code-of-practice.

There are four basic steps:

- Find out who will live in the property
- Check that these people have the correct documentation to stay in the UK
- Retain a copy of the documents and record the steps you took to check them
- Retain the copies throughout the tenancy period and for at least one year afterwards

Landlords must check:

- Photographs and dates of birth are consistent across documents and with the person's appearance in order to detect impersonation
- Expiry dates for leave have not passed
- The documents appear genuine, show no signs of being tampered with and belong to the holder; and
- The reasons for any different names across documents (e.g. marriage certificate, divorce decree, deed poll)

The validity of these documents must be checked in the presence of the holder.

Obviously landlords can delegate this responsibility to Agents and if this is done then the Agent is responsible. Where this is the case it is important you have an agreement in writing.

This additional responsibility for landlords all comes in at a time when Income Tax relief is being restricted, Stamp Duty (SDLT) is increasing and Capital Gains Tax (CGT) is being paid sooner for this sector of the economy.

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LIFETIME ISAs

The lifetime ISA is a new provision to be introduced from 6 April 2017 to encourage young people to save. The Lifetime ISA builds on the Help to Buy ISA introduced last year which was mentioned in our last newsletter.

The key elements of the proposal for the Lifetime ISA are as follows:

- The ISA may be opened by individuals between the ages of 18 and 40.
- An individual can save up to £4,000 each tax year up to the age of 50, and the Government will contribute a 25% bonus at the end of the year.
- Savers can contribute more than £4,000 in a year (up to the overall ISA savings limit, now £20,000), but the bonus will be limited to £1,000.
- The savings may be in cash or investments and will be allowed to grow tax-free.
- The funds may only be withdrawn:
To purchase a **first** home of up to £450,000 (the withdrawal will be paid to the conveyancer)
OR
From the age of 60 for any purpose (non-qualifying withdrawals before the age of 60 are possible but the Government bonus will be clawed back).



Savers will be able to transfer Help to Buy ISAs into Lifetime ISAs, or maintain both types of account. However, they will forgo the Government bonus on one of the accounts if they use both of them to purchase their first home.

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MICRO-ENTREPRENEUR ALLOWANCES

From 6 April 2017 there will be new “allowances” for property and trading income. The allowances will be of most benefit to micro-business owners, such as those with secondary incomes from letting property or occasional trading and will be of little use to those with higher levels of property or trading income.

It appears that the first £1,000 of gross income (before expenses) will be exempt from tax. However, those with property or trading income above £1,000 can either:

- Deduct the £1,000 from their gross income and be taxable on the excess.
OR
- Deduct allowable expenses in the normal way.



These allowances will remove reporting obligations for those with low levels of second income, which is a welcome tax simplification. It is possible that the outcome of the H M Revenue & Customs’ e-marketplaces campaign in 2012 played a part in the thinking behind these allowances as it led HMRC to enquiries into traders who made as little as £100 in profit.

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MUST DO BETTER!

HM Revenue & Customs have listed some of the colourful excuses that have been used in appeals against penalties for late tax returns.

- My tax papers were left in the shed and a rat ate them.
- I'm not a paperwork-orientated person – I always relied on my sister to complete my returns but we have now fallen out
- My accountant has been ill
- My dog ate my tax return
- I will be abroad on deadline day with no internet access so will be unable to file
- My laptop broke, so did my washing machine
- My niece had moved in – she made the house so untidy I could not find my log-in details to complete my return online
- My husband ran over my laptop
- I had an argument with my wife and went to Italy for five years
- I had a cold which took a long time to go



From hungry rodents to five-year arguments, not surprisingly, all were unsuccessful in their appeals.

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SPOTLIGHT ON: PAYROLL ISSUES

Doesn't time fly when you're having fun? It's the start of the new tax year already!

- **Payroll End of Year Statutory Declaration**

You will no longer be required to answer the standard checklist questions, including if P11Ds are due. However, if HMRC send a notice that P11Ds are due remember to submit a P11D return, even if it is Nil, so you don't incur a penalty.

- **National Insurance Contributions - Employment Allowance.**

From April 2016 this increases from £2,000 to £3,000 per annum. However, companies where the director is the sole employee will no longer be able to claim.

Has Employment Allowance been claimed for prior years 2014-15 and 2015-16? Any queries please speak to us.

- **Auto-Enrolment Staging Date**

Don't forget to check your staging date. If you need guidance on the process of deciding who your pension provider should be and with registration please speak to us.

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KM DIRECTOR PROFILE: RICHARD AND TERESA

The shareholders and Directors of Kenneth Morris are now Richard Waller and Teresa Ford. Former Director, Terry Griffin, who has been with the firm for some 30 years, will be working two days per week as a consultant as from 1 April 2016.

Richard trained with Ernst & Young in Birmingham and qualified as a Chartered Accountant in 1992. He then worked with Dawes & Co (later to become part of Bentley Jennison) and Pannell Kerr Forster (PKF) in Worcester before joining KM in 1998.

In addition to being a Chartered Accountant, Richard is also a member of the Chartered Insurance Institute Personal Financial Society and specialises in proactive, forward-looking practical advice for business clients. His plan over the next five years is to get more actively involved with a small number of businesses.

Teresa trained with DHJH in Bewdley before joining KM in 1996 and qualifying as a Chartered Certified Accountant in 1999.



Teresa is now dealing with many of Terry's former clients and this transition will continue throughout 2016. Teresa specialises in technical accounting, tax, forecasting and systems for business clients. Her plan over the next five years is to get more closely involved with her clients and developing the KM team.

SKIING WITH HEROES: HITS BIRMINGHAM

Our Tax Manager, Mark, has maintained his involvement with the charity Skiing With Heroes, that helps medically discharged war veterans return to employment.

Since his week in Switzerland in 2015 helping veterans to ski and rehabilitate back into civilian life, Mark has kept in regular contact with the veterans he helped. One of them decided to run the Birmingham half marathon, to give back something to the charity that had helped him so much, so Mark and another Ski Buddy, Grania, donned their snazzy new SwH running tops and all three completed the course together. Despite having to run 13 miles around Birmingham, the trio had a blast and are now searching for fresh SwH challenges.



Mark has also been invited to join one of the charity's committees that help future volunteers prepare for their week away with the veterans and encourage them to keep involved after the ski week, when the hard work begins mentoring veterans back into employment.

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