tlp - news

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Quotes

"The starting point of all achievement is desire. Keep this constantly in mind. Weak desires bring weak results, just as a small fire makes a small amount of heat."

-- Napoleon Hill, author

"You have to pretend you're 100% sure. You have to take action; you can't hesitate or hedge your bets. Anything less will condemn your efforts to failure. "

-- Andrew Grove, Intel co -founder

"Freedom lies in being bold."

-- Robert Frost, poet

"What lies behind us, and what lies before us, are tiny matters compared to what lies within us."

-- Ralph Waldo Emerson, Poet

"Skill to do comes of doing."

-- Ralph Waldo Emerson, Poet

How should we start the new year. I was wondering about this when a story popped up that seemed to fit the bill. **Yet another accountant going to jail for fraud.**

But what appealed to me about this story was the sheer imagination and audacity. Who said accountants are boring. As a race accountants can be endlessly entertaining, trust me.

Christopher Lunn was an accountant working for some high profile actors and personalities. He would raise his real invoices to clients but through their accounts he put make believe accountancy charges of such a size that the tax relief on the charges paid his actual fees. Presumably his clients must have realised what he was doing.

You must admit that he was basically providing accountancy services for nothing. Trouble is that HMRC did not like his idea of tax and fee planning. They also did not like it when he fabricated fee notes to justify the deductions in his clients accounts. And they also did not like the way he made out one client had been operating through a company when they clearly had not.

Judge Andrew Goymer described him as "shameless" and said that the jury's verdicts had showed he engaged in shameless and bare-faced dishonesty by lying to HMRC.

So, next time you come along with some hare-brained scheme to reduce your tax bill, I'll be reminding you about Christopher Lunn. By sticking to the rules that others have written you can keep your tax under control **and** stay out of jail. He got 4.5 years plus 250 hours of community service, and every accountant in the UK pointing at him and saying "Did you really think you were going to get away with that?".

So if with hindsight you wish you had taken our advice last year and incorporated, you cannot pretend that you were operating through a company all along even if it does halve your tax bill. It won't work.

HMRC have once again shared their top 10 weirdest late tax return excuses from taxpayers. They are all real! Needless to say, none of them worked and they all had to pay late filing penalties. Now, you may think that these sound quite reasonable but you will have to come up with something better.

1. "my pet dog ate my tax return…and all the reminders."
2. "I was up a mountain in Wales, and couldn't find a post box or get an internet signal."
3. "I fell in with the wrong crowd."
4. "I've been travelling the world, trying to escape from a foreign intelligence agency."
5. "Barack Obama is in charge of my finances."
6. "I've been busy looking after a flock of escaped parrots and some fox cubs."
7. "A work colleague borrowed my tax return, to photocopy it, and didn't give it back."
8. "I live in a camper van in a supermarket car park,"
9. "My girlfriend's pregnant."
10. "I was in Australia."

People can have a genuine excuse for missing a tax deadline, but owning a pet with a taste for HMRC envelopes isn't one of them.

Mind you, I had a client once who could not provide her books to us because her guinea pig ate the cash book, so I can well believe that people can come up with some pretty weird but genuine excuses for missing deadlines.

I dare say we will still have the usual last minute deliveries towards the end of January. It's just what people do. Now, I must go and fill in my own tax return. Then again, there's no rush is there?

2015 is going to be an interesting year and so I thought it would be appropriate to leave you with this government proposal.

They are going to be consulting on an ***orchestra tax relief***. Yes, that's right and it will come in to effect from 5 April 2016. Now, how many of our staff can play a musical instrument. Fiddle anyone?

Multi Tasking

Can accountants multi task? I don't think so!

Nigel Mills (40) is a Tory MP who was first elected as an MP in 2010. He has a classics degree from the University of Newcastle-Upon-Tyne and is a qualified chartered accountant, qualifying in 1999 and worked at both PwC and Deloitte. So, a reasonably bright bloke.

Pictures of the MP playing Candy Crush on a tablet device were published in The Sun newspaper. The pictures were taken during a Work and Pensions Committee session on pension reform.

Mills admitted playing "a game or two" over the two-and-a-half hour period.

> **"I shouldn't do it but if you check the meeting I would say I was fully engaged in asking questions that I thought were particularly important in how we get the pensions issue right. *I shall try not to do it in future.*"**

Mills' interests include employment, taxation, crime, education and presumably playing computer games.

House of Commons authorities have launched an investigation, as the pictures had breached parliamentary rules. The person who took the pictures may be banned from the Houses of Parliament.

So, we have it, a serving MP on parliamentary time during a committee meeting plays computer games. The whistle blower gets into trouble. I thought this Tory Government liked whistle-blowers. Or may be only ones that serve their own purpose.

He has since apologised unreservedly for his behaviour and in his own words will "***try not to do it in future***."

Personally I cannot believe that he was fully engaged in the matter in hand, unless you count Candy Crush. I do not believe that he was multitasking. I think he was disinterested.

It is also unlikely to be the first time he has done this. He says he will "try" to stop, as though it is an addiction. Can you get Candy Crush addiction therapy on the NHS?

Spotlight on goodwill and entrepreneurs' relief

From a posting on Accountingweb by Rebecca Cave, tax author. Rebecca Cave is a tax author writing for various tax publishers and frequently attends the same tax conferences as us, leading working sessions between lectures

It's never a good sign when a perfectly good tax relief is mentioned in the Autumn Statement, and true to form the "strengthening" of entrepreneurs' relief (ER) George Osborne mentioned means more anti-avoidance rules, effective for transactions made on or after 3 December, says Rebecca Cave.

Since 6 April 2008 when ER was born, it has been available to reduce CGT payable on gains arising on the incorporation of a business. Some businesses find they are carrying a significant value of "goodwill" (reputation, customer relationships, value of continuing contracts) when they decided to incorporate. The goodwill is transferred to the company along with the other assets of the trade. Whether the "goodwill" is of a nature that is capable of being transferred from the individual to the company is another very contentious matter.

The company that takes over the trade (which need not be a newly formed company), is unlikely to have the funds to pay the seller for the assets transferred, so it leaves the balance on an account within the company owing to the seller.

After deducting the very generous CGT annual exemption from the value of the goodwill (which normally has a zero base cost), the seller pays 10% CGT (claiming ER) on the balance. Subsequently he gradually extracts funds equal to that balance as tax-free and NI-free payments from the company – as the CGT has already been paid.

Although the company will be a related party to the individual who sold the goodwill, it can claim tax relief for the cost of the goodwill under the corporate intangible assets regime. Only where the original business was founded before 1 April 2002, and hence the goodwill is deemed to be created before that date, will the company be barred from claiming tax relief on the value of the goodwill it acquires from the related party.

The government has decided that the combination of 10% tax for the business founder, plus corporation tax relief for the successor company, on a value which is difficult to prove with any accuracy, is an abuse of the tax rules.

Hence, with effect for business disposals on and after 3 December, ER can't apply to a gain arising on the transfer of goodwill to a close company, where that company is a "related party" to the seller.

ER will continue to be available on incorporations – it's just that the value of goodwill is excluded from the assets that qualify for ER on the business disposal. If the seller enters into arrangements to try to side-step this new condition applying on the transfer of goodwill – it will apply anyway.

The company will also be denied tax relief on the value of goodwill acquired on and after 3 December, where the seller of the goodwill is related to the company.

Where a business wants to incorporate, it can use other capital gains tax reliefs to reduce or defer any capital gains arising. For example incorporation relief (TCGA 1992, s 162) will apply automatically where all the assets of the business are transferred to the company (or all assets except cash). Alternatively if section 162 is dis-applied, holdover relief can be claimed on the gains that arise on an asset by asset basis (TCGA 1992 s 165).

However, using incorporation relief or holdover relief will roll the gain into the value of the new shares of the company, or into the base-cost of the assets held by the company. In either situation there will be no balance available for the seller to drawdown tax free from the company.

Shame, this was a neat and cunning bit of tax planning—Ed

Revenue Scotland ready to replace HMRC

Revenue Scotland is the department replacing HMRC in the country from 1 April.

Its board members have been announced, including chair Dr Keith Nicholson, an internationally recognised scientist and company director and John Whiting, tax director of the Office of Tax Simplification.

The new department's website is now live, and in February its online tax portal will also go live. Payment systems and banking arrangements are currently being finalised.

What personal qualities do accountants need?

Boris Johnson, the mayor of London, recently admitted that his "colourful" style is a deliberate ploy he uses to be noticed and remembered by people who are bored by conventional politicians.

As accountants, are we memorable or boring? What personal qualities should accountants demonstrate?

In a CNBC interview Boris said: "It's very important in politics to be able to get people's attention. Most people actually find lots of political stuff incredibly dull and so if you can make a joke or if you can find some ways of illuminating some idea or subject with a metaphor that capture's people's attention, some colourful way of thinking about it, then you've got them for a second."

Just like politicians, accountants need to be able to get your attention even though many accountants may be more likened to John Major than Boris Johnson.

So, what words come to mind when you think about us or indeed, any other accountant?

Some of the more positive words might include – good listener, warm, engaging, sociable, happy, positive, enthusiastic, inspires confidence, good sense of humour, expert, credible, problem-solver, experienced, reliable, flexible, charismatic, discrete, empathetic, trustworthy, integrity, honest, assertive, knowledgeable, professional, ethical, energetic, proactive, helpful, organised, good communicator, interesting, successful, creative, interested in me and in my business.

At the other end of the scale some less positive personal words might include - uses too much jargon, self-centred, waffles, reluctant to discuss fees, aloof, focuses on the minutiae, pedantic, punctilious, too technical, doesn't listen, doesn't make eye-contact, sounds like the taxman, talks too much about themselves, struggling, messy, disorganised, needs to be chased, low energy levels, limited interest in others, dull and… Boring.

I'll leave you to judge where we fit in this range.

I would perhaps suggest that as accountants, projecting positive personal qualities is just as important as having sufficient technical knowledge and expertise. We are all able to delegate the regular routine "techy" stuff (filling out tax returns etc) but it's less easy to delegate responsibility for the relationship with our clients which draws so heavily on our personal and business experiences and accumulated business sense.

The techy accountants will focus on such things as minimising tax. Its important but is "just doing the math". The good business adviser will focus on profit generation, business building etc. That takes experience and skill.

Mark Lee, on Accountingweb said "I believe that it is possible to be reliable, trustworthy, honest, have an eye for detail, to be a decent accountant AND to also have a sense of humour and a cheerful personality, and to be good company. And if you're good fun to be with, you're not boring!"

He continued "Boris Johnson is anything but boring. He is popular, but he isn't taken seriously and has limited credibility. So I am not suggesting him as a role model for accountants."

There is however a common thread here when considering how we want to be perceived as accountants. How do we build our own personal brands? Is it not the same way that any business attracts customers or clients. It is embodied in the old maxim "Differentiate or die." Dull, boring, same as everyone else does not get you noticed. Why would anyone choose you over anyone else. As accountants we need to build our personal brands and our businesses. But so do you.

Do we stand out? Are we different? Well, you're reading our newsletter, aren't you? You might decide that you do not like us but at least you cannot help but notice us. We get noticed and so have a chance to get more business. If no one knows we exist, we get none.

So, what can you take from this and apply in your own business. Differentiation, building a personal brand, impressing potential customers and clients with your personal experience and sound judgement…. I'll leave you to consider this yourself.

Big Changes for Small charity Accounting

The FRSSE and FRSSE SORP which affects the reporting requirements for the majority of small companies is being withdrawn in 2016. It is possible it may be withdrawn sooner.

Once the FRSSE SORP is withdrawn, what will be the effect on small charity reporting? The effect will be that charities will need to re-state information dating back over two years in order to comply with the full reporting standard FRS 102. This could have a significant effect on some organisations – in particular, those with a large pension deficit.

The new charities SORPs will affect charities with accounting periods starting on or after 1 January 2015 and so will not affect charities with a March year-end until 2016, but should you be preparing now?

Reporting financial information is often not a priority, especially for smaller charities, until it is time to prepare accounts or the audit has come around again, and there is a risk that they may miss the significance of this change.

Organisations may wish to prepare to adopt the full standard (FRS 102 SORP) now. Deciding to take this action could also give them an opportunity to account for some of their pensions liability ahead of the SORP's introduction and so minimise any impact on stakeholders when the full extent of their liability (potentially back-dated over two years) is reported in the accounts.

For example, if a charity has a deficit repayment plan in place, it may be possible to set up a designated reserve and demonstrating in the Trustees' Report that funds have been set aside to meet the future payments and absorb the liability. This will then reduce the impact of full implementation of the new regime.

Smaller charities need to be aware of the inevitable withdrawal of FRSSE. Failing to prepare financial information ahead of this legislative change could impact on a charity's reputation.

The peedie bits ...

Statutory Exemption for Trivial Benefits

From 2015/16 onwards certain low value benefits provided to employees or former employees can be treated as trivial. These benefits will then be exempt from income tax and Class 1A national insurance contributions (NICs) and will not need to be reported to HMRC. A benefit will be trivial if it meets four conditions.

- the benefit is not cash or a cash voucher.
- the cost of providing the benefit does not exceed £50.
- the benefit is not provided as part of a salary sacrifice arrangement
- the benefit is not provided in recognition of particular services performed by the employee

Abolition of £8,500 threshold

If you earn less than £8,500 you are currently exempt from benefits assessed on employees earning more than this. From 2016/17 the threshold will be removed and all employees will be tax on their benefits in the same way.

At present an employer has no liability to Class 1A NICs on benefits for these lower paid employees.

A new exemption will be introduced to cover benefits for ministers of religion earning less than £8,500.

RTI and Payrolling of benefits

From 2016/17 employers will be able to report benefits through RTI and subject them to tax under PAYE. The intention is that employers will be able to opt to payroll benefits for cars, car fuel, medical insurance and gym membership. Where employers do so, they will not have to make a return on Form P11D for these benefits.

Incorporation: restricting relief for goodwill from related parties.

The Finance Bill 2015 will restrict corporation tax relief for internally-generated goodwill acquired by a company from individuals who are related to the company. This hits at sole traders and partnerships who incorporate. The change will apply for transactions from December 2014 so you are already too late to side step this one.

Currently, where individuals or partnerships transfer a business to a newly set up company, the company can claim corporation tax relief for any goodwill that it acquires as part of that business, based on the assets' market value provided that the original business was established after 2002. The Autumn Statement removes a company's ability to claim this relief.

Many sole traders and partnerships were able to sell goodwill to their own newly formed company, utilise the CGT annual exemption so that they paid not tax on the sale, but the company claim tax relief on the acquisition. No more!

Children's television tax relief … really!

From 1 April 2015, a new tax relief will be available on the production of children's television programmes.

The 'Flipping Game

Many people with more than one home know they can nominate one of those homes to be their "main residence", and hence free of CGT for the period covered by that nomination.

Taxpayers can change the main residence nomination at will, and hence "flip" a particular home in and out of the CGT relief for key periods.

Once the main residence relief applies a number of related CGT reliefs follow, such as relief from CGT for the last 18 months of ownership.

From 6 April 2015 a home can only be nominated as the taxpayer's main residence for CGT purposes if:

- It is located in the same country in which the taxpayer is resident for tax purposes**, or**
- The taxpayer spends at least 90 midnights in the property in the tax year (or 90 days spread across all the properties the person owns in the country where the property is located)

Days spent in the property by the taxpayer's spouse or civil -partner count as being occupied by the taxpayer, but days can't be double counted.

The 90 days of occupation doesn't have to be a continuous period. Where the property is owned for part of the tax year, the 90-day requirement is reduced proportionately to the part of the year for which the property was owned.

Individuals who are not resident for tax purposes in the UK will have to meet this 90-day condition in order to nominate a UK home as their main residence.

UK residents who want to nominate as their main home a property located outside the UK, where they are not tax resident, will also have to meet the 90-day requirement for that overseas property.

Expats who have retired abroad but who keep a home in the UK could be caught by the new conditions.

Currently the taxpayer has to nominate a home as their main residence for CGT purposes within two years of beginning to use a second property as a home. This time-scale for nomination will continue to apply for individuals who are tax resident in the UK.

Class 2 NIC

The collection of Class 2 will be brought within the Self-Assessment system from 5 April 2015 and will no longer be paid separately.

Corporation tax rates

The Chancellor has already announced that the main rate and small profits rate of corporation tax will unite from 1 April 2015.

From that date there will be a single rate of corporation tax of 20% and no marginal rate relief.

Low salary / high dividend remuneration strategies will continue to prove most effective for owner-managed companies. Come and speak to us about this. It needs to be planned and implemented properly.