

# tlp - news

September 2015

The monthly newsletter of The Long Partnership - [www.thelongpartnership.co.uk](http://www.thelongpartnership.co.uk)

## Kashflow

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### Quotes

"Courage is grace under pressure."

-- Ernest Hemingway,  
Author

"These are not dark days; these are great days - the greatest days our country has ever lived."

-- Winston Churchill

"The man who chases two rabbits catches neither."

-- Confucius, philosopher

"Sales are contingent upon the attitude of the salesman - not the attitude of the prospect."

-- W. Clement Stone,  
Author

"I was just pursuing what I enjoyed doing. I mean, I was pursuing my passion."

-- Pierre Omidyar, eBay  
founder and Internet  
Entrepreneur

"Happiness is not a goal; it is a by-product."

-- Eleanor Roosevelt,  
Former First Lady

**H**ighland Spotlight is just around the corner as I write this. Its going to be a busy few weeks. I also have a training day in East Midlands and then a Tax Conference in Warwick. Become an accountant and you get to see some pretty exotic places. After that I have another tax conference to look forward to in Stirling. This is the Scottish Tax Conference of the Chartered Institute of Taxation and something not to be missed.

Now, you may not share my sense of excitement at the thought of attending a tax conference. However, with all the changes that we know about in Scottish tax and the likelihood of further changes to come, this is an exciting time to be an accountant in Scotland. Trust me on that.

Mind you, one of the attractions of these conferences is the chance to catch up with old friends who we only see once or twice a year and see if their pool and table football have improved. Mine certainly does not.

You have to find fun in your day job, in some form or another and I was really disappointed that I missed the Inverness Chamber of Commerce Hustings this year. I have done it for the last few years and it is really good fun, and there have been some memorable pitches (and some not quite so memorable). Unfortunately it clashed with a training day but we will be back next year and I would encourage all members of the Inverness Chamber to get involved.

I recently gave a **presentation** in Thurso, arranged by the **Caithness Chamber of Commerce** and yes, managed to work **dragons** into the 30 minute presentation. This was a cash flow clinic and I was speaking about what you need to do to know where you stand (bookkeeping) and then the do's and don'ts of preparing projections. Anyone who wants to book one of us for a presentation, give us a call. Secretly, most accountants like the sound of their own voice so we are always happy to come along and speak at your event.

Question: Why is there no Chamber of Commerce or equivalent in **Orkney**? We see the good work that they do in Caithness, Inverness and Moray (we are members of all three), so why not in Orkney? I was asked that same question recently. What could I say?

We are also now members of **BNI Highland** and I do not think I have ever worked with a group that is so focused on growth through customer satisfaction, and commitment to sourcing business and **growing local business in the Highlands and Islands**. We feel right at home! It has also given us a circle of people that provide a wide range of services to business and we are already tapping into their knowledge and expertise.

Aside from BNI and the Chambers, we also have a wide circle of contacts, and so we will probably know someone who can help. So, just ask.

This is a funny time of year. The nights are drawing in and the HMRC dragons are starting to circle overhead. The Tax Return Adverts are starting and thoughts are turning to tax returns. We still have plenty of other things to do but our focus is fast turning to tax returns and **the countdown to January has begun**.

In a funny sort of way, I actually look forward to this time of year. After all we are also counting down to Xmas and New Year, and a glass of wine in front of a coal fire. What more could you want?

**A new departure for us!** We have just started to send out an email announcing the imminent launch of "**Sound Bites**" our weekly newsletter. However, you will not need to read it. The email will have a link to a short (around 2 minutes) **video link** that you can watch quickly over your coffee. We hope that you find these interesting and informative, just like this newsletter.

However, to start off, **we would like you to fill out a one page survey on our website**.

We want to know **your biggest business challenge today**. We want to know **what dragons you have that need slaying?**

And, as you know, we are **The Dragon Slayers** of The Long Partnership, **slaying your dragons and making life less taxing**.

## Techie Tools

From the desk of our very own techie,  
william@wallpapertrail.uk

Updating your website isn't as expensive as it used to be, and this week I'd like to introduce you to a website (not a sponsor) which can be of benefit to companies in almost any industry – with a price tag of just \$5 per service.

This US based website is [fiverr.com](http://fiverr.com), which charges \$5 for any service, though a UK equivalent also exists at [fivesquid.com](http://fivesquid.com).

The website works similar to Ebay, except users are selling services for the fixed price of \$5. You're able to view previous customers feedback prior to making a purchase, and you too can create your own “gig” saying what service you will provide for the same fee.

The old saying “You get what you pay for” certainly applies to some of the services you'll see listed on [fiverr.com](http://fiverr.com), but as you look around the various categories – ranging from Graphic Design, Online Marketing, Writing and Translation, Web Programming and many others – I've found there are some real bargains to be had.

For example one user has over 500 positive feedback and for \$5 will fix ANY website programming issue or bug you may have on your website.

Similarly there are dozens of sellers offering poster and flyer design for only \$5, and each of them have hundreds of positive reviews.

I've commissioned a few gigs over the last year, ranging from having custom YouTube videos created, having an artist draw me some cartoon characters, and having my websites promoted to huge numbers on social media.

The sellers appear to mainly be students, or professionals overseas where \$5 is considered a large amount – and to date I've been satisfied with all work commissioned. If you make a purchase on the site I think you'll be satisfied too, providing you have reasonable expectations given the price you've paid.

**William, our techie, runs an online wallpaper shop. Well worth a look!**

<https://wallpapertrail.uk>

## Auto Enrolment – from a Business Perspective

Auto enrolment - real life experiences from Gordon McIntosh, Munro & Noble, Solicitors and Estate Agents, Inverness, email: [GordonM@munronoble.com](mailto:GordonM@munronoble.com)

We have all seen the advertisements on the television as large companies enrol their staff in Government's new Auto-Enrolment Pension Scheme. The big boys have enrolled so now it is our turn.

Which businesses does the change in law apply to? Essentially, if you employ a member of staff, (other than for your own personal care), the change affects you. No 'ifs' or 'buts'. All employers are now legally required to enrol all eligible staff into a work place pension scheme, (post the business's staging date). Different businesses will have different 'Staging Dates', i.e. the date when they must have a work place pension scheme that complies with Auto-Enrolment in place. Depending on the number of employees, actual staging dates will continue to run from now until April 2017, (current information).

The Pension Regulator advises that businesses should plan at least 12 months in advance of their Staging date. This is SOUND advice and I absolutely urge all business leaders to take heed.

We are all new to Auto-Enrolment and all the processes and procedures required to ensure that it happens logically and seamlessly and on time. Companies that do not comply can be penalised.

**Here at Munro & Noble** we already operate a pension scheme for our staff. It would seem logical that this pension scheme would be used to satisfy the requirements of Auto-Enrolment. Regretfully not! On examination with our Pension provider, (they did not notify us, we had to ask them various questions), for one reason or another, our current scheme did not qualify as meeting the Government's Auto-Enrolment requirements. Furthermore, our pension provider had no intention of meeting the Government's requirements. We were therefore once again faced with finding and selecting a new pension provider.

It is important for you to ensure that you are selecting a scheme that most closely meets the needs of the eligible staff. The likelihood of all of your staff being 'pension savvy' is probably pretty slim, in which case due diligence by the business on behalf of the staff is essential. Think about finding a scheme that is simple to understand and operate, (good routes of communication with the pension provider), one that allows staff to choose and change investment options, (but, if they do not feel comfortable with this, has a good default investment strategy).

Furthermore, you should look for a pension that provides good value for money and hopefully achieves reasonable results for your staff, without it being too risky. Without any research to back my comment up, it is probably fair to say, most staff will be fairly risk-averse. Finally, at all stages within the process, I would recommend that you communicate with your staff.

From the pensions providers point of view, as Auto-Enrolment staging gathers pace, it is highly likely there will be significant demand for qualifying products. **My advice is get in early** to avoid the agony of having done your due diligence, picking a provider, and then find out that the scheme is overloaded and closed for new business. They already have more work than they can comfortably process. Please note: the Government does have its own pension provider NEST, (National Employment Savings Trust). If all else fails a business can enrol with NEST.

**My advice** would be to first check out the Pension Regulators website: <http://www.thepensionsregulator.gov.uk> and go through their step-by-step guide. If you already have a pension scheme in place for your staff, check to see if it qualifies for Auto-Enrolment. Don't wait for them to contact you. If it does not qualify, take advice from an Independent Financial Advisor about finding a suitable scheme.

At the same point, check that your current payroll provider can handle Auto-Enrolment. In our own case, our current payroll provider was able to incorporate Auto-Enrolment, but at a significantly higher price than we felt fair and the payroll contract requires six months notice to terminate. Fortunately, because we started the AE process early, this has given us plenty of time to terminate our current payroll contract and engage a new payroll provider before our staging date. **If you are not already using The Long Partnership for payroll, they will be able to assist you here.**

There will be costs involved in this whole process. The cost of engaging a financial advisor, the cost of setting up auto-enrolment, additional payroll costs each month, plus the cost of the pensions themselves. Again, **The Long Partnership can assist with planning** these additional expenses into your budgets and advising you on the cash-flow implications.

**Good luck with your Auto-Enrolment. Start planning now - Gordon McIntosh.**

## **Employment Allowance - Have you missed out!**

The employment allowance is a deduction from your employer's NIC each year. It was £2000 but was increased to £3000 in the last budget. Simple? Not really.

Employers claim the allowance by just ticking a box on the FPS (full payment submission) and the allowance will apply for the current and all future tax years. But many people are missing out and this is costing them thousands of pounds every year. **Sometimes HMRC just "fail to implement"**.

Some employers are not eligible to claim the allowance because more than 50% of the business income is deemed to be public sector work, such as NHS medical doctors (GPs).

Where employees work in a domestic capacity in the employer's home the allowance is blocked and this includes nannies, gardeners and domestic cleaners, but not carers who can qualify for the allowance from 6 April 2015.

You would be wise to check that you have actually received the allowance. The lesson here is **"Don't trust HMRC to get it right"**.

**If you think this may have happened to you, get in touch and we can sort it out for you. This could be worth up to £2000 for you.**

## **NHS Dentists, Companies and VAT**

Dentists have been able to incorporate for a number of years and many have taken that opportunity. One of the problems can be that the NHS contract is with the sole trader or partnership and this cannot be transferred to the company.

One solution is to run the new company alongside the old dental practice. The old practice continues to operate the NHS contract while the company provides the actual dental services and staff as a subcontractor.

The provision of dental work like many medical services is exempt from VAT and so you would expect that neither the old practice nor the company would need to register for VAT.

However, in the case of City Fresh Services v HMRC which went the case went to the First Tier Tribunal HMRC took the view that the company was not undertaking dental work but was supplying labour services which would be standard rated, and only the old practice was "supplying" dental services.

The tribunal disagreed with HMRC, saying that the legal form of the person providing the medical care is irrelevant so long as the essential nature of the supply being made was the provision of dental services.

Will HMRC stop at the tribunal or has this case got legs? Either way, watch out for other HMRC challenges about VAT and incorporated "medical" professionals.

## **Are you a Small Company, or are you a Micro?**

From April 2015 small means a turnover below £10.2M, balance sheet total below £5.1M and fewer than 50 employees. But, there is now the "micro".

So, if your turnover is below £632K, balance sheet total is below £316K and you have fewer than 10 employees, you may officially be a "micro" and there is a new "simplified" set of accounts for you to prepare and lodge at Companies House.

There are too many changes to these new accounts formats to provide detail here but I am disappointed to see that micro companies will no longer need to account for Deferred Tax. I have spent my whole career explaining to clients and others that this is not real tax. From now on, it is gone for micro entities.

**You will see and hear more about the changes as time goes by. You can speak to us if you are anxious to know more.**

## **Offshore Tax Evaders Face even Tougher Sanctions.**

The new regime to crack down on offshore evaders, which HM Revenue and Customs (HMRC) will consult on, includes a number of specific proposals so it will be interesting to see what form the new legislation will take and how much impact it will have in our patch.

Speaking at HMRC's Stakeholder Conference in London, Financial Secretary to the Treasury, David Gauke, said:

*"Time's up for people who don't pay their fair share of tax by hiding their money offshore."*

*People who evade tax, facilitate or turn a blind eye to tax evasion will now face powerful criminal and civil sanctions under our tough new regime.*

*We've already seen over 90 countries across the world sign up to automatically exchange information on taxpayers.*

*This, together with our new sanctions, will mean there is nowhere left to hide for offshore tax evaders.*

*In the last few years there has been huge progress in tackling offshore tax evasion.*

*HMRC has already collected over £2 billion from previously undisclosed offshore income through agreements with Switzerland, Liechtenstein and the Channel Islands.*

*As announced in the March 2015 Budget, these offshore disclosure agreements will close early (31 December 2015) and be replaced by a tougher last chance facility ahead of the automatic exchange of tax information with over 90 countries, including tax havens, from 2017."*

Is it our imagination or are we seeing a much tougher line from HMRC, presumably under government pressure to force taxpayers to toe the line, whether that be paying arrears of tax or in new ways to discourage and penalise non disclosure.

HMRC's income from penalties must be rising at an alarming rate so **watch out, there be dragons about, and they are called HMRC.**

# The peedie bits ...

## Farmers' averaging profits period

HMRC was consulting until 7 September 2015 on the detail of its proposal to extend the averaging period for farmers' profits from two years to five years with effect from April 2016, with a view to legislating in Finance Bill 2016.

Could be some interesting calculations to be done once it comes into effect.

## Equipment - buy before 31/12/15

The Annual Investment Allowance (AIA) is due to come down from £500,000 to £200,000 on 1 January 2016. Now, for most of you, an AIA of £200,000 should be plenty to cover new tractors, heavy machinery etc.

However, **there is a trap in the legislation** and that is because the rate of AIA is not averaged over your accounting period. It is time apportioned so your accounting period is treated as if it was 2 periods, one up to 31 December (attracting a proportion of the £500,000 AIA) and the other from 1 January 2016 to the end of your accounting period (attracting a proportion of £200,000).

So, if you were planning on buying a combine for say £90,000 in March, just before your year end, you will only get AIA of £50,000. If you bought it before 31 December, you would have got AIA on the whole cost.

Want to come and speak to us?

## No more tax relief for goodwill

Up until now, companies have been able to obtain corporation tax relief for goodwill purchased as part of a deal to acquiring a business through a direct purchase of a trade and assets.

Relief will no longer be available for the amortisation of goodwill and customer-related intangible assets acquired or created by a company on or after **8 July 2015**.

Furthermore, any losses on realisation of such assets will henceforth be treated as non-trading items so loss relief will be limited.

The rationale was explained by HM Treasury as follows:

'This clause removes this relief with regard to the purchase of goodwill and other intangible assets closely related to goodwill. It will restrict the ability of companies to reduce their corporation tax profits following a merger or acquisition and removes this artificial incentive to buy assets rather than shares.'

This will impact on business acquisition on our patch and is an unwelcome measure. It will deter companies from acquiring unincorporated businesses i.e. sole traders and partnerships.

## Unregistered Traders and Imports

When an unregistered trader purchases services from outside the UK they should not be charged VAT by their overseas supplier. But B2B supplies of services results in a mandatory reverse charge on the recipient. However, as they are not VAT registered they cannot account for the VAT, but **the value of the supply counts as part of their turnover when looking at the VAT threshold**. Ouch!

## Property Sale- Trading or investment?

In a recent case the company was involved in the development and sale of an office property. The key question was whether the loss on disposal was a trading loss or a capital loss.

The First Tier Tribunal held that it was capital on the grounds that:

(i) The accounting treatment of the property in the company's books was that of a capital asset – it was never held as trading stock.

(ii) The company had made a claim for capital allowances in respect of the property's plant and machinery content – this would only have been possible if the building had been an investment.

(iii) The evidence before the Tribunal was that, at the time of the acquisition, the property was intended to be an investment.

It was therefore held to be a capital loss and the ability of the company to set off the loss was restricted far more than if it had been a trading loss.

## Whether supplies made to company or to shareholders

Were solicitors and accountants fees in relation to inserting a holding company into a group, services supplied to the company or the shareholders?

Although the engagement letters had been entered with the company, the economic reality was that the company had decided, before the engagement of the advisors, that it wanted to undertake a restructuring exercise. It was not seeking advice on how to restructure but advice on the tax implications for the shareholders and legal services connected with the implementation of the restructuring.

It was decided that the services had not been provided to the company and, in any event, the services had not been provided for the purpose of the company's business.

Bit close to home , this one.

## Flat Rate Traders and Imports

When flat rate traders purchase goods from outside the UK it can have disastrous implications for them and their VAT liability. When importing goods from outside the EU they will pay import VAT with no means of recovery. If the goods are from the EU, they account for acquisition VAT in Box 2 of the VAT return but again there is no means of recovery.

When importing services from outside the EU, the reverse charge applies and they add the VAT to Box 1 and also to Box 4 (depending on taxable use). The value of the transaction is added to both Box 6 and Box 7.

VAT Notice 733 will give you more detail.

## What is the most important word in Business?

A. "Next" ... think about it!