Copson Grandfield
CHARTERED ACCOUNTANTS

NEWSLETTER

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Inside:

Welcome to the Copson Grandfield Newsletter.

Inside you will find topical comments, & more useful tax tips.

Making Tax Digital delayed until 'at least' 2020, except for VAT

On 13 July 2017 the government announced that the controversial 'Making Tax Digital' (MTD) plans would be delayed; yet those above the VAT threshold (currently £85,000) will still be required to start filing with MTD-compatible software from **April 2019**.

The original plans would have forced the smallest businesses and sole traders to start quarterly reporting from April 2018, however those below the VAT threshold "will not be asked to keep digital records, or to update HMRC quarterly, for other taxes until at least 2020," the Treasury has said.

As VAT already requires quarterly returns, no business will need to provide information to HMRC more regularly during this initial phase than they do now.

Original plans would have seen mandatory quarterly reporting under MTD coming into force from April 2018, however, introducing MTD under the original timetable was becoming increasingly improbable ever since late April when Theresa May called the general election; the MTD clauses were stripped out of the Finance Bill to ensure it could be passed before Parliament dissolved, and the post-election chaos left no time to reintroduce them.

On the software side of the fence, HMRC has continued to work on the infrastructure and data exchange standards to make digital tax filing possible, but progress has been painfully slow.

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Reports from specialist accountants working in the sector suggest that a significant number of freelance computer programmers have stopped working for HMRC because of the public sector IR35 rules that were introduced in April.

The MTD pilot scheme started with the new tax year, but only a few of the application programming interfaces are available for commercial software to share data with HMRC's computers.

HMRC is now indicating that these may be ready for testing by December 2017, but that would not leave a suitable gap before the original deadline.

The new minister in charge of Making Tax Digital, Mel Stride, financial secretary to the Treasury 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.'

Updated timetable for MTD:

- 2019: VAT registered business are mandated into MTD (but only for VAT purposes)
- 2019/2020 all businesses may try MTD on a voluntary basis
- 2020: non-VAT registered unincorporated business & landlords join MTD
- 2020+ Companies and Large Partnerships set to join MTD

Old £1 Coin Demonetisation – time to raid those Piggy Banks!

The Royal Mint has revealed that the billionth new one pound coin has been struck, as the deadline for spending old one pound coins looms

The old 'round pound' will cease to be legal tender on **15 October 2017**.

Individuals are being urged to spend, bank or donate their old pound coins ahead of this deadline, after which; retailers will not be obliged to accept old pound coins, and consumers will be required to take their old coins to a bank to exchange them.

The new 12-sided one pound coin includes a 'hidden high security feature', designed to help combat the production of counterfeit money.

Andrew Jones, Exchequer Secretary to the Treasury, said: 'This coin is the most secure of its kind in the world and was brought in to clamp down on the multi-million pound cost of counterfeits.'

VAT Registration Limits

VAT registration becomes compulsory if your turnover exceeds the annual VAT threshold which is, with effect from 1st April 2017, £85,000.

It is important however to understand how this is calculated. It is not, as you may think, based on your accounts year, but is worked out on a rolling 12 month basis.

At the end of each month, you have to add up your vatable turnover in the 12 months to date and if that exceeds the current threshold then you have exceeded the limit and must register. Vatable turnover is all income apart from that which is specifically exempt from VAT.

You must register your business within 30 days of exceeding the threshold, if you think that it is temporary and that you will be below the de-registration threshold (currently £83,000) in the next 12 months then you can ask HMRC to make an exception. It is at the discretion of HMRC and can only be obtained by writing to them and proving your reasoning.

Once registered you can only de-register if your vatable turnover falls below the de-registration threshold.

<u>Example of the turnover test:</u>

Jeremy and Teresa run a business that has a 31st March year end. They have the following monthly turnover:

April 2016	7000	November	7000
May	7000	December	7000
June	7000	January 2017	7000
July	7000	February	7000
August	7000	March	7000
September	7000	April	8000
October	7000	May	8000

In their accounts to 31st March their turnover is £84,000 so they are within the threshold, the rolling 12 months to April show a turnover of £85,000 so again they have not exceeded the threshold so do not have to register. At the end of May the turnover test shows a figure of £86,000 for the 12 months to May 2017, they therefore have to register for VAT from 1st July 2017.

It is ultimately your responsibility to ensure that you register in time as there are penalties for late registration and you will have to pay over the VAT that you should have charged to HMRC. You may not be able to recover this from your customers and this could quickly get expensive.

If you need any help or further advice then please contact us.

Businesses in denial over Brexit risks?

A recent survey carried out by the Institute of Chartered Accountants in England and Wales (ICAEW) has suggested that just 43% of firms have discussed the risks that Brexit poses to their business.

The ICAEW found that only 29% of businesses surveyed have made Brexit plans. 6% of firms expect a positive Brexit outcome, whilst 40% predict that EU negotiations will have a negative impact on their business.

Michael Izza, Chief Executive of the ICAEW, said: 'With 20 months until departure, it is now the government's responsibility to help pave the way for business success once we have exited the EU.

'Issues raised within our research – such as access to skilled EU workers and the free movement of goods and services – should be firmly placed on the Prime Minister's radar when she engages in talks with the EU to ensure the priorities of business are fully considered and complacency is avoided.'

Tax Tip: Final Salary Pensions

Recent years have seen some significant changes with regards to pension freedom, and the ability to transfer/ access your pension pot(s).

However the Final Salary Schemes have been put on a pedestal in recent years, and are generally deemed to be something that you shouldn't interfere with, yet this is not always the case…

Depending on personal circumstances, and your future intentions; accessing these funds early or transferring them out *could* work in your favour.

For example; you may want to travel upon retirement, and would like to access your pension in order to fund it. Alternatively, some Final Salary Schemes are restrictive, and may not offer the same freedoms/ benefits as other private pensions, such as transfers of funds upon death.

In addition to the above, we enclose two articles, which have kindly been provided to us by Grosvenor Consultancy Limited.

These articles provide some excellent examples of both the advantages/ disavantages of such schemes, and also highlight the importance of seeking expert advice in the area.

If you have such a scheme, and would like some further guidance; please contact us so that we can put you in touch with the right people, and ensure you get the advice you need.

UK household income 'falling at fastest rate since 2011'

Household incomes in the UK are falling at their fastest rate since 2011, according to data published by the Office for National Statistics (ONS).

Real household disposable income per head fell by 2.0% in the first quarter of 2017 when compared to the same quarter in 2016. This represents the fastest decrease since 2011.

The main reason for the decline was the rise in inflation, the ONS said. Meanwhile, a separate report published by the Joseph Rowntree Foundation revealed that working families are facing 'bigger shortfalls in their household budgets' despite tax cuts and an increase in the National Living Wage (NLW).

The Foundation suggests that this is due to rising living costs, and wage increases being reduced.

Campbell Robb, Chief Executive of the Joseph Rowntree Foundation, commented: 'Working families are facing bigger holes in their budgets worth hundreds of pounds, despite a higher NLW and tax cuts.

'It means millions of families are facing a struggle to make ends meet as the cost of 'getting by' in modern Britain rises ever higher.

'With the Bank of England forecasting inflation will increase even higher this year, families are facing no respite. We need the government to take action and ensure living standards do not fall backwards.'

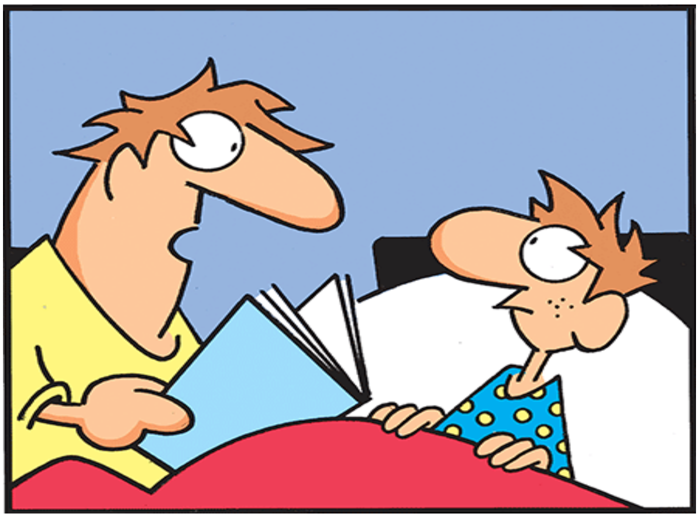
Cards overtake Cash as top payment method

For the first time, card purchases have overtaken cash as the top payment method with over half of retail purchases made using credit or debit cards, according to the British Retail Consortium's annual payment survey.

The research shows that people are now choosing to use card over cash for lower value payments, this is thought to be due to the increasing use of contactless payments and the growing number of retailers investing in payment technology to accept such payments.

The average transaction value of a cash purchase increased from £9.21 in 2015 to £9.87 in 2016. The average transaction value for cards has decreased from £30.53 in 2013 to £25.40 in 2016 reflecting the displacement of cash for lower value transactions.

According to the UK Cards Association, a third of all card transactions are now contactless, with 68% of tills able to accept contactless, up from 47% last year.



"Pinocchio dreamed of becoming a real boy, until he realised that real boys grow up and pay real taxes"

Job Vacancy – Full Time Personal Tax Assistant

We are currently looking for a Personal Tax Assistant to join our team and help prepare Self-Assessment Tax Returns, together with Capital Gains Tax Preparation and to offer general support in relation to all other Personal Tax matters.

Requirements:

- Proven work experience as a Personal Tax Assistant, or in similar role is essential. General knowledge of other taxes, including National Insurance would also be beneficial.
- Solid knowledge of office procedures.
- Experience with office management software like MS Office (namely Word & Excel)
- Strong organisation skills with a problem-solving attitude.
- Excellent written and verbal communication skills.
- Attention to detail and the ability to work under pressure.

For further information, or to apply; please contact our Office Manager, Neil Townsend, at the following address: neil.townsend@copsongrandfield.co.uk

Staff News

Congratulations to Steve Copson for winning the Copson Grandfield 2016/17 Fantasy Football League. It may have taken a few months but as you can see; Bradley Grandfield has now graciously handed over the trophy…

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Please contact our office for more details: 0117 956 1067

Accountants Are A Joke!

1. Why didn't the man report his stolen credit card? The thief was spending less than his wife.
2. What do you get when you cross an Accountant and a Jet Airplane? A Boring 747
3. People who complain about paying their income tax can be divided into two types: Men & Women

Final Salary Pensions – Are they right for everyone?

Final Salary Pensions are usually quite rightly considered to be the 'Rolls Royce' of pensions. They are the schemes often provided to employees of large firms, i.e.
FTSE 100 private sector companies as well as public sector workers such as teachers, nurses, civil servants etc. The appeal for many is that the pension you receive from them is linked to your length of service and salary. No stock market volatility to worry about and for many people this provides a degree of 'security' which is very important.

Of course they are not without issues; one being the liability such generous terms can give an employer or the state. People are living longer and with a guarantee to pay a pension for as long as someone lives, no matter the cost, many schemes in the private sector have 'funding holes' and have been closed to current and new employees as the cost of the liability increases.

So if you have such a scheme, you may be right in assuming you would want to hang on to it at all costs. Many feel the security of a pension in retirement is "not something you mess around with". However part of the roll of a financial planner is knowing a client's circumstances to the extent that you can discuss and question a client's objectives and at least consider any alternatives. Sometimes the best way forward is surprising and not in line with someone's initial thoughts. I remember a client of mine making the comment to me a few years ago, that I knew more about them than members of their family!

Not all advisory companies get involved in assessing final salary pensions. The additional qualifications required and costs in terms of professional indemnity insurance alone, means it is not viable for many. However the risk there is that they may turn a blind eye to someone's final salary scheme and in so doing might leave the client and themselves exposed.

Take this example – Mr Smith is a single person with no dependents. He has 25 years' service and membership of a final salary scheme which will provide an excellent pension for him in retirement of £20,000 p.a. He likes the security this provides, but is concerned about his health having had 2 heart attacks last year. Had anyone asked for a transfer value they would have found out it was £333,000. The scheme rules dictate that on death after retirement a 50% spouses pension (£10,000 p.a.) would be payable. Mr Smith retires at age 65, but dies 12 months later. Nothing is paid as he is single and his children are not dependent. One of his sons is a little curious as he has a private pension of his own and is aware that on death either before or after retirement the full value of his pension fund is passed on to whoever he wants to receive it. He mentions this to his father's adviser, whose response is, "He could have transferred it to a private pension (£333,000) and this would have been paid out but I don't get involved in that type of work!" Not much consolation to the children is it?

Next month I will provide a few more scenarios where there are surprising advantages to in considering an alternative to a final salary scheme. **It is extremely important to state that the above does not constitute advice and because everyone's circumstances are different, it is always best to seek financial advice.**

The Financial Conduct Authority does not regulate tax advice and some forms of offshore investments. The value of investments and the income from them can fall as well as rise and you may not get back the full amount you invested.

Final Salary Pensions – Are they right for everyone? Article Two

Last Month I explained that Final Salary Pensions are often considered to be the pension we would all want to have - the type of pension you would not 'usually' transfer out of. Available to employees of many larger companies in the UK, as well as those in the public sector, these pensions often provide excellent benefits and if you have one from a former employment you would be forgiven for thinking that under no circumstances would you want to give it up. **Often this is correct – but not always!**

Last month I gave an example of someone who had a final salary scheme that provided a spouses pension, but he was single, and gave no return to his children on death after retirement as they were not dependent. By thinking he was in the 'Rolls Royce' of pension schemes, he was unaware that an alternative could have provided his children in excess of £300,000 on his death. Instead they received nothing.

Here is another example to consider:

Sarah is married to Nick. They met when they both worked for 'Smith Industrial plc.' in Bristol. She left to start a family, returning to work with Bristol City Council, when the children had started secondary school. After 15 years' service she decided to set herself up in business. Sarah is 56 and Nick 59. Nick wants to retire at 60 and Sarah's work is seasonal. They have bought a campervan and want to spend several months a year exploring Europe. They have paid off their mortgage and have a relatively small amount of money in ISA's as an emergency fund. They want to enjoy the next 5 years or so while still young enough to do so.

Next year they will have a good income from Nick's pension as he never left Smith's plus Sarah's business will provide an income of about £6,500. However they need another £4,000 annual income to cover increased living expenses while away and possible access to capital. Sarah has her two final salary pensions; the larger local authority one and the smaller 'Smith Industrial' one with limited death benefits, but neither are due to commence until she is 60. One solution is to transfer her old 'Smith Industrial' final salary scheme to a £20,000 private pension she already has. She is amazed that the transfer value which was £39,000 4 years ago, has now increased to £68,000. She is relaxed about transferring it and using it, as she still has a guaranteed increasing income to come from the local authority scheme when she is 60. Nick has his pension and both of them have the state pension to come in due course. By transferring Sarah's smaller 'Smith Industrial' pension to her personal pension, she can draw down the required £4,000 annual income from it as she is 55. The income from the pension when added to her self-employed earnings still keeps her below her personal allowance - so she'll pay no income tax. She can also use the £22,000 tax free cash from the private pension, if they need capital. So although 'cashing in' a final salary scheme and giving up the index-linked income she would have had from 60, she is able to 1) gain earlier access to use now for the European trip, 2) increase her tax free lump sum, 3) have superior death benefits as Nick feels a lump sum of about £88,000 is more useful to him than a small pension that he does not need in any case and 4) control whether her income is liable to income tax or not.

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