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Spring Statement - VAT and Business Rates

Despite the Spring Statement on 13 March 2018 being a low key affair, there were nevertheless a few business-related consultations published. Perhaps the most important is the government's review of the VAT threshold, which was frozen in the autumn Budget at £85,000 until March 2020.

The government is gathering evidence on the impact of the VAT threshold on small businesses, following on from the Chancellor's suggestion last year that it be substantially reduced from its current level; a figure of £25,000 was suggested at the time to much consternation from non-registered businesses.

The consultation is open until 5 June and can be accessed here: <https://tinyurl.com/yc58w8bb>

The document includes a survey to make it easier to contribute and should not take many minutes to complete.

There is a need to fundamentally review how VAT works for businesses of all sizes after we leave the EU, so that it works for the UK's benefit as a whole and does not discourage businesses from scaling up.

There are already problems for small firms after last year's freezing of the VAT threshold, with some trying to keep their turnover below the £85,000 level, whilst at the same time battling rising business rates, the National Living Wage and pension auto-enrolment.

A trader who is able to trade below the threshold can charge 20% less to a consumer than a VAT-registered competitor, but that a trader will also suffer VAT on their purchases and other costs.

Where costs are high, it can be worth registering in order to recoup the VAT, though the trader may have to weigh up the advantage of doing this against the extra time spent on VAT administration alongside existing payroll tasks and pension auto enrolment.



Many business owners fear reaching the "cliff edge" of VAT registration and will do anything they can to stay below it. So the threshold does act as an impediment to growth. And with Making Tax Digital for VAT (MTDfV) starting on 1 April 2019 for VAT-registered businesses, the fear factor increases.

But that is not the whole story, as VAT registration can also mean a trader has achieved a milestone in the growth of the business and has reached a base camp from which further growth is now possible.

Taking professional VAT advice at the right time and particularly ahead of MTDfV can ensure that registration is carried out smoothly and efficiently and avoids the pitfalls and penalties that could otherwise occur later on.

Business rates

The Chancellor also announced in the Spring Statement that the next revaluation of properties for business rates would be brought forward by one year, with triennial reviews thereafter. Whilst this may help some businesses, there was unfortunately still no hint from the Chancellor of a fundamental root-and-branch reform of the tax.

If you would like to discuss the implications of the Spring Statement, please contact your usual Bishop Fleming advisor.

✉ advice@bishopfleming.co.uk
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Tax Planning - it's the final countdown to 5 April 2018

Bishop Fleming has recently released its Tax Planning Guide for Individuals for 2018.

With the clock counting down, now is the time to check if you have maximised your use of available reliefs and allowances and have minimised your tax bill.

Our 2018 Tax Planning guide for individuals is available for download at <https://tinyurl.com/yaxav25t> and covers various areas you may wish to consider before 5 April.

Key income levels to watch:

- Beware of child benefit claw back where your income exceeds £50,000
- Beware of losing personal allowances where your income exceeds £100,000
- Beware of paying 45% tax where your income exceeds £150,000

Tax planning tips:

Our downloadable guide contains more information, but here are a few tips to consider:

- Make pension contributions or charitable donations to reduce your taxable income
- Transfer 10% of your personal allowance to your spouse or civil partner where it would otherwise be wasted
- Transfer income-generating assets to your spouse or civil partner to make income levels more tax efficient
- Make use of your annual ISA allowance and the junior ISA for your children
- Talk to us about investing in business schemes that offer income tax relief
- Discuss with us the most tax-efficient extraction of funds from your family company
- Make use of your annual reliefs for capital gains tax and inheritance tax

Children



Inheritance

Gift up to £3,000



Make as many gifts of up to **£250 each** as you wish to other people

Income tax

£150k ↔ **45%**
£100k-£123k ↔ **60%**



~~**£11,500**~~
Personal Allowance

Employees

Portion of **salary** could be sacrificed



Company cars



Cash

or **Car**



Investment

Subject to the overall annual ISA savings

Limit of £20,000



Spring Statement 2018 Entrepreneurs' Relief Protected

From 6 April 2019, shareholders who would otherwise lose valuable Entrepreneurs Relief (ER) when their percentage interest in a trading company falls below 5% due to the company issuing shares to raise capital on or after that date will have their tax position safeguarded under new proposals unveiled in the 2018 Spring Statement.

ER can reduce Capital Gains Tax on the disposal of shares in a private company on qualifying gains up to £10m, so long as the individual owns at least 5% of the company. However, some company owners have lost their relief where their holding was diluted due to having to raise funds via a share issue to external funders.

Provisions will be included in Finance Bill 2018-19 to allow affected individuals to "bank" their ER before the dilution takes place, with any tax charge deferred until the shares are eventually sold. Draft legislation will be available in the summer.

The mechanics of how this will work have been set out in a new consultation which will close on 15 May.

An Individual will be able to elect to crystallise the gain on their shares immediately prior to their holding being diluted, so they are treated for tax purposes as selling and immediately reacquiring their interest at the then market value.

The individual can then choose to defer the accrued gain on this deemed disposal, so that ER will apply to the deferred gain when they actually come to sell their shares.

The individual will have to have met the conditions for claiming ER at the time of the deemed disposal and buyback, ER only being protected in this way where the shareholding dilution was a consequence of an issue of shares made by the company for genuine commercial reasons.

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New R&D tax claims - all expenses paid

R&D tax claims are potentially even more attractive following a relaxation of the rules by the tax office on employee expense claims. And the tax office is now allowing amended claims to be made by 30 April 2018.

A company can claim enhanced deductions against its taxable profits for expenditure which is qualifying R&D (Research & Development) expenditure.

Reimbursed expenses

But back in October 2014, HM Revenue and Customs (HMRC) said that reimbursed expenses could not be included as part of qualifying staff costs for an R&D tax claim.

It has now reversed that decision.

HMRC is now allowing amendments to be made to previously submitted R&D tax claims to include reimbursed expenses for accounting periods ended after 9 October 2012, provided the original R&D tax claim was made after 9 October 2014.

Deadline extension further extended

Where an amendment is outside of the usual amendment window, HMRC said the amendment had to be made by 31 January 2018.

It has now extended the deadline to 30 April 2018, so if you feel you may have a claim, please get in touch with us as soon as possible.

What are reimbursed expenses?

Reimbursed expenses include business expenses an employee has incurred personally which have been reimbursed by the company. It does not include those expenses paid on a company credit card.

The expenses must be incurred in actually carrying out duties of the employment and personal to that employee, such as travel and subsistence to a temporary workplace, but not the cost of training or purchasing an item on behalf of the business for example.

Making a claim

In some cases, the amount at stake may be quite small and not worth claiming, but there will be many cases where a sizeable retrospective claim could be made in order to achieve a worthwhile tax saving.

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Top Stars for Bishop Fleming in Sunday Times Top 100 Best Companies Index

Bishop Fleming is celebrating a significant leap up the prestigious Sunday Times Top 100 Best Companies to Work For list after being ranked 26th in 2018, and the highest professional services firm in the South West.

The rise up the list this year follows a coveted three star accreditation in the annual Best Companies survey, up from two stars in 2017. This rating reflects 'extraordinary' levels of workplace engagement and represents organisations that truly excel.

The firm, which delivers accounting, tax, corporate restructuring and advisory services to businesses and private wealth advice to individuals, has 29 partners and over 340 people. This is the third consecutive year that it has featured in the prestigious list of best employers in the country, having previously been ranked nationally as 49th in 2016 and 42nd last year.

Ian Smith, Chair of Bishop Fleming, commented: "Our 16-place rise in our ranking is fantastic news for the firm, and is a clear reflection of the hard work that we put in to making sure our business remains a great place to work. We are committed to recruiting the best people and then helping them to grow and this is reflected in our continuous improvement up the rankings over the last three years."

He added: "The fact that the Sunday Times top ranking reflects what our own people think of us as an employer is one of the accolades I am most proud of. Nearly 90% of our people participated in the survey – a fantastic level of engagement."

Each year, Bishop Fleming has improved on its performance for staff wellbeing.

The Sunday Times rates Bishop Fleming as an "outstanding" employer, with a clear commitment to workplace engagement and with the determination to strive for continuous improvement. The accreditation is based on employee feedback and acknowledges those employers that regard people development as a key element of their success.

Andrew Sandiford, Managing Partner at Bishop Fleming commented: "We have always maintained a culture that is focussed on our people. We ensure there is positive team culture with a family spirit, and our working environment ensures that every person has the opportunity to achieve his or her fullest potential. We invest heavily in personal training and development, and this enables us to deliver the best team for our clients' needs".

Having previously been listed as Britain's fastest growing accountancy firm, Bishop Fleming is also ranked as a Top 30 practice in the UK's national league table of accountancy firms.



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Bishop Fleming welcomes new Director of Finance

Top 30 advisory firm, Bishop Fleming, has appointed Frances Teague as its new Director of Finance.

Bishop Fleming delivers accounting, tax, corporate restructuring and advisory services to businesses and private wealth advice to individuals. With their seven offices in Bath, Bristol, Exeter, Plymouth, Torquay, Truro and Worcester, they are also the UK's top auditor of Academy schools.

Frances is a Chartered Accountant and will be responsible for the firm's accounting and finance systems, as Bishop Fleming enters the next phase of its planned growth.

She has had an extensive career in a number of accountancy and financial controller roles, having trained and qualified in Birmingham, followed by roles at PwC, the Regional Development Agency and Ashfords, solicitors. She joins the firm from Debenhams where she was Senior Finance Manager.

Finance Partner at Bishop Fleming, Jonathan Williams, commented: "I am really delighted that Frances is joining us in this vital role. She brings with her a wealth of experience, and we welcome her to the team."

Speaking on her appointment, Frances added: "It's a privilege to be joining Bishop Fleming at a time when the firm is further developing its fantastic client service. I like Bishop Fleming's fresh and innovative approach, as well as its increasing scale. It's a privilege to join the firm at such an exciting time."

Bishop Fleming appears in the Sunday Times list of the "100 best companies to work for" as an "outstanding" employer, and was the first accountancy firm to win an "Investors in People" accreditation, and an "outstanding" accreditation for "Investors in Customers".

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