

News, Views, Notes and Change

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Wise Financial Solutions announces new partnership

WISE & CO have announced a new partnership to give their growing client list access to valuable business and personal financial advice. Joining with neighbours Fish Financial, the partnership will trade as Wise Financial Solutions.

"Fish Financial is a well-respected firm of independent financial advisers, whose belief in consistent and proactive engagement with clients mirrors our own," said Sharmini Woodings, Managing Partner at Wise & Co (pictured above with Fish Financial's Managing Director, Ian Colley).

"We have always been careful to select the best partners for our Wise Financial Services offering, so that we can deliver a consistently high standard of financial advice

to our clients. Wise & Co clients trust and rely on our service levels and this new venture with Fish Financial reflects our commitment to maintaining that trust."

Wise Financial Solutions will offer Wise & Co clients a full range of services, including investment management, retirement and pension planning, and lifetime cash flow planning. They also cover business services such as corporate pension solutions and business or shareholder protection.

“

We're delighted to be working so closely with Wise & Co.

”

Ian Colley, Managing Director, Fish Financial.

OUR FEATURED ARTICLES:

- [Spring Budget Review](#)
- [Making Tax Digital](#)

Tax changes on hold due to snap General Election.

Ian Colley, Managing Director at Fish Financial says: "Wise & Co have a great reputation for the quality of advice and for their client care, which are things that really matter to us here. Tax planning and investment strategies are now so interwoven, whether for individuals or businesses. Our partnership therefore makes a lot of sense and we're looking forward to helping the firm's clients." ■



Spring Budget Review

WISE & CO clients will already have received our Spring Budget Review, a comprehensive guide to the budget released straight after the Chancellor's budget speech to Parliament. You can access the report from the latest publications section of our website. Here, Managing Partner Sharmini Woodings highlights the areas that stood out for her.

National Insurance contributions

We can't ignore the U-turn on raising National Insurance contributions for the self-employed. It caused an outcry at the time, not least from the government's own backbenchers, who were concerned that the changes broke a clear manifesto promise. In the face of such opposition, the Chancellor reversed his decision. This is an issue that is likely to rear its head in the future, though, as there is a desire to make NICs equal for those in employment and those who are self-employed. The key argument for self-employed workers is whether they are then entitled to similar benefits – those quoted most often are holiday, sickness and maternity pay. The biggest question for the government now, however, is how they are going to raise the money that this measure would have generated.

R&D tax credits

The Research and Development tax credit scheme is designed both to encourage investment into the UK and to support UK businesses investing in original R&D. These tax credits allow innovative businesses to reinvest in R&D, increase their workforce and ultimately expand the business. Claiming this relief is currently pretty onerous for

businesses, particularly SMEs, and the Chancellor acknowledged this in his speech, however we await the details.

Dividend allowance reduction

Taking a dividend is the way that many small businesses pay themselves in a tax-efficient manner. Prior to the Spring Budget, the dividend allowance was £5,000, so shareholders could take this amount in dividends each year without paying tax. This still applies until April 5 2018, but after this, the allowance falls dramatically to just £2,000.

Apprenticeship Levy

The new Apprenticeship Levy has come into force and is the way that the government has decided to raise money to fund new apprenticeship schemes. In this case, employers with an annual salary bill of more than £3m will have to pay 0.5% of that part of their payroll which is over £3m. The levy is paid into an account which the employer can access within 24 months to fund apprentice training. Funds will also be made available to those employers who do not pay the levy but want to provide apprenticeship schemes. ■

The snap calling of the General Election has resulted in many clauses that were due to take effect from April 2017 being dropped from the Finance Act. Therefore the timescales outlined in our articles *Spring Budget Review* and *Making Tax Digital* are subject to change. We will keep you informed as and when we receive further information.

Making Tax Digital

THERE ARE important changes ahead which will affect your tax affairs. Whilst the government have announced a one year deferral for smaller businesses, the change for many will still take place from 6 April 2018. This means we are now in our final year of self-assessment under 'old' rules.

Making Tax Digital (MTD) aims to create one digital account for each taxpayer incorporating all of your taxes. Quarterly filing obligations will be imposed for businesses and landlords, with a view to enabling you to track your business transactions as and when they occur. At present, there are no plans to change the tax payment dates, although a voluntary 'pay as you go' system will be introduced.

The intention is to minimise some of the inefficiencies that hinder us with paper returns and improve the accuracy of business records so that there are no nasty surprises.

Although taxpayers are effectively being forced into dealing with their taxes online, it is being designed to allow access from most devices, so that the system should cater for the vast majority of taxpayers. There will be people who cannot use or access computers and the internet and we will of course aim to support these people with managing their tax affairs.

From April 2018 unincorporated businesses and landlords with annual turnover above the VAT threshold (currently £85,000) will be required to keep digital records and send HMRC quarterly updates. From April 2019, unincorporated businesses and landlords with turnover below the VAT threshold will need to comply with the new rules. All incorporated businesses and landlords will be required to meet the MTD filing requirements from April 2020. Those with an annual turnover of less than £10,000 will be exempt from digital record keeping and quarterly updates unless they choose to enrol.

We understand that clients may find MTD initially challenging, however, it should simplify reporting, making taxation more efficient and accurate through the use of digital tax accounts. We can also identify tax planning opportunities earlier in the process rather than reacting to tax return information after the end of the year. How we manage and budget for this change will depend on the software available, and we will be working closely with our clients to ensure a smooth transition. ■



Tax-efficient gifts to charity

INCREASINGLY, people are gifting money to a favoured charity. Is it more tax efficient to give a financial gift to charity when you are alive, or in your will? Charities rely heavily on individual financial gifts made either during the giver's lifetime or in their will. In fact, this type of giving accounts for a significant percentage of the annual income of all the big charities.

Gifts given during life qualify for Gift Aid. This is the scheme where the government tops up your gift so charities can claim 25% of the total value of your donation from HMRC. If you are a higher-rate or additional-rate tax payer, you can claim back an additional 20% and 25% through your tax return, which you can then also donate.

The other way to donate during life is direct from your gross pay or your pension if your employer operates a Payroll Giving scheme. The donation qualifies for tax relief, so if you pay basic rate tax, a £1 donation will cost just 80p. If you are a higher-rate payer, you will pay 60p for a £1 donation.

An example: A charitable gift of £5,000 during life, including Gift Aid, means your charity receives £6,250. You can also claim back £1,250 through your tax return so you have paid out £3,000.

A charitable gift of £5,000 made in your will means the charity will receive £5,000, but the value of your estate falls by the same amount for inheritance tax purposes. Therefore the inheritance tax due is reduced by £2,000, so the cost to your estate is £3,000.

Above and beyond a straightforward cash gift, you can lower the inheritance tax rate on your taxable estate from 40% to 36% if you donate at least 10% of your estate to charity. ■

You should always seek professional advice to make sure you are making decisions that are most beneficial for you. Please call us on 01252 711244.

Enterprise Investment Scheme



Investors

If you have some spare cash and want a tax efficient investment the Enterprise Investment Scheme (EIS) may be the one for you. This is a government scheme that is designed to help small businesses, and start-ups in particular, attract much needed funding.

The scheme allows you as an investor to recover 30% of your investment in tax relief against your income tax for the year in which you make the investment (50% if the company qualifies as a small start-up). Investments into existing companies are capped at £1m and the small start-up relief is restricted to a maximum investment of £100,000. However, you are expected to leave your investment in the shares for at least 3 years or you will lose the income tax relief.

But the benefit doesn't stop there. As long as you have met the rules for income tax relief there is no capital gains tax on selling the shares after the qualifying period. Plus, if you have made capital gains on selling other assets you can 'roll over' the taxable gain into the purchase of EIS shares. Whilst this does not eliminate the other gain altogether, it does mean that you can defer paying the tax on that gain until you have sold the EIS shares. The shares may also qualify for 100% relief from inheritance tax if you hold them for at least 2 years.

There are some restrictions on who can use the schemes, specifically anyone who is connected with the company as an existing shareholder or employee will not be eligible for the income tax relief and the exemption from capital gains. However, most can still benefit from the capital gains tax hold over relief.

Companies

Companies eligible for the scheme must be carrying on a trade, independent from other companies and not be quoted on a stock exchange. Certain trades, mostly related to land exploitation and financial activities, are excluded from the scheme. Although the scheme is targeted at 'small companies' the definition of small is surprisingly generous for existing companies. Your gross assets must be less than £15m and you must have fewer than 250 employees. A maximum of £5m can be raised in any 12 month period.

The limit for start-up companies is lower, with the cap on gross assets set at £200,000 and the employee limit fewer than 25. Any companies which have traded for 2 years or more will not qualify as a start-up. The maximum that can be raised by a start-up company is £150,000 in a 12 month period, but once they have reached that limit they can then raise additional capital under the main EIS scheme.

HMRC offer an advance approval service for companies interested in attracting EIS investments and the Wise & Co tax team have a lot of experience in assisting companies with applications to HMRC. Once you have your funding it must be used for the purposes of the trade within 2 years of issuing the shares. There are strict restrictions on how the money can be used.

We can of course guide you through the processes and help you to understand what is required from you to make the EIS scheme work for your business and your investors. ■





Owning a furnished holiday home

OWNERS OF PROPERTIES that are let as furnished holiday accommodation can benefit from a range of tax reliefs. These reliefs are based on the lettings period, rather than the use of the property, so more properties may be eligible for these tax reliefs than is commonly thought.

AT ITS SIMPLEST, this type of property let is treated for most tax purposes as a trading venture. The letting rules are relatively simple: the property must be available for commercial letting to the public for at least 210 days in a 12-month period. It must actually be let for at least 105 days in that 12-month period.

The first of these rules is reasonably easy to comply with, and the second is usually met by those owners actively marketing a holiday let, but may be more difficult for those simply letting a property in a non-holiday location. It is usually advisable not to let your property for more than 31 consecutive days, as this can reduce the opportunity for tax relief.

Owners may also be unaware that they can claim capital allowances for all the equipment used in the holiday let. For new equipment purposes, such as white goods, furniture and any moveable items,

the cost can be up to £200,000, which can be deducted from the net profits of your trading business for that period.

There are also advantageous capital gains tax (CGT) benefits for owners of furnished lets:

- When you sell your furnished property let, any capital gain arising can benefit for 'roll over relief' where the proceeds are reinvested into another property intended as a furnished let, or into any other asset used for a trading purpose.
- Furnished holiday lets are also excluded from the restriction to mortgage interest relief which came in on 6 April 2017.
- Your property is treated as a business asset, so if you give the property away – maybe as part of your inheritance tax planning – the capital gain can be held over to the recipient, which



Explaining VAT flat rate changes

The government has made changes to the way VAT is applied to certain businesses from April 2017.

If your business has been on the Flat Rate Scheme (FRS), you may need to talk to your accountant or VAT expert to make sure you are compliant with these changes. The FRS allows businesses to minimise their VAT record-keeping, making the process more user-friendly and cost-effective. It was particularly beneficial to smaller businesses, who could pay VAT at a lower rate if they fell under the threshold of £150,000 turnover. This rate varied according to the type of business, but was not higher than 14.5%.

The government says it is concerned that the FRS was being abused, and so it has introduced a new flat rate percentage of 16.5% for some scheme users. This rate applies to businesses which are classified as 'limited cost traders'. This is defined as businesses which spend less than 2% of their turnover on goods per quarter, with a minimum spend of £250.

The consequence of this change is that these businesses are paying almost as much VAT as they collect, rather than benefiting from the gap between VAT collected and paid that exists under the scheme. For some businesses, this means it is a good idea to revisit your VAT accounting to see if you should come off the FRS and move to the standard VAT scheme, or whether you are under the registration threshold and should de-register.

This change could have a significant effect on your business and, as the new rate already applies, you will need to address the issue soon and make the decision that is best for your business. There is a process that you should follow in order to change the way VAT is assessed and paid for by your business and you should always take professional advice to make sure you are complying with HMRC requirements.

To find out more about this change and how it affects your business, please contact us on 01252 711244.

results in no CGT arising on the gift.

- Entrepreneurs' relief is also available on the disposal of a furnished holiday letting business. This reduces the rate of CGT to 10%. ■



This is a complex area which is why it is always advisable to talk to one of our property tax specialists to ensure you are working within HMRC rules. Our expert knowledge and insight can make a real difference. Contact our Property Tax team on 01252 711244.



Making sure your lottery win is always a win

THERE'S NOTHING quite like the thought of winning big money on the lottery, which is why many people increase their chances by joining a lottery syndicate.

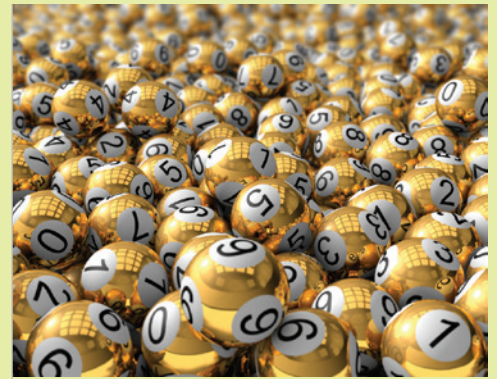
A syndicate is a group of people who pay in an equal amount each week for a certain number of tickets. Should the syndicate win, the prize is split equally between the members of the group. In many cases, this is an informal arrangement – people come and go from the group, and the chances of winning are still very low; small winnings often go on additional tickets for the following week. If a syndicate does get a big win, however, there is an inheritance tax implication of which everyone should be aware.

Usually, one person is nominated to buy the tickets and claim any winnings. In the event of a substantial win, that person will collect the winnings and divide it between the others. This is where a problem can occur. For the purposes of inheritance tax, this giving-away of money could constitute

a Potentially Exempt Transfer (PET). This would make each portion of the winnings liable for inheritance tax should the nominated person die within seven years of making the transfers. The tax burden on that person's relatives would be huge, and HMRC would want to claim that tax back from the original recipients of the money.

A simple solution

The National Lottery has a syndicate agreement which can be downloaded from its website. This agreement allows groups of people to form a syndicate. You can play across all National Lottery games and you can buy tickets online for your group. The syndicate agreement is simple – you nominate a syndicate manager to set up the team, collect money, check results and keep everyone up to date. The syndicate doesn't need to register with Camelot, but the syndicate manager needs to register as a player in order to



buy tickets online.

Every member should sign the syndicate agreement, and if someone new joins the group, or someone leaves, the agreement should be updated. This simple written agreement means that the syndicate manager is acting as a nominee for the group, simply collecting any winnings on the group's behalf. That in turn means that distributing the winnings doesn't count as a gift, which then means that there is no inheritance tax liability.

If you operate a lottery syndicate and you don't have an agreement in writing, we would advise that you put one in place as soon as possible. ■



What do you need to know about Salary Sacrifice changes?

SIGNIFICANT CHANGES to those benefits paid for through Salary Sacrifice schemes have been in place since the beginning of the new tax year.

These schemes have proved exceptionally popular with employers and employees alike, allowing people to sacrifice cash from their pay before tax in order to buy a range of benefits. Employers have benefitted from National Insurance payment advantages since these schemes were created, but the government decided in the Autumn Budget Statement that they wanted to equalise the tax paid for those using Salary Sacrifice schemes and those who have to buy the same benefits from their post-tax income.

The new rules apply to employees who join any Salary Sacrifice scheme on or after 6 April 2017 and those in existing schemes will be caught when they renew their agreement. Some Salary Sacrifice benefits remain exempt from these changes – pensions, pension advice, childcare, ultra-low emission cars and Cycle to Work scheme

benefits. In addition, some benefits such as cars, school fees and accommodation may be protected until April 2021.

This legislation will affect every employer differently, depending on the benefits offered via Salary Sacrifice, and how they determine which of their employees may qualify to join the schemes that they run. So, there are several things that employers should be doing:

- **You need to have a clear list of all the schemes you currently run and all the employees that take advantage of those schemes. You then need to know which of your schemes are exempt and for how long, so that you can manage your payroll accordingly.**
- **Contact your employees – it's important that you communicate clearly and early with the employees who are affected by these changes. Decide whether to do this as a group or individually, and make sure you**



keep communicating as you receive new information.

- **Consider any future Salary Sacrifice schemes – these schemes are often a key part of your salary and benefits packages when you are recruiting staff, so think about how you are going to manage this in the future, and communicate about the tax implications according to which benefits you are offering.** ■

To find out more about these changes and how they might affect your business, call us on 01252 711244.



Support for academies

HAVING GREATER control over a school's curriculum and finances is one of the advantages of being an academy. However, that freedom also brings new financial and accountability responsibilities plus a demanding timetable.

Becoming an academy means losing the 'safety net' of assistance provided by the Local Authority as government funding comes via the Education and Skills Funding Agency (ESFA). There are fresh regulatory challenges to meet and a lot of new information for Business Managers and Trustees to deal with. The process can feel daunting, but you can rely on our academy

specialists at Wise & Co throughout the academic year, for the knowledge and support your academy needs to develop and meet regulatory requirements.

Multi-Academy Trusts

As the funding for schools is being reduced, and underlying costs such as payroll are increasing, academies are considering forming chains to benefit from the economies of scale. For some this means creating a Multi-Academy Trust (MAT), or joining an existing MAT.

Wise & Co can advise on the formation of Multi Academy Trusts, or joining an existing MAT. ■

Our team has extensive experience as auditors and accountants across the education and not-for-profit sectors. We act for more than 100 not-for-profit organisations, including private schools and academies with incoming resources between £10,000 to over £10 million. To find out more about our services please contact our Academy Partner - Mark Dickinson on 01252 711244.

New look for Wise & Co Tax App

Wise & Co



ALL of the latest tax rates, tips and calculators at your fingertips. Available on iOS and Android, features include:

- Tax rates and key tax dates
- Tax calculators
- Mileage tracker and expenses logger
- Tax tips for businesses and individuals
- Regular updates on topics that matter to your business. ■



Events

Lions Summer Spectacular

FARNHAM LIONS will celebrate their 50th year with a Summer Spectacular on 8th July, with a 1920's American theme inspired by the centennial celebrations of Lions International which was formed in Chicago. Some 700 guests will enjoy an impressive entertainment program under multiple circus big top marquees at a private location in Churt near Farnham.

Wise & Co are one of the primary sponsors of what promises to be a fantastic event which hopes to raise at least £25,000 for local youth charities; 40 Degreez, The Ridgeway School, Challengers and Frensham Pond Sailability. ■

Farnham Carnival

ONCE AGAIN Wise & Co will sponsor the annual Farnham Carnival on 24th June organised by service clubs – Farnham Lions and the Hedgehogs.

The carnival welcomes everyone – schools, youth and charitable organisations, clubs, individuals and businesses; creating a truly diverse and fun procession with profits going to local charitable causes.

This year's theme is 'a day at the seaside' – come and join in the festivities! ■

Farnham Charity Bike Ride

A TEAM of six staff members at Wise & Co will participate in the Farnham Charity Bike Ride on 2nd July raising funds for local charity Phyllis Tuckwell who provide specialist end of life care for adults in West Surrey and N.E Hampshire.

Most of the cycling team will tackle the 25 mile route over the Surrey & Hampshire hills climbing 1,800 feet up challenging but do-able hills (we hope!)

If you would like to support us please visit our JustGiving page: www.justgiving.com/fundraising/wise-co-pt. Any donations are very much appreciated, thank you. ■

New joiners

WE WELCOME... **George Aisthorpe** who's joined our team as Accountant Trainee and **John Matczak** as IT Support Assistant.

George joined Wise & Co in May 2017 after living in Thailand where he spent a year teaching English at a private school, adapting to a whole new culture and way of life. During his time there he also lived in a monastery with Buddhist monks learning the ropes of meditation. Prior to this he graduated in Accounting, Finance & Management from Nottingham University where he developed a keen interest in numerical problem solving, strategic thinking and the methodical nature of accountancy. George works alongside our Accounts team preparing clients' year-end financial statements as well as visiting companies as part of the audit team. Outside of work George enjoys basketball, the gym and is a black belt in karate. He is also

learning to play the guitar, but with more enthusiasm than style.

John joined Wise & Co in February 2017 having worked at Hankley Common Golf Club for the past 4 years whilst studying for a HNC in Computing & Systems Development at Guildford College. With a keen interest in IT problem solving, as well as developing and maintaining computer equipment; John works alongside our IT Manager Will Yates assisting staff and our growing client base. From choosing the right accounting software through to managing the installation of networking solutions, and ongoing IT support. Outside of work John enjoys football, gaming, the gym and upgrading his home computer.

Exam success

ACCA exam passes:

CONGRATULATIONS to **Cristina Bayfield** on passing *Financial Management* and **Tania Bell** on passing *Taxation* in April 2017.

ACA exam passes

CONGRATULATIONS to **Luke Silvester** on passing *Financial Accounting Reporting* and **Tom Munford** for completing his *Certificate Stage* in March 2017, and to **Ben Ashbee** on passing *Audit & Assurance* and **Shahiema Grant** on passing *Tax Compliance* in April 2017.

The gossip from Pinewood

FANS of Chris Pratt are enjoying his tweets ahead of the release of the next instalment of Guardians of the Galaxy, but the actor has also been on set at Pinewood Studios, filming the latest film in the Jurassic World series.

Pratt is joined by Bryce Dallas Howard, daughter of film director Ron Howard, for the sequel, which is due to be released in the summer of 2018. Veteran UK actors Rafe Spall and Toby Jones also appear in the movie.

Pinewood is also actively encouraging young film-makers, with its sponsorship of the After Awards part at the Into Film Awards 2017, which took place at the Odeon, Leicester Square. The awards are designed to highlight the work of those aged 5-19 who

are producing films in a range of styles, and the organisers pull in some A-list names to present those awards. These included Daniel Craig, Eddie Redmayne, Ruth Wilson and Charles Dance.

This year, Pinewood's Pete Burgis was a member of the judging panel for the Best Animation, 13+ award and entries in this category and across the awards were commended for their excellence and originality.

Wise & Co has an office at Pinewood



Studios serving clients working in film, TV and related industries. As specialist media accountants we help clients navigate the tax and VAT complexities within the industry, and serve the wider local business community from our Pinewood office. ■

What topics would interest you for future newsletters? Send your ideas to marketing@wiseandco.co.uk

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This newsletter has been written for the general interest of our clients and contacts. We believe that the facts are correct as at 24 May 2017 but there may be some unintentional errors or omissions. It is therefore essential to take advice on specific issues. We cannot be held responsible for the consequences of any action taken upon the information contained herein without our express consent.