

News, Views, Notes and Change



Making the most of charitable income

IT IS IMPORTANT for the Trustees of charities to make the most of their income to allow them to fully meet their charitable objectives. The charity sector has suffered in recent years due to reductions in government and local authority funding, falling voluntary giving and reduced investment returns. So it is more important than ever to ensure that all available tax relief is claimed.

Before a charity can claim any tax relief, it needs to be registered with HMRC and with the Charity Commission or another recognised body. It must be only engaged in activities that have a charitable purpose – HMRC defines this as charities that work for the public benefit.

As long as the charity is using its income for charitable purposes, it will not have to pay tax on it. HMRC defines this as ‘charitable income’ and it includes donations and grants, income from investments, rental income and asset sales. The charity may have to pay tax on any gains it makes from developing and selling land and buildings. An annual tax return will need to be completed for any income that does not qualify for tax relief, and this is something that our charity tax specialists at Wise & Co can help with.

HMRC and the Charity Commission each have specific rules governing whether a charity can have trading income and the allowable levels of income for this. Many charities set up subsidiary companies for any trading activities they have to keep them separate from the charity’s activities. The subsidiary company is then able to pass its profits up to the charity each year so that corporation tax is not payable by the company.

Contrary to popular belief, there is no general VAT relief for charities. It is an unwelcome surprise to many charities that activities which they consider to be charitable do come with a VAT cost – either because VAT must be charged on income or because VAT cannot be recovered on costs. That said, there are some reliefs which charities can take advantage of. Among others there are reliefs for fundraising activities, construction work, advertising and welfare activities. All of the reliefs come with conditions which must be fulfilled.

VAT can be costly for charities and burdensome for the Trustees who steward charity resources. Wise & Co has the necessary knowledge and experience to ensure that VAT costs are mitigated, savings maximised and

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OUR FEATURED ARTICLE

Preparing for the Autumn Budget

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What can we expect? A reduction in stamp duty? A flat rate for pension tax relief?

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that Trustees are confident that transactions have been properly dealt with.

The Gift Aid scheme is extremely valuable to registered charities. If a donor is a UK taxpayer, and gives the charity their details, the government will increase the amount of the donation by 25%. This can be a substantial additional income for a charity. Statistics released by HMRC, reveal that charities claimed £1.27bn of Gift Aid during the 2016/17 tax year. Most donations will qualify for Gift Aid.

The charity needs to collect a Gift Aid declaration from each separate donor and keep a record for six years after the most recent donation Gift Aid has been claimed on. Gift Aid can be claimed through Charities Online and Wise & Co make these claims on behalf of many of our charity clients. ■

Talk to our charity specialists – Mark Dickinson or Treena Turner, to make the most of the tax relief your charity is entitled to. We’ll help to remove some of the burden of recording, reporting and claiming tax relief, and guide you on how to make the most of charitable income.

Marketing tips for businesses

Create powerful content: Connect with your audience – deliver your message through an interesting story and inspire action. Enhance your content with thought-provoking case studies and statistics. Position yourself as a ‘thought leader’ with topical, timely and remarkable content which encourages people to comment and share. From webinars, video tutorials and ebooks to infographics, podcasts and whitepapers – discover the most effective format for your content.

Leverage great content: Create it once and publish it across multiple channels. Re-hash and share old content - create a brochure from blog posts or turn a webinar recording into a video. Write a guest post for an online publication or subscriber-only newsletter. Include comments from industry influencers so they share the content with their networks. Update your website with fresh content – Google loves this!

Optimise your website so it appeals to search engines and visitors. Identify

keywords you want to be found for and place these strategically within your page content, URLs, meta descriptions, header, title and alt tags. Give every page a unique title and description, with a ‘call-to action’ in a prominent position. Link to important content from your homepage. Add social media sharing buttons to popular pages and link popular pages to content you want to give a boost in rankings.

Increase quality inbound links: Connect with organisations and bloggers relevant to your industry and get them to link to your best content. When an ‘authoritative’ website uses anchor text to link to your web page this can drive traffic and help your website rank higher in search engines. Write press releases, post insightful comments on industry forums, get listed on directories and experiment with pay-per-click advertising – include a link to your website at every opportunity!

Network, network, network! Follow

industry leaders, influencers, prospects and competitors; join groups, tweet, share posts and comment. Be a savvy social networker and genuinely engage with the communities you’re sharing content with. Host or sponsor a charity event, webinar, seminar or breakfast meeting. Be a guest speaker or guest blogger, become a mentor or teach a workshop. Join your local chamber of commerce, attend events and apply for business awards.

Collate customer case studies and testimonials and share these across your online channels. Build a referral network – ask for referrals and make referrals. Team-up with other businesses to widen your market and help sell your products or services.

And finally... integrate your marketing efforts! Carefully link together your communications and ensure they reinforce your brand’s ultimate message! Consistency is key – consistent and relevant messages help nurture long-term customer relationships. ■

Tax-efficient R&D for SME businesses

MANY SMEs, particularly those in the tech industry, or spin-outs from academia, have to invest in Research and Development (R&D) in order to keep ahead of the competition. Nonetheless, R&D is found across many industries and there are SMEs who are unaware that the work they carry out actually constitutes R&D.

R&D can be an expensive venture – highly skilled staff/subcontractors and certain equipment or lab conditions need to be met. Some expenses may qualify for a tax deduction (see list to the right), although the rules are reasonably complex.

- Claim for qualifying expenditure sub-contracted to others;
- Make a partial claim where the project is subsidised or a grant is received;
- SMEs may deduct 230% of qualifying expenditure from profits chargeable to corporation tax (225% for profits prior to 1 April 2015);
- SMEs may be able to claim tax credits in cash from HMRC. Where the enhanced expenditure creates a loss, the loss may be surrendered. The tax credit can be up to 14.5% of the R&D loss arising.

What constitutes R&D?

Not all activities that SMEs may regard as R&D will be treated that way by HMRC. Broadly speaking, a project qualifies if it seeks to achieve an ‘advance’ in science or technology. This could be:

- Experimental work aimed at the discovery of new knowledge;
- Testing in the search for product, service or process alternatives;
- Design and testing of pre-production prototypes;

- Designing products, services, processes or systems that involve new technology; or substantially improving those already produced and installed.

Industry examples:

- Experimenting with composite materials to create a luxurious whisky bottle with intricate finishes;
- Creating an application to distribute a digital magazine;
- Developing a quality control system which surpasses legislative requirements;
- Re-designing a circuit board to significantly improve reliability and cost-effectiveness.

In order to qualify, the R&D activity must be relevant to the trade of the company and expenditure must not be of capital nature – capital expenditure is dealt with separately and can qualify for 100% allowances in the year of capitalisation. ■

To find out if your project qualifies for R&D tax reliefs contact Wise & Co on 01252 711244.





Preparing for the Autumn Budget

IN HIS AUTUMN Statement of 2016, the Chancellor, Philip Hammond announced a move to a single fiscal event each year. This means there will be a single Budget, delivered in the autumn of each year, starting in 2017.



This is primarily so that Royal Assent can be obtained for finance bills that follow the Budget, in time for the start of the new tax year in the spring, and so that changes to the taxation system are announced well in advance of the following April.

What will change?

The only major difference is that the UK will make changes to its tax system once each year rather than twice. From 2017, a Finance Bill will be introduced after the Autumn Budget, in exactly the same way as it has followed the Spring Budget previously.

There will still be a Spring Statement, to allow the government to respond to the 6-monthly forecast from the Office for Budget Responsibility. The government has reserved the right to change policy in the Autumn Budget.

Highlights from the Autumn Budget will be presented in a summary document available to download from the Resources section of our website from 24th November.

What can we expect?

The budget is still several weeks away, but the Chancellor is being urged to consider a number of measures, including:

- **Reducing stamp duty** – researchers believe the current rates of stamp duty are preventing older homeowners from downsizing, which is slowing the housing market.
- **Easing austerity measures** – a recent ONS survey showed that the UK's borrowings in the last year are the lowest since the financial crisis. This gives the Chancellor some flexibility in spending which may see an easing of some of the more contentious austerity measures.
- **Increasing support for low-income families** – research from the Child Poverty Action Group suggests that cuts to welfare support and rising inflation are making life very difficult for those families on low incomes.
- **Enterprise Investment Scheme (EIS)** – these schemes have allowed individuals to invest in high risk companies in return for 30% tax relief and CGT exemption on the disposal of shares after a certain period. It's thought that the Chancellor may reduce the relief rate, and increase the length of time that shares must be held in the target company. Changes may also be made to the related Seed Enterprise Investment Scheme.
- **Committing to HS3** – industry leaders across the north of England recently signed a letter to Theresa May asking for a clear commitment to improving road and rail infrastructure in the region, which they believe will improve business, boost the economy and create jobs.
- **Pension tax relief** – it is thought that the Chancellor may set a flat rate of around 33% for pension tax relief, rather than retain the current system where relief is linked to income tax rates.
- **Domestic air duty** – Heathrow has written to the Chancellor asking him to consider removing all air passenger duty for domestic flights which, it says, currently costs UK travellers £225m each year.
- **Student fees and loans** – in her recent Conservative Conference Party speech, Theresa May spoke about freezing student fees at the new level of £9,250 and raising the annual salary at which repayments start. ■

Heads up for Making Tax Digital



ONE OF OUR most important roles at Wise & Co is to help our clients prepare for changes in the way taxes are calculated, collected or reported.

At the moment, we are watching the government's initiative to move to a fully digitised tax system. It's a move that's designed to make reporting more transparent and more accurate – and which the government hopes will lead to the end of the self-assessment process.

The government has currently set a date of April 2019 for digital VAT reporting. This is just over 18 months away, which is why accountants and businesses alike need to be thinking about the best approach to take.

What is Making Tax Digital?

From this date, all businesses, including the self-employed, with annual income above the VAT threshold – which is currently £85,000 but could change in the intervening period – will need to keep digital accounting records to meet their VAT requirements.

Currently, from 2020 – an exact date is yet to be announced – all businesses with annual income over £10,000 will need to digitally record their quarterly profit and loss account for HMRC.

What will you have to do?

The government has said that each business will be given its own online tax account. This account can integrate with the business' own accounting software so that transactions and accounts are automatically updated on a rolling basis.

Records can still be kept on spreadsheets, but all businesses will need to use some kind of online accounting software by this point. If your business is not already using online accounting, you can make the switch at any point before the Making Tax Digital start date.

Transferring to online accounting

Once you have chosen your accounting software, it is fairly straightforward to transfer your financial information and set up the

reporting and analytics you need. Software helps you to invoice more efficiently and to chase late payments. It also helps you to manage payrolls, produce cash flow reports and aid financial planning.

You can give your accountant access to your finances, making the whole process of preparing and filing accounts and understanding your tax liabilities much more transparent. Good quality accounting software is reliable and secure, so your financial data is always protected. ■

Beyond the software

To prepare for, manage and maintain good financial management for Making Tax Digital, you'll still need a professional, understanding accountant. Not only can Wise & Co make sure you are handling all of your record keeping and reporting accurately; we can help you to plan ahead, manage your business growth and improve your strategy.

Is your pension fit for purpose?



IF YOU HAVE accumulated numerous workplace pensions over the years, it can be difficult to keep

track of how they are performing. There is a danger that long-forgotten plans will end up festering in expensive, or poorly performing funds, and the paperwork alone can be enough to put you off becoming more proactive. Also, older or more simplistic plans, may not allow you to benefit from the new pension freedoms introduced in 2015, which gave retirees total flexibility on how they accessed their retirement income.

Should I consolidate?

Pension consolidation involves bringing all of your separate pension plans together and combining them into one single pension plan whereby a strategy can be implemented and managed to ensure that risk and performance are being met in accordance with your longer term objectives. Making the most of your pensions now can

have a significant impact on your retirement – a higher retirement income with greater flexibility in terms of taking that income, or an earlier retirement date.

Defined benefit (DB) / Final salary (FS) pensions

If you have a DB/FS pension from a previous employer, and are not yet drawing the pension, we strongly recommend that a cash equivalent transfer value is obtained, and that we undertake a no obligation review of your options.

Historically, FS pensions were considered sacrosanct and in the majority of cases should not be touched. However, several factors have transpired to drastically increase the attractiveness of FS transfers. Historically low gilt yields have mathematically forced scheme actuaries to increase transfer values significantly. The imminent rise in gilt yields will reverse this calculation and lower transfer values once again.

- Legislative changes have made the death benefits and IHT-efficiency of defined

contribution pensions, like SIPPs, much more attractive than DB pensions or annuities.

- The total value of a SIPP can be passed tax-free to a beneficiary upon death before age 75.
- For those with significant assets, a SIPP can remain invested until death and the assets can miss out the spouse and be passed down to the next generation IHT-free.
- Defined benefits are inflexible in terms of accessing them and a transfer to a defined contribution pension can provide greater flexibilities and control.

There is a window of opportunity that is about to close, and we urge clients that may have dismissed this in the past, to reassess in light of the above. ■

If you would like a free initial consultation to discuss your options then please contact Wise Financial Solutions on 01252 413231 or email info@wisefinancialsolutions.co.uk

New joiners

We welcome...

■ **Freya-Anne Robertson** and **Ben Aitken** who joined our team in August as Trainee Accountants, and **Phil Cottingham** who joined us in September as part of our accounts & audit team and **Magda Cyganek** as Assistant Management Accountant.

Freya-Anne graduated in 2016 with a degree in Politics, Philosophy and Economics from Queens University Belfast. She has recently returned from an internship in Qingdao with Fortune Investment Bank. In her spare time, Freya likes to play rugby, knit and listen to Agatha Christie murder mysteries.

Ben graduated in July 2017 with a Mathematics degree from the University of Surrey. Outside of work Ben enjoys playing golf, badminton and cooking.

Phil achieved the AAT qualification in 2015 while working and living in Brighton, East Sussex. He has recently moved to Surrey to start a new chapter while he studies for the ICAEW. Outside of work Phil enjoys playing golf and tennis and is looking forward to exploring his new surroundings.

Magda joined Wise & Co after working as an Assistant Financial Accountant for Pall Europe in Portsmouth. She has a master's degree in Political Sciences from Jagiellonian University in Krakow, is AAT qualified and currently studying for ACCA. In her spare time Magda enjoys reading and travelling.

Exam success

ACA exam passes: Congratulations to...

■ **Jamie Gore, Emma Rhodes** and **Shahiema Grant**

who passed Business Strategy and Business Tax Planning. They have finished their professional stage and move on to advanced stage. **Alex Barney** who passed Financial Management and Tax Compliance and **Louise Hunter** who passed Tax Compliance. **Tom Munford, Rebecca Walsh Smith** and **Mindaa Rai** who passed their Audit & Assurance and Financial Accounting Reporting papers which were their first ones at professional stage.

And a special congratulations to **Zoe Cox** (pictured above) who passed her final ACA papers!



ACCA exam passes:

■ **Tania Bell** who passed Audit & Assurance and Martin Smith who passed Audit & Assurance and Financial Management and is now moving onto the final level.

And a special congratulations to **Cristina Bayfield** (pictured left) who passed her final ACCA paper – Advanced Tax. Cristina has now completed ACCA and has applied and been awarded her ACCA membership.

Staff promotions

■ **Ghislaine Tradgett** and **Keely Harvey** – Wise & Co's new Audit & Accounts Associates.

Since joining Wise & Co in 2013 Ghislaine has helped build the firm's portfolio of academy clients through her wealth of expertise in the charity and not-for-profit sector.

"I am really pleased to have been promoted to this new position in which I will be taking responsibility for signing in the name of the firm. I will be providing the partners with continuity of the high standards of auditing and accounting set by the firm."

Keely joined Wise & Co in 2003, she specialises in statutory audit work and leads the audit training within Wise & Co.

"I look forward to working with the Partners in my new role as Audit & Accounts Associate. My audit and accountancy experience and expertise will assist in maintaining the high technical standards currently achieved by Wise & Co."



Pinewood leads the way in eco-friendly filming



EVERYONE KNOWS THAT making movies is an expensive business – but it can also be a wasteful one. From single-use water bottles and the reams of paper used on-site, to leftover costumes and set-building materials, a film can generate a lot of rubbish.

Pinewood takes its environmental responsibilities seriously and has a dedicated team that ensures the studio is as green as possible. This includes using LED lighting, adding solar panels to generate electricity, and constantly looking for ways to recycle or re-use materials and equipment wherever possible.

Andrew M Smith, Pinewood's Corporate Affairs Director recently told an entertainment website that, "Pinewood prides itself on its green credentials and endeavours to make the studio the most sustainable in the industry."

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. ■

Events & Sponsorship

Wise & Co sponsor Farnham Lions Summer Spectacular

ON JULY 8th this year the Lions Club of Farnham staged a 'Summer Spectacular' to celebrate the Centennial of Lions International and the beginning of the fiftieth year of 'Farnham Lions'. Almost two years in the planning, the event was a fantastic success and more importantly raised an equally fantastic £40,159.36 all of which will be shared by four youth based beneficiaries: **Challengers, 40 Degreez, Frensham Pond Sailability and the Ridgeway School.**



From left: Keith Harris – Events Director at Farnham Lions, Andrew Lodge – President of Farnham Lions, Treena Turner – Charity Partner at Wise & Co, Sharmini Woodings – Managing Partner at Wise & Co

690 guests were welcomed to a wonderful location near Farnham, many dressed to support the 1920's onwards theme, treated to a glass of fizz on arrival, a USA themed buffet, great entertainment, an acclaimed firework display, pre-empted by the arrival of the 'Tigers' Freefall parachute team. And the opportunity to win over 50 raffle prizes or to bid for Auction and Silent Auction prizes.

Wise & Co sponsor Junior Girls Cricket at Rowledge

WISE & CO ARE very pleased to support the Junior Girls Cricket teams at Rowledge Cricket Club near Farnham, through a two year sponsorship from 2017 to 2019.

Steve Morgan, Partner at Wise & Co said "We're delighted to be sponsoring the junior girls' cricket teams at Rowledge CC for the next two years. In particular, it is great to be associated with the clubs thriving junior girls section, and at a time when there is such a drive to increase girls participation in team sport."

The ever-increasing numbers for the girls section at Rowledge currently sits at 90 with three teams entered into the leagues.



Breast awareness event

A HUGE THANK you to Mrs Isabella Karat – Consultant Oncoplastic Breast Surgeon from Frimley Park Hospital, for her enlightening presentation on the "Myths, Prevention & Future Trends in Breast Cancer Management" at Wise & Co's breast awareness event, held on the 5th October to coincide with Wear it Pink month.

The well-attended event at Brasserie Blanc in Farnham, helped to raise awareness of breast cancer across the local business community. Wise & Co have made a donation to support the fundraising for a new breast unit at Frimley Park Hospital in Surrey, where Mrs Karat works.



Wise & Co has extensive experience as charity accountants and auditors currently acting for over 100 charities and not-for-profit organisations with incoming resources between £10,000 and over £10m. Whatever area you are involved in, we are confident that you will benefit from our wealth of experience, creative thinking and sound financial expertise.

Wise & Co will headline sponsor Phyllis Tuckwell Hospice's Moonlight in Marrakech Christmas Party on 1st & 2nd December at FIVE in Farnborough.
For more details: www.pth.org.uk/events/moonlit-marrakesh-friday

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

Wise&Co
Chartered accountants & business advisers



FARNHAM OFFICE
Wey Court West, Union Road,
Farnham, Surrey GU9 7PT
T: (01252) 711244

PINEWOOD OFFICE
Room 101, Pinewood Studios,
Iver Heath, Bucks SL0 0NH
T: (01753) 656770

E: info@wiseandco.co.uk
W: www.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 16 October 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.