

MIDGLEY SNELLING LLP

NEWS

SPRING 2012 EDITION



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New proposals provide financial benefits for charities and supporting businesses

PLUS

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Welcome

Welcome to the Spring edition of Midgley Snelling LLP News, which brings you updates and practical advice on issues that may affect you financially.

Our bulletin contains a round-up of tax and financial news and developments that we hope will be of interest to both businesses and private individuals.

In this issue, we consider changes to the way the inheritance tax threshold is calculated and how holiday home owners can minimise their liabilities, as well as further funding opportunities for businesses.

We also examine how the measures outlined in the latest Budget will affect businesses, along with UK and non-UK domiciled individuals.

We finish with a look at new proposals that would encourage businesses and their employees to donate more time and resources to charity and how Midgley Snelling LLP is making it easier to calculate business mileage, before introducing you to our new Senior Tax Manager, Leo Bentley.

We hope you enjoy reading Midgley Snelling LLP News and that you find it useful. We'd welcome your feedback on the content, or ideas for topics that you'd like to see featured in future, so if you would like to comment please contact us at email@midsnell.co.uk or call **01932 853393**. For professional financial advice, tailored to your individual circumstances, on any of the topics covered in Midgley Snelling LLP News, please contact us.

Inheritance tax net set to spread wider

More people may find themselves affected by inheritance tax (IHT) following a change in the way the government calculates the threshold at which individuals become liable.

Under legislation introduced in the Finance Bill 2012, the nil rate band will rise in line with the Consumer Prices Index (CPI) instead of the higher Retail Prices Index (RPI) from 6th April 2015.

The nil rate band last rose in 2009, and is set to remain at its current value of £325,000 until 2014-15. Had this freeze not occurred, and if the nil rate band had risen in line with RPI instead, the current threshold would be more than £360,000.

The link to CPI will also apply to capital gains tax. The annual exempt amount will remain at £10,600 for the 2012-13 tax year and then rise in line with CPI, which is traditionally lower than RPI.

The Treasury estimates the move will mean that around 1,500 more estates will have to complete more complex paperwork for HM Revenue & Customs in 2015-16 and that, of these, around 900 will have IHT to pay, a number that will increase over time.

This move may encourage individuals to take action to reduce their IHT liabilities. According to research by Legal & General, 69 percent of people are aware of the potential impact of this tax, but the same percentage had done nothing to minimise it except for making a will.

The key reason for putting off estate planning was that it was too far in the future for them to consider at the moment, cited by 38 percent of people. This was followed by people who kept putting it off (24 percent) or who didn't know where to start (15 percent).

A total of nine percent said they were delaying on estate planning over concerns about losing control of access to money as they grew older.

However, 50 percent of the 200 people questioned – all under the age of 50 – said they would like to learn more about tax mitigation after being shown details of IHT charges.

We have a detailed understanding of all the exemptions and reliefs that can make a huge difference to an individual's IHT liabilities. For advice tailored to your personal circumstances, please contact us.



The latest Budget: how will it affect you?

While Britain deals with record debt levels, Chancellor George Osborne delivered a Budget that “unashamedly” backed business and was “on the side of aspiration”, designed to enable Britain to “earn its way in the world”.

As expected, there was a strong focus on simplifying the UK tax system and cracking down on tax evasion. We will now consider the main proposals that affect businesses and individuals.

Businesses

Businesses received a welcome boost with a two percent drop in corporation tax to 24 percent this April, with the rate set to fall to 22 percent by 2014.

As in the last Budget, tax simplification continued to play a leading role, with plans to consult on proposals to simplify the tax system for smaller businesses. Firms with a turnover of up to £77,000 will be taxed based on the cash that passes through their businesses, rather than having to spend time doing calculations designed for large companies.

Additionally, a consultation on plans to merge income tax and National Insurance will take place.

A number of reliefs for certain industries were also announced, including a new tax relief for the video games, animation and high-end television production sectors.

In addition, young people will be able to access enterprise loans to help them start their own businesses and extra funding will be made available to help construction firms to build new homes.

The government will also introduce an ‘above the line’ research and development (R&D) tax credit next year, along with a doubling of the Enterprise Management Incentive Scheme grant to £250,000.

Individuals

The tax-free personal allowance will increase to £9,205 from April 2013, taking it to within “touching distance” of the £10,000 allowance goal.

With the 50p rate of income tax raising just £1 billion, rather than the £3 billion anticipated, Mr Osborne acknowledged that “no Chancellor can justify a tax rate that damages our economy and raises next to nothing”. Consequently, the top rate of tax will fall to 45p from April 2013.

Therefore, individuals affected by this change should consider how they can defer income to the 2013-14 tax year to avoid paying the 50 percent rate.



For example, there is the possibility of not taking any form of remuneration until 2013-14 or taking money out of the company as a loan, which is then repaid when the new rate comes into force. However, the potential benefit-in-kind and company tax implications will need to be weighed up before any action is taken.

Individuals should also consider utilising their full £50,000 pension contribution allowance in order to receive tax relief at 50 percent.

In addition, the threshold for the 40p rate will be reduced to £41,450 from 2013-14, which will result in around 300,000 more people qualifying for this higher rate of tax.

To prevent people utilising unlimited income tax relief, anyone looking to claim more than £50,000 will be subject to a cap of 25 percent of their income from April 2013 – although this will not apply to reliefs that are already capped.

In another measure to tackle tax avoidance, stamp duty has risen to seven percent for residential properties worth more than £2 million. For such properties bought through a company, the rate is 15 percent. Additionally, capital gains tax will become liable on the disposal of residential properties held by non-resident, non-natural persons, such as companies, from April 2013.

From 2014, 20 million taxpayers will receive personal tax statements, which detail what they have paid and how the money has been spent.

Non-doms

Following a change to the regulations, non-doms are now able to invest in qualifying UK businesses using offshore funds without triggering a tax charge on the remittance. This exemption may be extended to partnerships in April 2013.

The Budget also brought further tax benefits for non-doms, with a potential rise in the inheritance tax exemption threshold. While UK taxpayers can currently transfer £55,000 of their inheritance tax allowance to a spouse or civil partner living outside the UK, the government intends to increase this limit, subject to a technical consultation.

Similarly, the government intends to enable non-UK domiciled individuals with a spouse or civil partner in the UK to be treated as domiciled in the UK for inheritance tax purposes.

However, the annual levy for non-doms who have been resident in the UK for at least 12 years has increased from £30,000 to £50,000.

For more information on any of the measures introduced in the Budget, and their potential impact, please contact us.

Is there light at the end of the tunnel for the UK Economy?'

Dennis Turner, a leading expert in the field of economics and regular adviser of banks and business leaders, attracted an oversubscribed audience of local business leaders to a breakfast seminar organised by Weybridge accountancy firm Midgley Snelling LLP.



Dennis Turner

The relationship between Midgley Snelling LLP, Dennis Turner and local business leaders closely mirrors Midgley Snelling LLPs way of doing business: commitment, quality, professionalism and loyalty. Clients and professional peer groups benefit from a knowledge base that goes beyond the world of simple accounting, reaching out to a shared desire of progressive thinking.

In his lively presentation, Dennis touched on the questions many of us are asking today: Is the recession over, what are the new issues for now and in the immediate future and what of the future?

Provocative, exciting and never dull Dennis and Midgley Snelling LLP gave this personally invited audience an experience and insight into the future of UK PLC which was both thought provoking and entertaining.

Want to learn more? With Midgley Snelling LLP, you can expect to:

- receive a prompt and proactive service
- gain real solutions to your problems instead of just numbers
- build a close working relationship with a partner who will make the effort to develop a detailed knowledge of your business and your individual needs
- experience a refreshing personal service built around you
- benefit from the expertise of any of our trusted worldwide associates through our active membership of the international accounting alliance MGI

Dennis Turner was the chief economist at HSBC, heading a team advising bankers on UK economic trends both within industry sectors and at regional and national level. Before joining Midland Bank, Dennis worked at the National Economic Development Office in Whitehall. His first job was as an economist for a trade union, where his responsibilities took in arbitration cases and the preparation of pay claims.

Throughout his career Dennis has had regular contact with policy-making bodies. In a personal capacity, he was one of a small number of private sector economists who advised the pre-Blair Labour Party. He retains high level Government contacts.

Dennis's publications include the definitive history of Fulham Football Club, the case for an industrial investment bank in the UK and critiques of Van Morrison, Joe Cocker and Ray Charles. He also claims to be word perfect in the entire output of the Marx Brothers.

Inheritance tax relief for holiday homes

Following a ruling by the First-Tier Tax Tribunal, owners of holiday homes who let their properties will be eligible to claim Business Property Relief (BPR).

As a result, when these assets are transferred on the owner's death, their full value can be claimed through BPR to minimise the inheritance tax due.

HM Revenue & Customs (HMRC) wanted such properties to be placed in the same category as other buy-to-let and rental properties, and for them not to be classed as businesses for inheritance tax purposes. However, the Tribunal ruled against HMRC, meaning that such properties will not attract inheritance tax at 40 percent on the owner's death.

While this ruling concerned a property based in the UK, it could also enable those with holiday homes abroad to claim BPR. Therefore, it is vital that the owners of these properties continue to maintain proper records and file their accounts with HMRC to lay the groundwork for potential future claims.

Although this is good news for holiday home owners, HMRC is expected to appeal to the Upper Tier Tribunal in a bid to overturn the decision. Consequently, anyone looking to make the most of this ruling should seek professional advice to ensure their claim is

handled in the most effective way.

The dedicated specialists at Midgley Snelling LLP can provide expert advice on all aspects of estate and inheritance tax planning, including claims for BPR and Agricultural Property Relief, so please contact us to find out more.



Charitable businesses could receive tax boost

New proposals outlined by the Centre for Social Justice would provide financial benefits for both charities and the businesses which support them.

Firms would be encouraged to set up C-Volunteering schemes, where the business pays chosen charities for the hours of voluntary work carried out by its employees, possibly at the minimum wage.

While charities would benefit from both the extra voluntary staff hours and the additional income, the businesses running these schemes would be able to recoup some of the costs involved by offsetting them against corporation tax,

in a similar way to the current research and development (R&D) tax relief system.

Although it is not clear whether the government would set any cap on the amount of tax relief that could be claimed annually, even if the limit was set at, say, £330 million, this would result in an extra £1.3 billion for charities.

Such a scheme would be welcome news for the many charities which are currently providing

more services in spite of static or reduced income levels. It would also provide businesses with a valuable way of improving their presence and involvement in local communities, while enhancing their corporate social responsibility credentials.

At Midgley Snelling LLP, we can help businesses make the most of the allowances and reliefs available to minimise tax liabilities. For more information, please contact us.

Obtaining the right funding for your business

A new scheme designed to provide extra funding for small businesses, plus attractive tax breaks for investors, came into force in April.

Under the Seed Enterprise Investment Scheme (SEIS), anyone investing up to £100,000 in a qualifying new start-up business is eligible for income tax relief of 50 percent, regardless of the rate at which they pay tax.

As an extra incentive to investment, there is a capital gains tax exemption on gains realised in the 2012-13 tax year and then invested through SEIS in the same year.

Under the scheme, SEIS income tax relief is available on investments in shares in companies that are two years old or less, with 25 or fewer employees and assets of up to £200,000.

However, the SEIS is not suitable for everyone. Other conditions include that the company must not have previously raised money under the Enterprise Investment Scheme or Venture Capital Trust schemes and the income tax relief is available on total investments of up to £150,000 per company, as a cumulative, rather than an annual, limit.

The income tax relief is not available where the individual is an employee of the company (unless they are also a director), or has a more than 30 percent interest in it.

Whether your business is eligible for the new scheme or not, the team at Midgley Snelling LLP can help with your funding requirements.

We have excellent relationships with financing providers, as well as an extensive list of companies and individuals who are looking to invest in viable businesses.

As our team understands the working capital needs of businesses and the requirements of particular funders, we can ensure the best match and negotiate the right financial package for each business. Therefore, if you would like dedicated advice tailored to your particular needs, please contact us.



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Introducing our new Senior Tax Manager

We have strengthened our tax team with the appointment of a new Senior Tax Manager.

Leo Bentley, who was included in the Private Client Practitioner Top 35 under 35 awards in 2011, joined our firm on 5th March after five years at Baker Tilly.

He began his career with The Lawford Company, where he worked from 1998 to 2007, leaving as a Junior Partner. He then became an Associate Director and Group Manager of the Guildford

private client team at Baker Tilly, looking after a team of 15.

Leo is a qualified Associate Tax Technician (ATT) and Chartered Tax Advisor (CTA) and specialises in all aspects of private client taxation, working with high net worth individuals, partnerships, LLPs and the owners of SMEs. He is also a member of the Chartered Institute of Taxation.

Peter Bond said: "Leo has a wealth of taxation experience, including a substantial period of time with a large multinational accountancy firm. He is a welcome addition to the tax team, and will strengthen our expertise, particularly in private client work.

"We would all like to welcome him to the company and wish him all the best for the future."

Midgley Snelling LLP: going the extra mile for our clients

In order to claim tax relief for business mileage or fuel, it's important to keep precise records of the dates and distances travelled for all journeys related to work. However, it isn't always easy to stay up-to-date if you are on the road every day.

That's why the team at Midgley Snelling LLP has launched an innovative smartphone app which will ensure you produce accurate records to keep HM Revenue & Customs happy.

Our Business Mileage Logger app makes it easy to record mileage via the keypad of any smartphone, Android or

iPhone and to produce reports detailing the business miles travelled, for any chosen date range.

The app is easy to download and use, making handwritten mileage logs a thing of the past. If you want to make it miles easier to log your business mileage, please visit www.midsnell.co.uk to download our app.



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