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Bullimores Newsletter - September 2016

Treat everything as an opportunity

So far as Brexit is concerned, we've taken the vote so like it or lump it we've got to make the best of it.

The press are surprised that people are spending money in the shops - don't they realise that most people have worked out that they are getting no interest on savings and that import prices are going to increase, so better go out and buy the kit they need early rather than wait for prices to go up.

House prices appear to be rising with the demand each year for 200,000 or more houses or flats, but the country is only building 150,000 so wouldn't you expect the prices to go up?

Pundits are surprised that the UK equity market is going up - for goodness sake, why? Of the top 100 companies the vast majority earn the preponderance of their income outside the United Kingdom and when this is translated back into UK Sterling, their profits will go up and presumably they will be able to pay bigger dividends - what a surprise!

Every finance minister throughout the world would like to increase their country's competitive edge by devaluing their currency, which makes coming to the United Kingdom on holiday cheaper. Devaluation increases the competitiveness of our exports, enables our exporters to put up their prices and the whole thing is win-win. The German Government have been cynically doing this for years by absorbing failing countries, depressing the value of the Euro to the German advantage, and has little to do with expanding Europe; it's just commercial advantage for the Germans. This worked in our favour whilst we were in the EU, but now we're outside we have an even bigger boost!

Common sayings

Instead of jokes this time we thought we would remind you of the source of common sayings:

Prisoners being taken to the gallows would be offered one last drink by the drayman. If the prisoner said yes he was given "one for the road", but if he declined he was "on the wagon".

New Improved Expanded Services

Beside planning to reduce your annual taxes and IHT whilst looking after your investments, we now offer **Probate and Estate Administration** - a cradle to grave service.

We have for many years helped friends and clients where we have been appointed executors and are happy to continue that service. We are delighted to announce that we are now licensed to provide probate and estate administration services in non-contentious cases to all and sundry, and are one of the first accountancy firms in the area to be accredited.

As a client of Bullimores or Edwards Securities Ltd, our investment management company, you will be aware of our specialist knowledge covering all aspects of accounts, tax, trusts, estate planning, executorships and investment management. However, should the need arise, we are now able to carry out the full range probate and estate administration services for you.

What does this mean for you?

We will save you or your family time and stress in the event of a death. We know you and your finances better than any other professional, since we are in touch at least once a year, which may not be the case for other professionals.

There are certain protocols which need to be carried out when someone dies. Probate and estate administration is one of these, which is possibly the most complex, as it requires the executors to file legal, financial and taxation information about the deceased's estate.

We will ease this burden, particularly when the deceased has been a client of Bullimores, since we are likely to have most, if not all, of the financial and tax information, with the exception of ISAs, unless you tell us. This simplifies and shortens the process and keeps the costs to a minimum. We have up to date computer programmes to deal with executorship and probate.

What's involved in the probate and estate administration process?

The progress can be lengthy and complicated and will require the deceased's representatives to carry out the following steps:

- Locate the most recent valid will of the deceased
- Apply for the grant of representation
- Administer the estate, including liquidating the assets to pay debts and taxes and in preparation for passing to the beneficiaries of the estate
- Prepare estate accounts
- Distribute the assets to the beneficiaries in accordance with the will, or the intestacy law if there is no valid will.

To help you understand the process we have put together a factsheet. A copy of this document is available on request, or can be found on our website at www.bullimores.co.uk

The stench around tanneries was the interaction between urine and animal skins. Families used to all pee in the pot and once a day it would be taken and sold to the tannery. If you had to do this to survive you were described as "piss poor", but the very poor couldn't afford to buy a pot and therefore "didn't have a pot to piss in".

Avoid dodgy tax avoidance schemes

Look out for the warning signs - Any of the following signposts should make you think twice:

- If it sounds too good to be true it almost certainly is, e.g. schemes that promise to get rid of your tax liability for little or no real cost, and without you having to do much more than pay the promoter and sign some papers.
- The promised tax benefits or returns are disproportionate to economic activity, expense or risk.
- The scheme involves arrangements which are too complex for your business.
- The scheme involves artificial or contrived arrangements.
- The scheme involves money going around in a circle back to where it started.
- The scheme promoter either provides any funding needed to make the scheme work or arranges for it to be made available by another party, usually a bank.
- Offshore companies or trusts are involved for no sound commercial reason.
- A tax haven is involved.
- The scheme contains exit arrangements designed to side-step tax consequences.
- There are secrecy or confidentiality agreements.
- Upfront fees are payable or the arrangement is on a no win/no fee basis.
- The scheme has been allocated a Scheme Reference Number (SRN) by HMRC under the Disclosure of Tax Avoidance Schemes (DOTAS) regime. This not an approval of the Scheme.

Don't fall for the sales pitch - Some promoters sell schemes that simply do not work. They tempt clients with tales of rich rewards but do not properly inform them about the risks, or even claim that there is no risk. When the scheme fails it is always the client who suffers; the promoters will usually have done a runner and will not be insured. You may be given a sales pitch which assures you that your money is safe and you are on to a sure-fire winner. Before you commit yourself to any scheme, you should thoroughly check all claims made by the promoter and make sure that you understand the small print (if any is provided). You might even ask us for an opinion!

The medieval bath consisted of a large tub filled with hot water which was used in order of precedence. The man of the house had the clean water, then the sons and other men of the household, followed by the women and finally the children. The babies were last of all, hence the expression “don’t throw the baby out with the bath water”.

Rewrite of Gift Aid Forms - Charity Gifts be careful, but don’t let it put you off

Government’s rewrite of Gift Aid forms leaves taxpayers, who sign the new declaration when making one-off donations, more aware of the risk of owing the taxman an additional amount of tax.

The updated forms warn the donor that they must have paid at least the equivalent amount of tax to the amount of Gift Aid claimed on ‘all of my donations in that tax year’. Many vulnerable taxpayers have not appreciated what the declaration means, then sign it, unwittingly opening up the risk of owing the taxman because of their generosity.

Many taxpayers will not be aware, from April 2016, of the effect of the radical changes to savings income and dividend income, let alone be aware how much tax they do pay, or even how much tax the charity will reclaim on their gift. Savings income is going to see a big change, when dividends will cease to be paid with a ‘tax credit’, interest will automatically come paid gross, and not only that, the first £5,000 of dividends will be tax-free, and the first £1,000 of savings income will be tax-free for basic rate taxpayers.

The individuals most likely to be affected are pensioners. If the pensioner’s income in the form of pension and investment returns falls into the right combination, the total income could be quite high before tax is suffered (£17,000 or £34,000 per couple) and they will not pay a penny of tax. So if they make charitable donations, no Gift Aid can be claimed.

It is the responsibility of the charity to protect their donors and they should renew the Gift Aid declarations they hold in light of changes to income tax that will take many people out of tax completely.

Before the 16th century most people got married in June purely because they took their yearly bath in May. However, to cover up any lingering odour the bride always carried a bouquet of flowers.

Tax on interest

UK banks will no longer be deducting tax on interest paid to individuals after 6 April 2016. This is because of the tax free personal savings allowance of £1,000 for a basic rate taxpayer and £500 for a higher rate tax payer.

Whilst interest rates remain low this will have little effect for most taxpayers, but beware if interest rates rise or you receive a big cash gift.

Companies House to go 100% online by 2019

This is the stated intention of Companies House and it is likely that it will be achieved, given that the complexities are far less than digital tax accounts.

When houses had thatched roofs, the only place for small animals to keep warm was in the straw of the roof. When it rained it became slippery and sometimes the animals would fall. Hence the saying “it’s raining cats and dogs”.

Mandatory filing of CIS returns and verifications

From April 2016 all contractors and authorised agents must use the online service to file CIS returns and from April 2017 there will no longer be the opportunity to verify by telephone.

Small Business, Enterprise and Employment Act 2015

The Government’s latest attempt to deter illegal activity in business, such as money-laundering and tax evasion, is a change to UK company law. The Small Business, Enterprise and Employment Act 2015 applied from 26th March 2015 but there is a staged timetable. This is going to cause some upheaval,

especially the requirement of disclosing significant control. We have sent letters to all our clients where we provide company secretarial services.

Change	Implementation date
Prohibition of 'bearer shares'	26 th May 2015, with a 9 months' transitional period for existing bearer shares.
Accelerated striking off, from 3 months to 2 months from the date of publication in the Gazette	October 2015
Suppression of directors' date of birth	October 2015
Replacement of 'consent to act' procedure for officers - statement by company	October 2015
General abolishment of corporate directors (some exceptions)	October 2015, with a 12 months' transitional period for existing corporate directors
Maintenance of a public register of people with significant control for unquoted companies	April 2016 maintain register and 30 th June 2016 first annual returns
New procedures for handling director and registered office address disputes	April 2016
New style annual returns/confirmation statements	June 2016 the annual return will be replaced with a new style confirmation statement
Ability to keep statutory registers at Companies House instead of having to keep own registers	June 2016, however more information will be held on the public record, as a consequence

The canopy over the four-poster bed was put there to keep the masters bed clean from falling bugs and other droppings, but the floors were covered in dirt hence the expression "dirt poor". But the wealthy had slate floors which would get slippery in winter so they spread thresh (straw) to help. As the winter wore on they added more thresh until, when the door was opened it would start to fall outside so a piece of wood was introduced called the "threshold".

VAT flat rate scheme guidance changed

Notice 733 on the flat rate scheme has been rewritten by HMRC in response to tribunal decisions that choosing the trade category was too difficult since it was not in plain English.

The choice of category was particularly difficult for consultants and engineers, who rather than use the percentage for the industry that was most suited to them, ended up using categories where they accounted for too much flat rate tax to HMRC.

HMRC now offers assistance in the choice of category in the flat rate scheme manual and there are some court cases on the subject.

It should be noted that HMRC will not change your choice of sector retrospectively so long as it was reasonable. You should therefore keep all of the evidence that lead you to the choice.

Revised charges for paying HMRC by credit card

The majority of people pay HMRC online. However, there are some circumstances where people would rather pay by credit card when making payments over the phone. The good news is that the flat 1.5% charge has been replaced by variable charges dependent on the type of credit card used. Which is best, we don't know yet!

It is as a result of EU Regulation that HMRC have had to revise their charges. There seems little mention of the new charges on Government sites yet.

The poor kept a cauldron over the kitchen fire and every day they added more vegetables and sometimes stolen meat. They would eat the stew for dinner leaving the leftovers for the next day. The residue was quite often there for a long time hence the rhyme, "pease pudding hot, pease pudding cold, pease pudding in the pot, nine days old".

Advance Warning: HMRC will require all accountants, us included, to contact their clients.

At some point before 30th April 2017, we will have to write to all clients enclosing a letter from HMRC that warns about the danger of not declaring offshore income and gains. It is likely that we will need to send this to every personal tax client and we are restricted about what we can say in the covering letter.

Our firm has never put our clients at risk by contemplating or suggesting offshore tax saving schemes that breach tax law. It is unfair to put at risk our relationship with our clients by having to send this letter, since it might look as though we are suggesting that they have not told us about something. We apologise in advance!

There will be advisers that choose to pay a firm's penalty and deliberately not comply. We would never advise our clients to deliberately not comply with a law, so we will be sending the letters as required, but not of our own volition.

Landlords code of practice for tenancies

This affects all landlords within the private sector - effective 1st February 2016.

Private landlords are now the gatekeeper to restrict the accommodation available to illegal immigrants. The Immigration Act 2014 provided that penalties may be imposed on landlords that do not comply with their duties, or on agents where they act on the landlord's behalf. The code is a document that describes the procedures that are necessary to discharge the new duties and avoid penalties.

The responsibility of the landlord is to establish the adults that will live at the property, conduct "right to rent" document checks, checking the documents in the presence of the holder. There are obligations to conduct follow up procedures depending on the evidence obtained.

All of the detail can be found at <https://www.gov.uk/government/publications/right-to-rent-landlords-code-of-practice>.

Company distributions (liquidations)

There was a rush of voluntary liquidations of solvent companies in March 2016. This was to avoid new tax legislation that limited the claim for the capital treatment of distributions where within 2 years the shareholder continues to be involved in a similar trade or activity. The main purpose, or one of the main purposes, is to secure a tax advantage.

The consultation document that preceded the legislation suggested that the Government might try to go even further than this, but they did not. However, there is always the possibility that limits might be re-introduced, especially given the pleasant surprise announcement in the 2016 Budget that capital gains tax rates are lowered to 10% and 20% except for residential property which remains at 28%.

We will be keeping a close eye on any further announcements, since it will affect many clients.

When times were good, pork was bought and this would be hung up to show good fortune. In other words the man of the house had "brought home the bacon". In order to flatter their guests, the host would cut off a small portion and they would all sit around talking and "chew the fat".

Lap dancers to give receipts?

HMRC has established a taskforce for undeclared earnings and assets belonging to strippers, escort agencies and lap dancing clubs. It is apparently a £5bn a year industry and the target is to collect a modest £2.5m or 0.4% (yes, just 0.4% - not very ambitious) in unpaid income tax and VAT.

People of Significant Control (PSC)

The measures for non-compliance with the regulations are very severe, and so are criminal rather than civil. This is because it is part of the fight against money laundering, and you as directors are liable, so it is important that you put everything in place.

A PSC register is required to be kept at the registered office or at Companies House. This is not the same as the register of directors and shareholders.

More details can be found at <https://www.gov.uk/government/news/the-small-business-enterprise-and-employment-bill-is-coming#psc-info>.

The company or LLP is obliged to provide these details in a confirmation statement each year. The first confirmation statements will be due after 30th June 2016.

If you choose to keep your register at Companies House then the address of each PSC will be available publicly. Companies keeping their own register have to supply the address of each PSC.

What is a PSC?

A PSC is anyone who either:

- owns more than 25% of the company's shares
- holds more than 25% of the company's voting rights
- holds the right to appoint or remove the majority of directors
- has the right to, or actually exercises significant influence or control
- holds the right to exercise or actually exercises significant control over a trust or company that meets one of the first four conditions

You must also inform Companies House if anyone becomes a PSC, similar to when a director is appointed.

When the house was lucky enough to bake bread, the workers got the burnt bottom of the loaf, the family got the middle and guests got the top or "the upper crust".

Charities and the Common Reporting Standard (CRS)

The CRS has been developed by the OECD to assist in the global exchange of information in the ongoing fight against financial crime.

Simplistically, if you are a UK charity with over 50% of your income coming from investments managed by a financial institution, e.g. a stockbroker, then you could be obliged to report to HMRC. Check with your friendly accountant. The first reporting period is the year ended 31st December 2016 with a deadline of 31st May 2017.

Phone scam - HMRC demanding money

We have had several clients contact us saying that they had received phone calls from someone purporting to be from HM Revenue & Customs asking for payment of tax.

If in doubt, do not give any information; do not call a number that they provide; ask for information in writing but do not give your address as they should have it; and ring us if you want further assurance.

Lead cups were used to drink ale or stronger spirits, but the combination knocked out the imbibers often for several days. Not sure whether they were alive or dead, the family would lie the inebriated on the kitchen table for a couple of days and gather round eating and drinking to see if they would wake up, in other words "holding a wake".

Certifying income to support mortgage and loan applications

There continues to be cases where lenders and brokers insist on HMRC provided SA302 tax calculations and will not accept a copy of the SA302 printed from an online HMRC account or a tax calculation printed from the commercial software used to submit returns.

HMRC has been working with the lending industry on this but the message has not yet filtered down to all staff in the relevant organisations.

HMRC has published a list of the organisations that have signed up to accept agent and taxpayer produced documents, and agents and clients can refer the lender or broker to this list if paper SA302s are insisted on.

If the lender or broker still insists, then one tactic may be to ask for the name of the individual member of staff, so that this can be passed onto HMRC when the agent phones to request the SA302. In some cases this request has been enough to persuade the broker/lender to accept the documents already provided!

Late payment or business failure of another company behind a fifth of corporate insolvencies

A survey of the insolvency profession by a trade body, R3, found that late payment for goods or services is a primary or major cause of 23% of insolvencies in the last twelve months.

The research suggests the problem has shown no improvement since 2014.

Over half (57%) of insolvency practitioners in the survey identified construction as the sector with the worst track record for late payment, and construction is consistently the sector with the highest number of corporate insolvencies.

Previous research conducted by R3 found that 6% of UK businesses, equivalent to 113,000 companies, were creditors in an insolvency last year.

One precaution that could be taken is to make sure terms and conditions include an effective 'Retention of Title' clause - checked by a lawyer - to ensure the retrieval of goods from an insolvent customer if they have not been paid for.

Other steps to reduce risks posed by the supply chain and customer base, include checking who they are trading with, keeping track of invoices and making sure payment terms are met.

Consecrated ground became in short supply so previous coffins were dug up to re-use the grave. It was discovered that 1 out of 25 coffins had scratch marks on the inside of the lids and they realised they had been burying people alive. So they would tie a string to the wrist of the corpse, thread it through the coffin and up through the ground and tie it to a bell. Someone would sit in the graveyard all night, "the graveyard shift", to listen for the bell; thus someone could be "saved by the bell" or were considered to be a "dead ringer".

Help to Buy ISA bonus cannot be claimed for house deposit at exchange of contract

This questions the very effectiveness of the Government's Help to Buy ISA!

The detailed guidance states that the Help to Buy ISA bonus must be claimed on the first time buyer's behalf by a solicitor or conveyancer 'in anticipation of the completion date'.

However, it cannot be used for the deposit due at the point of exchange of contract when buyers have to lay down the deposit amount, as the bonus only comes into effect on completion.

Surely the initial premise of the Help to Buy ISA was to help first time buyers save for a deposit?

The guidance states that the 'bonus has to be included with the funds consolidated at the completion of the property transaction, and will be controlled by the solicitor or conveyancer'.

It continues: ‘When you are close to finishing your purchase, you will need to let your Help to Buy ISA provider know, and close your account. Don’t just withdraw all your money - let your ISA provider know that you are closing your account and they will provide you with a closing letter. You will need to take this letter to your solicitor or conveyancer so that they can apply for your bonus.’

The bonus cannot be used for solicitor costs, estate agents’ fees or any other indirect costs associated with buying a home.

There are full details of the Help to Buy ISA available. Serious questions need to be asked of the Government as to how this helps the first time buyer.

Sorry, but couldn’t resist this one!

Hillary Clinton decided to send Donald Trump a letter to let him know how she felt about him. Trump opened the letter and it appeared to contain a single line coded message.

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Trump was baffled, so he emailed it to Vanessa Trump and his children, who had no clue. No one could solve it at the FBI, CIA or NASA. They eventually asked Britain’s MI6 for help.

Within minutes, MI6 cabled this reply: “Tell Mr Trump that he is holding the message upside down.”

As always, please get in touch with us if we can help at all.