The Little Blue Book

Issue 50 | Spring 2023

Partners celebrate 90th anniversary

90 RNS
90 YEARS OF ADVISING BUSINESSES

Chartered Accountants | Independent Financial Advisers

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Welcome

to the latest edition of the Little Blue Book

It marks a special anniversary, with the firm celebrating 90 years since it was founded.

We are very proud of this achievement, particularly when considering the huge amount of change our partners and teams have seen over the years.

This is highlighted by hand-written ledgers reproduced in this edition, which show how transactions were recorded.

While we celebrate the past, our focus is on the future and continuing to provide the level of service our clients expect.

This edition looks in detail at the impact of Chancellor Jeremy Hunt's first Budget, highlights the success of a firm focused on renewable energy, and profiles another member of our fantastic team.

Later in the summer, associate partner Sinéad Catchpole will take maternity leave. Her work will be allocated to colleagues and clients will be kept informed. We wish her well.

I hope you enjoy reading the newsletter.

Please feedback any comments through your partner or email action@rnsca.co.uk

John Heeney
Senior Partner

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History

A special anniversary is being celebrated by RNS Chartered Accountants – it is 90 years since the firm was founded.

Forward-thinking individuals Robert Norman Store and George Rhoades Smith formed a partnership in 1933, operating from an office in Grimsby.

The firm's senior partner John Heeney said it was a matter of pride it had been established for so long.

"Robert and George had the foresight to seize an opportunity and we are grateful for that pioneering approach 90 years later," said John.

"Partners have become custodians of a respected and trusted brand.

"Our heritage is important and successive partners and their teams have enhanced the firm's reputation over the years.

"While the way we provide our services has changed dramatically, our priority to offer a first-class customer service has not.

"We offer our gratitude to all who have worked for the firm in its various guises and, most importantly, thank our loyal clients for their continued support of our services over the years."

From its origins, Robert and George steadily grew the business and were joined by another partner, John Bernard Harrison, in 1940.

An office at Brigg was opened and Cyril Inkpen admitted to the partnership in 1958.

In 1967, the practice of Percy Taylor was acquired in Scunthorpe. This was followed by the acquisition of Harrison Duncan & Toplis in Gainsborough in 1972.

The firm continued at the four offices until 1989 when the decision was taken to 'demerge'.

The present firm operated from Brigg and Scunthorpe until 12 years ago, when, following its acquisition of Stephenson, Smart & Co, it opened a third office in Barton.

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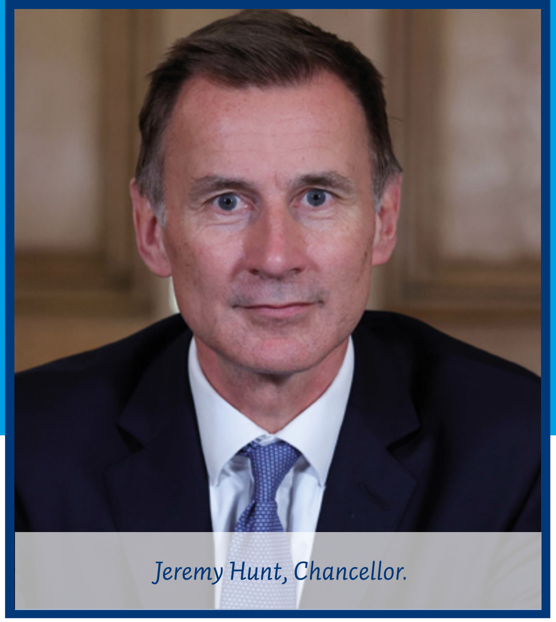
The firm's partners celebrate its 90th anniversary (left to right, back) Gary Makinson, Chris Driver, Andrew Clayton, Robert Smith, and (front) Karen Lyth, John Heeney and Sinéad Catchpole. Missing is Alex Douglas (inset).

Budget - Pensions

Chancellor Jeremy Hunt's first Budget included some key changes to pensions, childcare, personal allowances and corporation tax.

His 'Budget for Growth' came after the Office for Budget Responsibility forecast a stronger than expected performance from the UK economy this year.

Here we take a look at changes that will impact on clients.



Jeremy Hunt, Chancellor.

Pension tax limits are being raised to support the Government's efforts to encourage inactive individuals to return to work.

The Chancellor is particularly targeting those aged 50 and above, and the changes remove incentives to reduce hours or leave the labour market.

Legislation will be introduced in Spring Finance Bill 2023 and will have effect from 6th April, 2023. This will:

- Increase the Annual Allowance from £40,000 to £60,000.
- Increase the Money Purchase Annual Allowance from £4,000 to £10,000.
- Increase the income level for the tapered Annual Allowance from £240,000 to £260,000.
- Ensure that nobody will face a Lifetime Allowance charge.
- Limit the maximum an individual can claim as a Pension Commencement Lump Sum to 25% of the current Lifetime Allowance (£268,275), except where previous protections apply.

Legislation will be introduced in a future Finance Bill to remove the Lifetime Allowance from pensions tax legislation.

Andrew Clayton, partner at RNS Independent Financial Advisers, described the pension changes as significant.

"A number of clients will benefit from the changes," he said. "It is more tax efficient for a business to invest in pensions than pay the higher levels of corporation tax on profit.

"Evidence suggests that self-reported retirement has been the main driver for those aged 50 to 64 to leave the labour market.

"The measures will support an individual's ability to build up retirement savings and so improves the financial incentive of work."

Pensions annual allowance

Currently, the most you can normally save into private pension pots in one tax year before you start paying tax is £40,000.

This is known as the 'pensions annual allowance'. The Government has confirmed that this allowance will rise by £20,000 to £60,000 from 6th April.

You can only receive tax relief on up to 100% of your earnings below the annual threshold.

This may include earnings from your wages, taxable benefits or royalties. If you earn £30,000 a year, that's how much you can pay into your pension each year while still receiving tax relief.

If you're a very high earner, the annual allowance reduces, or 'tapers', though the amount you can earn before the taper applies is being increased, from £240,000 to £260,000.

You'll now get tax relief on your pension even if you already have a large pot

There is currently a limit on how much you can build up in pension benefits over your lifetime, while still enjoying the full tax benefits.

This limit is known as the 'lifetime allowance' (LTA).

The LTA is currently £1,073,100 and was supposed to be frozen at this level until the 2025/26 tax year.

However, the Government has now said the LTA will be completely abolished from 6th April, 2024, meaning there will be no cap on how much you can build up in pension benefits while continuing to get tax relief.

For advice on how the pension changes affect you, please contact Andrew and the team.

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Budget – Personal allowance

The income tax personal allowance was already fixed at the current level until April, 2026, and will now be maintained for an additional two years until April 2028 at £12,570.

The government will uprate the married couple's allowance and blind person's allowance by inflation for 2023/24.

There is a reduction in the personal allowance for those with 'adjusted net income' over £100,000.

The reduction is £1 for every £2 of income above £100,000. So there is no personal allowance where adjusted net income exceeds £125,140.

The basic rate of tax is 20%. In 2023/24 the band of income taxable at this rate is £37,700 so that the threshold at which the 40% band applies is £50,270 for those who are entitled to the full personal allowance.

Once again, the basic rate band is frozen at £37,700 up until April 2028.

The National Insurance contributions upper earnings limit and upper profits limit will remain aligned to the higher rate threshold at £50,270 for these years.

From 6th April, the point at which individuals pay the additional rate will be lowered from £150,000 to £125,140.

The additional rate for non-savings and non-dividend income will apply to taxpayers in England, Wales, and Northern Ireland. The additional rate for savings and dividend income will apply to the whole of the UK.

Taxable benefits for company cars for 2023/24

The rates of tax for company cars remain frozen until 2024/25.

Future car benefit rates have been announced for 2025/26 to 2027/28:

- For 2025/26, the rates for emissions under 75gm/km increase by 1%.
- For 2026/27, the rates for emissions under 75gm/km increase by a further 1%.
- For 2027/28, the rates for emissions under 75gm/km increase by a further 1%.

The charge for electric cars will rise from 2% to 5% over that period.

For cars with emissions of 75gm/km and above, there will be a 1% rise in 2025/26 only, subject to a maximum of 37%.

From 6 April 2023 the figure used as the basis for calculating the benefit for employees who receive free private fuel from their employers for company cars is increased to £27,800.

Budget – Corporation tax

The expected increase in the rate of corporation tax for many companies from this month (April) to 25% will go ahead.

This means that the rate will increase to 25% for companies with profits over £250,000.

The 19% rate will become a small profits rate payable by companies with profits of £50,000 or less.

Companies with profits between £50,001 and £250,000 will pay tax at the main rate reduced by a marginal relief, providing a gradual increase in the effective corporation tax rate.

The Annual Investment Allowance (AIA) is available to incorporated and unincorporated businesses. It gives a 100% write-off on certain types of plant and machinery up to £1 million over 12 months. This was scheduled to reduce to £200,000 but will now become permanent.

RNS Chartered Accountants' partner Robert Smith said: "Being either a sole trader or a limited company is more blurred as a result of the increase in corporation tax.

"One size does not fit all and the best advice is to speak to your contact at RNS."

Tax on dividends

Currently, the first £2,000 of dividends is chargeable to tax at 0% (the Dividend Allowance). This will be reduced to £1,000 for 2023/24 and £500 for 2024/25.

Dividends received above the allowance are taxed at the following rates for 2023/24:

- 8.75% for basic rate taxpayers
- 33.75% for higher rate taxpayers
- 39.35% for additional rate taxpayers.

RNS Chartered Accountants' partner Robert Smith said: "If you're the owner of a limited company, taking a small salary and topping up your income with a dividend will still work, though the benefit has been eroded further."

Capital allowances

The super-deduction regime, which gives a 130% enhanced first year allowance (FYA) to companies on the purchase of qualifying plant and machinery, came to an end in March.

Instead, the government has announced Full Expensing, a 100% FYA, which allows companies to deduct the cost of qualifying plant and machinery from their profits straight away with no expenditure limit.

Qualifying expenditure will include most plant and machinery, as long as it is unused and not second-hand, but will not include cars. Full Expensing will be effective for acquisitions on or after 1 April but before 1 April 2026.

A 50% FYA for other plant and machinery including long life assets and integral features (known as special rate assets) will operate along similar lines.

Renewable energy firm's surge in demand

Demand for sustainable energy to power homes and cars has seen a business established on a kitchen table evolve into a growing team based in a state-of-the-art showroom.

The Heat Source provides the latest advances in green technology at its Hillcrest Park base in Caistor, with Government MCS Accreditation to install products from the likes of American car giant Tesla and Stallingborough-based renewables innovator Myenergi.

It was very different 15 years ago when husband and wife team Clare and Grahame Harriman linked up with RNS Chartered Accountants at its Brigg office.

Clare said: "It was about Grahame's vision. He could see what was going to happen regarding the transition to clean energy solutions many years ago.

"We had two very young children and little money to spare. Grahame took the opportunity to retrain as a plumber and electrician at night school whilst holding down a full-time job. This was not easy!

"Once qualified, he took the leap of becoming self-employed, initially working on fossil fuel boilers.

"However, he could see the clean energy potential of electric air source heat pumps and why the technology had been embraced in Scandinavia and Europe."

The game changer was achieving MCS (Micro-Certification Scheme) Accreditation from OfGem 12 years ago.

"We were one of the first companies in the country to gain this highly sought after quality standard," said Clare.

Grahame at The Heat Source's showroom in Caistor.

"We are audited every year to ensure the highest standards of installation for renewable technologies are maintained.

"This accreditation enables our business to install solar PV panels, Tesla Powerwall batteries, Mitsubishi air source heat pumps, under floor heating, biomass boilers and Myenergi EV chargepoints.

"The business grew from our kitchen table to our converted garage, but it wasn't a suitable place to bring prospective clients.

"We are now in a modern, professional setting which also helps us personally to separate work from home.

"I have seen the graft that Grahame has put in. Even now, there is no room for complacency and he works incredibly hard."

They met RNS partner Karen Lyth 15 years ago, beginning their company as a sole trader before switching to a limited company.

"We work closely with Karen, Chris, Amy and the team meeting every two or three months," said Clare.

"The numbers need careful management and meeting face-to-face enables us to chat about where we are at.

"The relationship works really well and having that personal support is important to us. They keep track of the figures and we value their input massively."

"We have unprecedented demand on our services," he said. "It has really gone through the roof over the last three years and particularly during lockdown.

"Awareness of the climate crisis and net-zero targets along with rising energy costs have accelerated the transition to clean energy solutions."

The invasion of Ukraine by Russia and the resulting surge in energy prices has further focused people's minds on becoming more self sufficient with energy generation and not being dependent on gas to heat their homes.

"We are finally seeing awareness of what can be achieved and traction in the market," said Grahame.

Battery storage means that energy generated by solar panels can be stored and used by households when needed, for instance at night. Batteries can even be charged overnight on a Time-of-Use electricity tariff.

The issue is the shortage of qualified engineers to fit the technology.

Grahame and Clare are working with North Lindsey College in Scunthorpe and Grimsby Institute, creating apprenticeships and encouraging younger people to join the profession.

He said: "For young people, this is a growing industry from which a decent living can be made.

"It is specialised. We pride ourselves on the quality of our work. We have a really good, tight-knit team and are managing the growth and customers' expectations.

"The showroom demonstrates the variety of products and how they can be integrated to create the ultimate low carbon home and business," said Grahame.

RNS partner Karen Lyth congratulated the couple.

"The business has made huge strides since being established as a sole trader all those years ago," said Karen.

"Grahame was ahead of his time, seeing the opportunities offered by a low carbon future.

"It has not been easy and the business has needed to adapt to changes in Government policy.

"He and Clare have worked so hard to get the business where it is today and we're proud to provide support."

For business support, contact RNS Chartered Accountants on Brigg 01652 655111 or email karen.lyth@rnsca.co.uk
To find out more about The Heat Source, go to www.theheatsource.co.uk

90th Anniversary

How times have changed.

The world is a different place to the one 90 years ago and RNS has altered too.

Our longest serving employee Mike Llewellyn has worked here all his life and, having joined 45 years ago, that's half the life of the firm!

Partner Robert Smith has been looking at the old handwritten ledgers and said it was a reminder of how technology has moved on, coupled with how some things remain unchanged.

"Businesses were grappling with the price of energy in the form of coal costs back in the early 1950s. In that sense, given the ever-increasing electric energy prices of 2023, we have not moved on," he said.

"It was the price of keeping warm back then and it powers the technology which underpins the day-to-day operations today."

He recalled starting at RNS in 1999.

"There was one computer in the Scunthorpe office, and you even had to book a slot to use it.

"These days some staff have three monitors, a PC and a laptop, and if the server goes offline for even a few minutes it seems like the end of the world!"

Mike recalls vast boxes of client records arriving at the offices to be meticulously summarised and vouched.

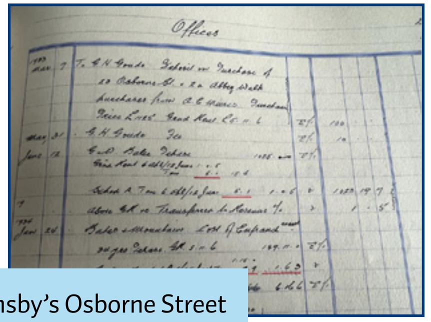
These days, the same records might arrive on a tiny memory stick or an email. The same work needs to be conducted though, producing accounts, tax computations, analysis and plans for clients.

"With more than 60 people working at RNS in 2023, it would be interesting to see over the 90 years how many had trained and worked with the firm before moving on to other careers or enjoying happy retirements. It must be hundreds," said Robert.

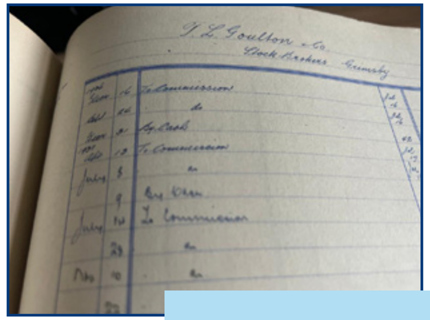
"Despite all the technological change, over the 90 years there has been one constant, and that's the clients of RNS.

"They have always been there, each with their own needs and requirements, but each as individually important as another.

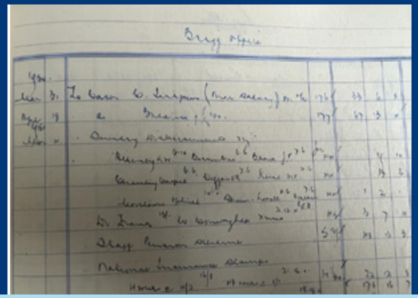
Who knows where technology will be at the 100th anniversary in 2033!



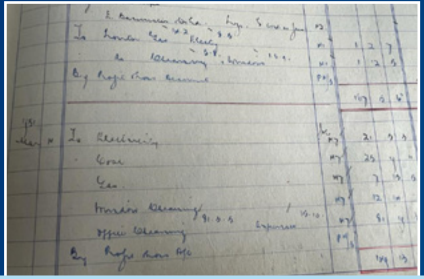
Buildings in Grimsby's Osborne Street and Abbey Walk were bought in 1933.



1936 and the firm's dealing with a Grimsby stockbroker, evidence of how long we have been advising clients on investments.



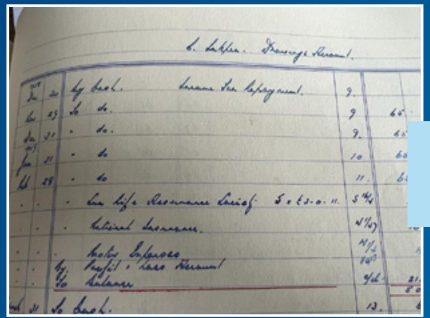
1950 and the first mention of our Brigg office.



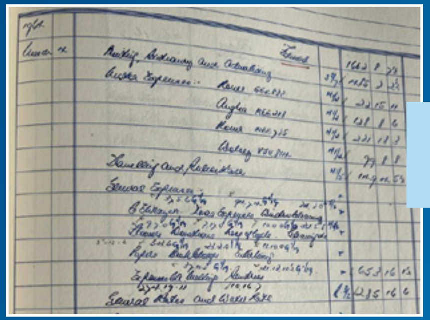
1951 and the offices were being heated by coal, as this entry highlights.

Partners at the firm's 75th anniversary celebration

A 1933 picture of Oswald Road in Scunthorpe, looking towards the High Street and very different to today. Our offices were to be located in the two buildings adjacent to the car. Image courtesy of North Lincs Image Archive.



1958 and new partner Cyril Inkpen claims expenses among his drawings.



1964 and things had become a lot more complicated.

Child benefit

Unsuspecting parents are falling into a "child benefit trap" and missing out on the tax-free income as a result.

One in five people are seeing benefit reduced because income of one parent has increased to more than £50,099 a year.

RNS partner Robert Smith said thresholds had not changed in more than 10 years while average pay has risen significantly in the same period.

"Some being caught by the child benefit trap are paying just basic rate tax," he said.

"I dealt with one situation where rental profit was pushing income above the £50,099 threshold.

"The rental profit was subject to tax but the vast majority of the mortgage payments weren't subject to any tax relief.

"From a cash flow perspective the rental property was actually only generating £10 per annum once the mortgage and tax on the rental profit had been paid. It was also causing £1,500 of clawback of child benefit. The situation was generating an effective "tax rate" in excess of 65% on income.

"The partner was only working part-time too, so child benefit was an important part of the household budget.

"We looked at a combination of some salary sacrifice for additional holiday, additional pension contributions, and ownership - coupled with overall financial viability - of keeping the property."

Individual circumstances are always different, and naturally change over the course of a career and with life events. A regular review and discussion is therefore essential.

If income is £60,000 or more, the high income child benefit tax charge will see the child benefit reduced to nothing.

Robert said: "It only comes into effect when one earns more than the threshold. A couple could earn £50,000 each, with a joint income of £100,000, and not be impacted.

"It does not even matter if the child is not theirs. If you live with someone as a couple and they have a bigger income than £50,099, then the child benefit tax kicks in.

"It is based on income not just earnings, including savings interest, dividends, or property rent.

"Higher wage rises caused by inflation is bringing more and more people into the trap."

Robert said if child tax benefit is triggered, the person responsible must fill in a self-assessment form.

"For those that ignore it, HMRC are well known for being aggressive for collection from those who do not declare via self-assessment return," he said.

"As I've mentioned, there are ways look to avoid the trap and the best advice is if you're one of those falling foul, it is best to talk to your contact at RNS."

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Financial Markets

RNS Independent Financial Advisers Partner Andrew Clayton reflects on the Budget, interest rate rises and looks at the financial markets.

The signs are that Chancellor Jeremy Hunt is on a mission to rebuild investor confidence in the UK's fiscal position – his first Spring Budget supported this cause.

The Office of Budget Responsibility (OBR), which provides independent forecasts for the UK economy, dampened fears of an immediate recession, but things still look a little uncertain.

One of his trump cards was to try and encourage more people back into work. His argument is that a smaller workforce is creating inflationary pressures and driving up wages.

His big focus is on inflation, and its unexpected rise to 10.4% after the Budget led to the Bank of England increasing interest rates again to 4.25%, their highest for 14 years.

Safer income-generating assets now offer respectable yields for the first time in many years.

It also follows the collapse of two US banks and the rescue of Swiss lender Credit Suisse, but the Bank's Governor Andrew Bailey said the UK financial system was "resilient".

Although clearly something to watch closely, thankfully these recent banking issues seem quite isolated and far removed from the peak financial crisis in 2007-2008.

While agreeing with the OBR the UK was no longer heading into an immediate recession, the Bank of England expects the economy to grow only slightly in the coming months.

In addition to inflation, people's household incomes are still being squeezed by the huge rises in gas and electricity prices. And the jump in interest rates means that mortgage costs for homeowners will increase. These constraints will restrict economic growth in the short term.

On the flip side, savers are getting better returns on their short term money and for medium and long term investors the recent volatility in stocks and bond markets has created investment opportunities.

The indications are that we are getting close to the peak on interest rates now.

When they have stabilised we think the mood is likely to shift and become more positive. And a positive mood shift is usually a catalyst for increasing asset prices.

It will always be difficult to forecast exactly when the pendulum swings. But we seem to be quite well into things now and the Budget sets the right sort of tone.

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Staff news




Pictured left to right: Jacob Norburn, Sam Neil, Joe Robertshaw & Kiera Twells
Below: Helen Bolger & Oliver Scott.


Congratulations to colleagues who have passed various exams.

Jacob Norburn and Sam Neil were successful in two professional level exams on audit and assurance and financial accounting and reporting.

Joe Robertshaw passed tax compliance, another professional-level exam. Kiera Twells and Helen Bolger are one exam each from finishing certificate level while Oliver Scott has finished level 3 AAT.

Associate Partner Sinéad Catchpole said: "I'd like to congratulate Jacob, Sam, Joe, Kiera, Helen and Oliver on their exam successes.

"It is tough to juggle the demands of the day job and training but they are all working hard to achieve these results.

"Their success shows the firm's continuing commitment to training and professional development."

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Staff profile



Name: Kerry Alliss

Title: Audit Senior

When did you join RNS: I started at the Brigg office in August, 2017, and moved to the Scunthorpe office in February, 2021.

School / college / university: Baysgarth Secondary School / Wyke College / Hull University..

Qualifications: I have a degree in Accounting and qualified as a Chartered Accountant in 2020.

Interests out of work: I have been following Formula One for a long time and try to go to Silverstone every year if I can. I enjoy going to theatre shows. Recently, I have seen Bat Out of Hell, Mamma Mia, Chicago and Dirty Dancing.

Favourite holiday destination (and why): Growing up, I went camping in Cornwall every summer for more than 10 years so I have lots of great memories there. Overseas, my trip to Thailand and Cambodia for six weeks; visiting Angkor Wat, trekking through the rain forest and seeing elephants were highlights.

Favourite TV programme (and why): Hard to have a favourite. I watch a lot of sport and my favourite genre is true crime. But Gilmore Girls, Friends and Top Gear I will re-watch all the time when I can't decide what to watch next on Netflix.

Favourite music: Difficult to pick just one. Taylor Swift is always included in a playlist_ I went to see Harry Styles last year which was amazing. I probably listen to more podcasts, some of my favourites are: The Diary of a CEO, The High Performance Podcast, That Peter Crouch Podcast and Off Menu.

Favourite food: Despite not liking cheese or tomato individually.... its margarita pizza.

Favourite book: I read all the time – probably at least a book a week – so don't I have a standout favourite, anything with a good murder or mystery.

Best thing about living in Lincolnshire: I have lived here all my life so it's great to have all my family around me. Also, having lots of countryside walks on your doorstop is great for my Boxer dog, Bruce.

What is the best thing about working at RNS: Great colleagues _ everyone gets along well. As a member of the audit team, I visit clients all over the country in a variety of industries which means work is always different and interesting.

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Income tax rates and bands 2023/24	**£ per year**
Basic rate - 20%	0-37,700
Higher rate - 40%	37,701-125,140
Additional rate - 45%	Over 125,140

The tax rates for dividends are 8.75% basic rate, 33.75% higher rate and 39.35% additional rate.

Income tax allowances 2023/24	**£ per year**
Personal allowance	12,570
Income limit for personal allowance	100,000
Dividend allowance	1,000
Marriage allowance	1,260

Give us a call for a free, no obligation meeting.

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