

RNS

The Little Blue Book

Issue 42 | Autumn 2018

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Chartered Accountants
Independent Financial Advisers

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Welcome

to the Autumn, 2018, edition of our Little Blue Book.

The long, hot summer had to end at some point and here we are in Autumn, already thinking about the self-assessment deadline for tax returns!

In all seriousness, 31st January will be here before we know it and it would create a less stressful start to the New Year – for you and my colleagues – if details could be with us as soon as possible.

I would like to offer my congratulations to our newly-qualified chartered accountants Abi Wilmore and Chris Driver.

Their success continues a long tradition at this firm of nurturing home-grown talent. Accountancy is a rewarding career and I am proud of our comprehensive training

programme which develops high-quality individuals who are assets to the firm.

Abi and Chris are featured opposite.

Also in this edition, we profile another of our trainee success stories Sinead Hill while other articles include an update on HMRC's drive to make tax digital, a successful charity bike ride which featured clients and inheritance tax advice.

I hope you enjoy reading it. Please feedback any comments through your partner here or email action@rnsc.co.uk

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Newly qualified

Careers in accountancy have equated to success for two young people from North Lincolnshire.

Abi Wilmore and Chris Driver have passed their professional examinations to become qualified chartered accountants at RNS, which has offices in Scunthorpe, Brigg and Barton.

Chris, who joined RNS in July, 2015, went to Winterton Comprehensive School, followed by Scunthorpe's John Leggott College and graduated from Durham University with an economics degree shortly before joining RNS.

He, like Abi, passed the Institute of Chartered Accountants in England and Wales' ACA exams.

Chris said: "I'm delighted to have passed my exams and would like to thank the partners for their ongoing support."

He enjoys the variety of working on audits and accounts preparation for clients of varying size and in a range of industries.

In his spare time, he likes watching sport, particularly supporting his football and rugby teams, Manchester United and Leicester Tigers.

Abi, who attended Huntliff School in Kirton in Lindsey, started with the firm in 2013, shortly after leaving John Leggott College.

She spends most of her time as part of the audit team, specialising in solicitor accounts rules audits and social club audits, on top of statutory ones.

Abi was "really pleased" to have passed the ACA exam. She said: "I am grateful for all the support the firm has given me whilst completing my exams."

Abi works mostly with partners Robert Smith, Alex Douglas and Jenny Camm, and is a member of the audit team.

Abi loves the variety of clients she is involved in and enjoys going out to see how they operate.

Outside of work, she tries to go out for a run when she gets the chance and enjoys her weekly yoga class. Brigg partners Karen Lyth and Adrian Ingleton congratulated both.

"Abi and Chris are the latest in a long line of trainees to come through testing exams to become fully qualified chartered accountants," they said.

"The firm is proud of its record in providing top quality training, which benefits our clients as well as those undertaking it.

"We're also pleased that Abi and Chris are local to the area, giving them additional knowledge, understanding and commitment. We wish them well in their future careers with the firm."



Abi Wilmore and Chris Driver are congratulated on their success by partners Karen Lyth and Adrian Ingleton at RNS' Brigg office.

Inheritance Tax

The Inland Revenue forecast a significant rise in Inheritance Tax receipts over the coming years. This is despite the introduction of several new and quite generous reliefs.

So the need for effective and practical intergenerational planning is still critical to achieve a better financial outcome for the whole family.

Inheritance Tax may be due if someone's net estate when they die is worth more than the 'nil rate band', which is currently £325,000.

Your estate includes the value of your savings and investments, your home, and any other assets you own of value.

It also includes the value of any money or assets you may have given away in the seven years before your death. Where tax is due, the rate of tax is normally 40% on the excess above the nil rate band.

Some of the key reliefs

Inherited nil rate band – if your spouse predeceases you and leaves all of their assets to you then you may also inherit their nil rate band. So this means that on the second death you may have an exempt nil rate band of up to £650,000.

Main residence nil rate band – this is a new additional relief that can exempt some of the value of your main residence. It currently exempts up to £125,000 of property per person.

Some of the main ways of mitigating Inheritance Tax

Annual gift exemption – you can give away £3,000 a year and it will be immediately exempt from Inheritance Tax. You can give away more, but for larger gifts it would take seven years for those gifts to be exempt from Inheritance Tax.

Pensions – money in the majority of pension accounts are exempt from Inheritance Tax. We provide a lot of pension advice to help with retirement planning but increasingly also for family estate planning.

Trusts – they have a long history in inheritance tax planning, but they are not to be entered into lightly. They are a complex area and can easily have tax consequences

as well as benefits. We can help advise you if a trust would be suitable.

Some risks to look out for

The main residence nil rate band is only available when a property is left to children or other lineal descendants. So those without children are not able to claim that particular relief.

If you give assets away then capital gains tax could become due. This can be a big issue for people who have buy-to-let property, for example.

If your estate is valued at more than £2,000,000 then the main residence nil rate band is reduced and could be lost entirely.

Have you considered

Whole of life insurance – we can arrange life insurances to help pay an Inheritance Tax bill.

'DGT' trust – this is a popular trust that we can arrange that allows you to shield some of your savings from inheritance tax whilst still receiving an income from them.

Grandchildren pensions – people of any age can have a pension savings account! You could contribute £2880 into a minor's pension and have them receive a £720 'bonus' in the form of tax relief. Research suggests young people today will need more pension savings than the current generation due to increased life expectancy and lower state pensions.

These are just a few of the things that need to be considered.

Inheritance tax and family estate planning are sometimes put off until tomorrow but we would recommend taking time out if possible to consider the value of your estate. If you think you might be affected, we would be pleased to discuss the position in more detail.



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Staff profile

Name: Sinéad Hill

Title: Manager

When did you join RNS: I joined the firm in February, 2010, when I began studying towards my AAT. I qualified in this in December, 2011. I continued studying and passed my ACA qualification in March, 2015.

Education: I went to Queen Elizabeth High School, Gainsborough followed by John Leggott College to study my A-levels..

Specialism: I cover most areas but largely do company accounts work and I am also part of the RNS audit team, specialising in Solicitor Accounts Rules audits and Social Club audits on top of statutory audits.

Interest out of work: I enjoy running. I'm not particularly fast but, as they say, you're lapping everyone on the sofa! I also enjoy going out with my friends and family whether that be for a meal, to the pub, to the races, boxing - anything!

Favourite TV programme: My fiancé and I are boxset bingers but the top three would have to be Game of Thrones, The Walking Dead and Sons of Anarchy.

Favourite music: Apparently I have a terrible taste in music! I just like songs I can sing along to (usually in the car when I think that no one is watching)

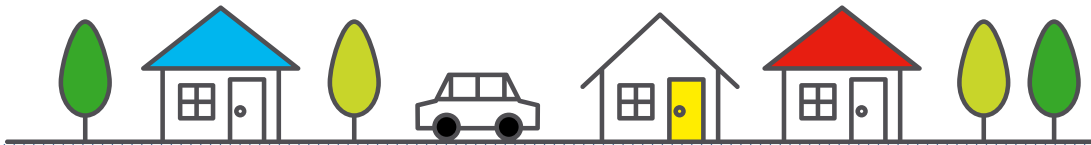
Favourite food: Well, I do like my food! If I had to pick a favourite... it'd be a roast pork dinner with plenty of crackling followed by a cheese board.

Best thing about living in North Lincolnshire: I grew up in a quiet rural village and always liked going for walks or runs down the lane. I now live in Bottesford and I like that I don't have to go far to get to a bit of countryside - I usually go down the Beck and up around Ashbyville.

What is the best thing about working at RNS: The best part of the job is working with a variety of different-sized clients who work in different industries and seeing how their businesses work. It means that I'm doing something different each day and there is always something new to learn.



Property



Clients with residential property income will have no doubt heard about the changes in mortgage interest tax relief, introduced in tax year 2017-18.

They saw a 25% interest restriction kick in and this will rise to 50% for tax year 18-19.

Setting aside that, these changes have made the calculation on tax paid on property profits more complex to calculate.

They have also made the commercial investment decision on property ownership more difficult.

It is clear in our discussions with clients and as we see the impact of these changes coming into play, there is never a “one size fits all, right or wrong answer”.

Every client’s personal (and business/employment) circumstances are likely to be different.

If you are concerned about the potential impact upon your tax position as a person with property income then please contact the partner who handles your affairs.

Should I open a “property company”?

A question frequently raised by clients with property and those considering property acquisitions over the past 18 months has been whether they should use a Limited Company to purchase or own residential property.

Again, there is no right or wrong answer to this question and the situation needs to be considered on a case-by-case basis.

Whilst a company can continue to claim full tax relief on any interest and finance costs it incurs, with regards to holding residential property there are several other potential taxation consequences which need to be considered, such as capital gains tax and SDLT.

Undeclared rental income

We continue to see situations whereby individuals have property income that has never been declared in full to HMRC.

We are aware that HMRC has increasingly sophisticated tools and resources at its disposal which will allow them to dig further into this area.

A more favourable outcome in terms of the penalty applied is likely to be achieved by “coming clean” with HMRC rather than them approaching you.

Senior Partner John Heeney has been involved in several such cases over the past year. If you are concerned, or have friends and colleagues concerned about undeclared rental income, please do not hesitate to get in touch with John to discuss the options available as well as potential costs.

Mortgages

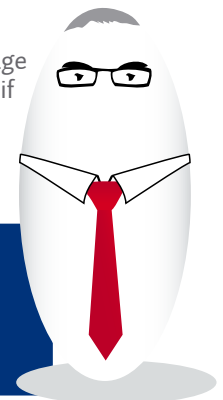
The ability to obtain a mortgage as a self-employed person, or shareholder in a limited company, continues to be a source of frustration for many clients.

Undoubtedly, obtaining a mortgage full stop has become more difficult since the financial crisis of 2008 but even more so for the self-employed.

Very often, even if you own shares in a limited company the mortgage provider will class you as self employed. In our experience, over the past couple of years, it is important your “mortgage position” is discussed with regards to tax planning overall.

It is also worth bearing in mind a lender is typically going to want tax and financial information for the last 3 years, so planning ahead can be important.

At RNS we always try to help with the mortgage process when asked by lenders or brokers, so if a mortgage or re-mortgage is on your horizon make sure you mention this to your RNS partner as soon as possible.



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The cyclists (left to right) were Martin Howard, Phil Mackay, Rob Smith, Ken MacGregor, Dave Robinson, Alex Douglas and Denis Cormican.

Coast to coast

Clients and RNS partners got on their bikes to help mark the RAF's 100th anniversary.

The route of the C2C2C annual charity cycle ride around Lincolnshire was changed this year to take in 14 Bomber Command centres.

Partners Rob Smith and Alex Douglas completed the ride with RNS clients and contacts Martin Howard, Phil Mackay, Dave Robinson, Denis Cormican and Ken MacGregor.

Rob said it had been a memorable day, with each of the riders completing 106 miles.

“Phil and I gave ourselves an additional challenge and rode from Cleethorpes to the start in Lincoln and back which made it 173 miles,” he said.

“It is a well organised event and, instead of going to the coast, took in some of the RAF bases which helped earn Lincolnshire its reputation as Bomber County.

“The weather was boiling hot without a cloud in the sky, making up for the freezing cold rain of the year before!”

Feed stations were located at International Bomber Command Memorial Centre (30 miles) and Walesby Village Hall (85) with a hog roast lunch at Hemingby (63).

All fundraising proceeds were distributed between International Bomber Command Memorial Centre, St Barnabas' Hospice in Lincoln and Skegness charity Cycling without Age.

Making Tax Digital

Taxpayers are being moved to a fully digital tax system by HMRC – and the first to be phased in will be VAT.

The Making Tax Digital (MTD) regime will see new rules on VAT being implemented from April, 2019.

Under the regulations, businesses with taxable turnover above the VAT threshold (currently £85,000) must keep digital records for VAT purposes and provide their VAT return information to HMRC using ‘functional compatible software’.

These new regulations take effect for VAT return periods beginning on or after 1st April.

HMRC has published VAT Notice 700/22: Making Tax Digital for VAT. This Notice defines ‘functional compatible software’ and the transaction-level data that needs to be recorded and retained within it.

The software must connect to HMRC systems via an Application Programming Interface (API) and be capable of:

- *keeping records in digital form as specified by the new rules*
- *preserving digital records in digital form*
- *creating a VAT return from the digital records held in compatible software and submitting this data to HMRC digitally*
- *providing HMRC with VAT data on a voluntary basis*
- *receiving, via the API platform, information from HMRC to ascertain compliance.*

The requirement to keep digital records does not mean that businesses will have to make and store invoices and receipts digitally, however the transactions will need to be stored digitally.

HMRC has stated that the following records will need to be kept digitally:

For each supply you make you must record:

- *The time of supply*
- *The value of the supply*
- *The rate of VAT charged.*

For each supply you receive you must record:

- *The time of supply*
- *The value of the supply including any VAT that is not claimable by you*
- *The amount of input tax that you will claim.*

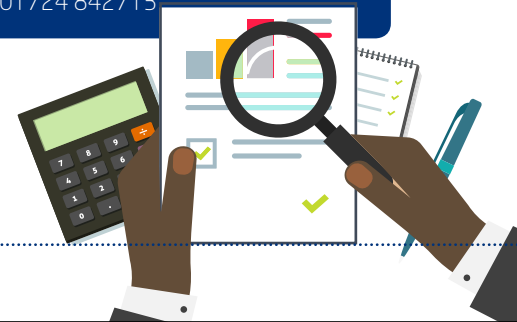
Once all the relevant data for a quarter has been compiled into the software, the business will then feed this data directly into HMRC systems.

The information that will be sent to HMRC will be summary data for the quarter, not all income and expense items.



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Market update

Partner at RNS Independent Financial Advisors Andrew Clayton looks at the financial markets.

Financial markets get influenced by a lot of things. Some are factual; others are sentimental.

It is a mixing pot that can bubble up and simmer down and this is what creates the 'volatility' in stock markets. And we have definitely seen increased volatility in the second half of the year.

Let's have a look at some of the ingredients. Monetary policy has been a big factor. Interest rate rises have been numerous in America and domestically we have also seen a small increase.

Another has been a focus on protectionism with trade wars and new tariffs. Politics is always an influence. When these things bubble up it can cause things to fluctuate. So investments should always be considered as a medium or long term way to save and add value.

If we were to be short termist - buy today to sell tomorrow - there is a risk the ingredients will not have had time to settle and could go off.

Looking at the wider picture there is still a good backdrop for growth. Corporate earnings have been increasing and we would expect that to translate into share price growth and increased dividends.

And in the years since the financial crisis, many businesses have focussed on strengthening their reserves and financial discipline so as not to be caught out again. We do not see another recession or crash.

Technological innovation continues apace and creates lots of new investment opportunities. So, while there are evidently risks, the fundamental backdrop still feels quite robust and we think that a diversified portfolio of actively-managed investment funds will generate profits.

We cannot ignore Brexit in our review. We believe one of the main risks of a poor deal would be to the value of the pound. In our day-to-day lives a decline in the pound would be most visible when we travel abroad, with higher holiday prices, and perhaps in the cost of imported goods.

But we have to bear in mind that for our investments the impact is less pronounced.

Even UK-based businesses derive a lot of their revenue from abroad so a weaker pound increases profits from overseas. And we continue to believe in internationally-diversified portfolios that hold shares from around the world.

This smooths out some of the currency volatility and gives access to a much broader range of quality companies in which to invest.

So, whilst Brexit continues to feature, it is just one of many factors that will govern the performance of our investments. We would be pleased to discuss any aspect of your investments over the telephone or in the office.

Please remember the value of investments can always go down as well as up. Before making any investments, we recommend you consult your adviser who will consider suitability and discuss the specific risks and benefits with you.

This article represents our current opinion and is subject to change.

Tax return deadline

A reminder that online tax returns for the year ending 5th April this year must be submitted by 31st January, 2019. If you require advice or support filling out a self-assessment form, please do not hesitate to contact your partner at RNS, call (01724) 842713 or email action@rnsca.co.uk



Younger members of staff at the Institute of Chartered Accountants' annual student dinner.

Huge congratulations to...

Sharon Clarke, Mike Llewellyn and Anita Blaney who each celebrate 40 years with the firm.

Senior partner John Heeney said: "On behalf of all the partners, I'd like to thank Sharon, Mike and Anita for their loyalty and commitment over the years."

To put their achievements into perspective, 40 years ago Jimmy Carter was President of the United States; the highest grossing film at the box office was Grease; the Bee Gees' Stayin' Alive was the biggest chart topper around the world; and a pint of beer would set you back 39p.



Staff news

New Recruits

Two new faces from Scunthorpe have joined the RNS team.

Georgia Bradley works in business administration and reception while Sam Neal is a trainee accountant.

Scunthorpe-born, he is a former student at St Bede's School and John Leggott College.

He will attend college at Kaplan to support his learning at RNS.

Sam, who joined in August, said: "The best part about my job so far has definitely been the satisfaction and proudness I've felt by gaining more independence in doing my job and completing the work to the best of my ability."

Outside of work, he enjoys playing football on Monday nights and watching films and TV.

Georgia went to Brumby School and North Lindsey College, completing a level 3 extended diploma in health and social care before joining RNS in May.

She says the best part of the job is working with a supportive team and meeting new people through work.

Georgia enjoys spending time with friends and family, trying out new experiences and travelling.

Receptionist Izzy Baddeley is also celebrating being offered a permanent role at RNS after passing her exams.

She was previously on an apprenticeship studying towards her NVQ.

The former Frederick Gough School student also works in business administration and reception.

She says the best part of the job is being able to work with an amazing team and she enjoys dealing with all the clients.

Outside of work, she enjoys spending time with friends and family and going on holiday.

We have also welcomed back Leann Holborn and Lindsay Brown after maternity leave.



New recruits Georgia and Sam.



Izzy joins the firm on a permanent basis.

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Income tax rates and bands 2018/19

	£ per year
Basic rate - 20% ¹	0 - 34,500
Higher rate - 40%	34,501-150,000
Additional rate - 45%	Over 150,000

¹ 1 There is a 0% starting rate for savings income only. The starting rate limit is £5,000 for 2018/19. If an individual's taxable non-savings income exceeds the starting rate limit, then the 10% rate for savings is not available. The tax rates for dividends are 7.5% basic rate, 32.5% higher rate and 38.1% additional rate.

Income tax allowances 2018/19

	£ per year
Personal allowance	11,850
Income limit for personal allowance	100,000
Dividend allowance	2,000
Marriage allowance	1,190

National insurance rates 2018/19

Lower earnings limit	£116 a week
Primary threshold	£162 a week
Secondary threshold	£162 a week
Upper earnings limit	£892 a week
Employees rate on earnings between £162 & £892 per week	12%
Employees rate on earnings over £892 per week	2%
Employers' rate on earnings above £162 per week	13.80%
Upper profits limit	£46,350 a year
Lower profits limit	£8,424
Class 4 self-employed rate on profits between £8424 and £46,350	9%
Class 4 self-employed rate on profits over £46,350	2%
Class 2 self-employed national insurance	£2.95 per week

We help and advise businesses every day. Give us a call for a completely free, no obligation meeting.



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