



Issue 59. July 2017

## TEAM NEWS

Delighted to announce that Laura in reception is due to have her baby in July.



She will be on maternity leave for nine months starting at the end of June. We send her all our best wishes over the next few months and look forward to her return.



**Our Carnoustie Office Manager Ian Barr has almost reached the ripe old age of 60.**

Many happy returns when it arrives on 14th July.

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## TAX-FREE CHILDCARE ROLLED OUT



**Elaine Irons**  
Payroll  
Bureau  
Supervisor

**Tax-Free Childcare, the new government scheme to help working parents with the cost of childcare, launched on 28 April 2017.**

For every £8 a parent pays in, the government will pay in an extra £2. Parents can receive up to £2,000 per child, per year, towards their childcare costs making a total amount of £10,000. Higher limits of £4,000 and £20,000 apply for disabled children.

To qualify for Tax-Free Childcare all parents in the household must generally meet a minimum income level, based on working 16 hours a week (on average £120 a week) and each earn less than £100,000 a year.

The scheme will be available for children up to the age of 12, or 17 for children with disabilities. All eligible parents will be able to join the scheme by the end of 2017. Parents will be able to apply for all their children at the same time although the government rollout will start with the youngest children first. Parents will need to open an online account, which they can use to pay for childcare from a registered provider.



For those employers who currently offer Employer Supported Childcare, usually in the form of childcare vouchers, these schemes can remain open to new entrants until April 2018. Existing members will have the option to remain in their existing scheme or change over to Tax-Free Childcare as their child becomes eligible.

A calculator is available on GOV.UK so that parents can check their eligibility for the new scheme and other government provided childcare available.

**If you have any queries on this please do not hesitate to contact:**

Elaine Irons by telephone on 01382 224221  
or by e-mail at [eirons@walkerdunnett.co.uk](mailto:eirons@walkerdunnett.co.uk)

## GO FIGURE...

61  
YEARS  
OLD

is the average age  
of BBC 1 viewers.

8  
PERCENT

of children are  
eating their 5  
per day of fruits  
and vegetables.

6,289  
ISLANDS

belong to  
Great Britain.

You might think  
Britain is horribly  
wet but it isn't,  
it's right in the  
happy middle, as  
with most things.

Norway,  
Thailand  
and  
Jamaica

all have more rain.

# MAKING TAX DIGITAL



Danie Van Niekerk  
Partner

**Since my last article on Making Tax Digital (MTD) nothing significant has changed.**

MTD is a government initiative to close the tax gap between money they receive and money they believe should be received. The tax gap of £36b per year is made up of:

Large business	£9.5bn
Criminals	£4.8bn
SME's	£18.3bn
Individuals	£3.4bn

It is the last 2 (which are 60% of the tax gap) that MTD is set to tackle. HMRC constantly suggest that sending accounts on a quarterly basis will decrease errors and, therefore, increase tax take. I actually believe that preparing quarterly information will actually reduce “expenses” errors (such as asking for documents 12 plus months after the event by which time the documents have been lost, the taxpayer cannot remember, etc.) and decrease tax revenue.

Because of Brexit and the general election, MTD has not made any highlight in the news. This is my personal opinion when I say the implementation dates are unrealistic and I am very sure they will change, but for the time being the rules state the following:

- Sole traders and smaller partnerships with turnover over the VAT limit will need to provide quarterly accounting information from 1 April 2018\*. Then they have 10 months or until the following January (whichever is first) to make a final year declaration to calculate the taxable profit/loss.
- Sole traders and partnerships with turnover under the VAT limit (and landlords with rental income over £10,000) will need to provide quarterly accounting from 1 April 2019\*. Then have 10 months or until the next January (whichever is first) to make a final year declaration to calculate the taxable profit/loss.
- Quarterly reporting for VAT will start from April 2019 and for Companies from April 2020\*.

*\* The rules state that you will start reporting from the first date of a new tax year beginning after the above dates. A sole trader that has turnover of £200,000 and a June year-end will have to start sending digital quarterly reports to HMRC from 1 July 2018.*

We will look into the rules as they evolve over the next year or so and potentially change some people’s year-ends from 5 April to 31 March to defer the implementation of MTD for business.

We also need to make sure that VAT registered businesses have coterminous VAT periods and year-ends as this could mean that 9 of these returns will be necessary. If you are a sole trader and a landlord it is highly likely (as the rules stand at present) that 10 of these returns will need to be made for a specific tax year.

In the past year HMRC also mentioned that free software will be available for businesses to use. It now transpires that this will not be the case. Spreadsheets are an allowable digital format, but everyone believes that an add-on of some sort will be required to send the information to HMRC. This again means extra cost for the taxpayer. This may be a time to consider accounting programs, such as the online versions mentioned in the newsletter. We are constantly thinking of the best way for clients to comply with their reporting requirements and this will not stop going forward.

Using digital information that is already on the net, such as bank transactions will help businesses reduce time and/or cost and I am personally driving the use of this digital information forward.

There are a lot of unanswered questions before the implementation. I have been at various accounting and tax conferences and seminars in recent time and the 2 things I have taken from this is that MTD is not going to go away and that we are still waiting for a lot of information to understand how all this will work.

**If you have any queries on this please do not hesitate to contact:**

Danie van Niekerk by phone on 01382 224221  
or by e-mail at [dvn@walkerdunnett.co.uk](mailto:dvn@walkerdunnett.co.uk)

## SCOTTISH RATE OF INCOME TAX



Isla Walker  
Tax Adviser

**Since April 2016 HMRC should have issued an ‘S’ prefix to the tax code for all employees who live in Scotland.**

This means a proportion of the tax you pay is paid to the Scottish Government. As the Income Tax rate in Scotland from April 2017 differs from that applied to the rest of the UK, it is vital to ensure all employees living in Scotland have the ‘S’ prefix against their tax code, in order to ensure the correct tax code is applied for the tax year.

HMRC have confirmed the onus is on the employee to ensure their current address details are correct with them. HMRC will not accept the address details from your employer, but employers should advise employees to contact HMRC if the ‘S’ prefix is not present, although the employee lives in Scotland.

**If you live in Scotland and your tax code does not show the ‘S’ prefix, please contact:**

HMRC on 0300-200 3300 to update or confirm your address details with them.

**Please refer to the following link for further details in relation to the current earnings bands and tax rates:**

[www.gov.uk/scottish-rate-income-tax](http://www.gov.uk/scottish-rate-income-tax)

**If you have any queries on this please contact:**

Isla Walker by telephone on 01382 224221  
or by e-mail at [iwalker@walkerdunnett.co.uk](mailto:iwalker@walkerdunnett.co.uk)

# WHICH BUSINESS ACCOUNTING SOFTWARE IS RIGHT FOR YOU?

**Choosing an accounting software doesn’t have to be complicated. Here are three questions to focus on when selecting one for your business:**

1. How much are you willing to pay?
2. Why do you need accounting software?
3. Which features does your business require in an accounting software program?

To help you answer these questions, here is a guide on how to choose the right accounting software for your business.

**How much are you willing to pay?**

Paid packages range anywhere from less than £10 per month to roughly £50 per month. Generally the more features, the greater the cost.

**Why do you need accounting software?**

With HMRC’s “Making Tax Digital” agenda being pushed, the need for some form of electronic accounting is a becoming a “must have” for most businesses. Here are some factors to consider:

- **You’re just starting out**  
“Begin with the end in mind.” It is easier to use software from the start than to move onto something new further down the line.
- **Your business is growing**  
Automating processes will save your business a lot of time and allow you to manage the growth more effectively.
- **You want immediate, on-demand access**  
You can not only manage the numbers but also all types of details about clients and suppliers to help run the business more effectively.
- **You want to streamline your operations**  
Accounting software can integrate all parts of your business and automatically input data from other systems. You can also link your bank accounts and credit cards to automatically track expenses and update your accounts.
- **Your current system is too complicated**  
Keep it simple. Most people only use 10% of the accounting software.

**Which features does your small business need in an accounting software?**

Accounting software offers an array of technical functions and capabilities to help you manage your finances. However, most business owners are looking for something that is easy to use and saves time.

Here are some of the features accounting software should offer to help you save time and better manage your finances:

- **Basic accounting tasks**  
Most businesses can make do with accounting software that offers basic functions like invoicing (both by email and snail mail), income and expense tracking, financial reports and management of who is due you money and who you are due money to.
- **Automation**  
Things like automatic billing, recurring payments, past-due notifications and other automated processes save you time.
- **Quote and estimate creation**  
You can customise pre-made templates to create quotes and estimates for clients, then automatically convert them into invoices.
- **Multiuser access**  
Most accounting software products give access to multiple users (e.g., you and your accountant), so you don’t have to do everything on your own.
- **Mobile access**  
Use your accounting software anytime, anywhere on your mobile phone or tablet. This is particularly useful for business owners who are always on the go and you can even bill while out on site.
- **Third-party integration**  
Accounting software can make it easier to run your business by integrating and automatically inputting real-time data from apps and tools you use the most. This includes tills, stock systems, e-commerce, credit card processing and customer relationship management tools.



**Choosing the right accounting software**

At Walker Dunnett & Co, we have a range of experience with most accounting packages. We are Sage resellers and are accredited with both Xero and FreeAgent cloud software.

Please talk to your usual contact at Walker Dunnett & Co if you have any questions about upgrading your accounting software. We would be delighted to help.

# THE NEW INHERITANCE TAX RULES



**Under the new inheritance tax rules, far more estates will pass free of inheritance tax post 5 April 2017. By 5 April 2021, some estates worth £1 million will pass free of inheritance tax.**

This is the good news but is far from being the whole picture. In fact

for many, and in particular the childless, the inheritance tax bill will in fact (with the effect of inflation) be higher post 5 April 2017.

## The good news

First, the good news, for those wishing to pass the value of the family home onto their children or grandchildren. For deaths from 6 April 2017, an additional inheritance tax free residence nil rate band will be available. This will begin at £100,000 in the tax year 2017/18 and will increase by £25,000 each tax year, reaching £175,000 by 2021. This residence nil rate band is available where the deceased leaves a property (or the proceeds of sale of a property),

in which they have lived at some point, to their direct descendants (children and their issue).

The residence nil rate band is available on top of the existing inheritance tax nil rate band of £325,000, so that in 2020/21 an individual will potentially be able to leave £500,000 free of inheritance tax. As is now the case with the standard nil rate band, where the first of a married couple to die leaves their estate to their spouse, the inheritance nil rate band can effectively be "passed on" to the surviving spouse. The estate of the spouse who is second to die will therefore potentially have two nil rate bands (£325,000 x 2 = £650,000), plus two residence nil rate band's (£175,000 x 2 = £350,000).

For those with a conventional family, and a modest home and savings (and subject to the rate of house price increases in the coming years) it is therefore likely that no inheritance tax will be payable on their estate.

## No disincentive to downsize

As expected, the rules will be designed to ensure that the elderly are not encouraged to retain family homes they would otherwise have sold. Where the deceased has downsized or sold up, it will still be possible to pass on the proceeds of the family

home. The rules provide only that the deceased must have lived in the property in question at some point, and that assets of an equivalent value are passed on to direct descendants.

## Freeze of the basic nil rate band

Many conventional families will clearly benefit from the additional residence nil rate band. However, the small print in fact spells bad news for some estates.

The nil rate band of £325,000 is now frozen until at least April 2021. This means that for the unmarried, and for those who leave no children or grandchildren, the inheritance tax free band will continue to be eroded by inflation. A single person owning property in London, for example, is highly likely to leave an estate subject to inheritance tax. The number of single and childless persons of even modest means who will fall within the inheritance tax bracket will inevitably continue to increase. The inheritance tax changes are not therefore in reality good news for all.

## If you have any queries on this please do not hesitate to contact:

Ian Barr by phone on 01241 855688 or by e-mail at [ibarr@walkerdunnnett.co.uk](mailto:ibarr@walkerdunnnett.co.uk)



## MEET THE TEAM

### Elaine Irons — Payroll Supervisor

### YOU MAY NOT KNOW THIS

I have a Masters Degree in Business Admin (MBA), which was achieved at night classes while working full-time! I was never very academic at school so it was quite an achievement for me!

### MY FAVOURITE FOOD

Apparently carbs – effectively everything I am not allowed on my Atkins diet at the moment (bread, rice, pasta, potatoes, wine, beer...Oxygen!)

### MY FAVOURITE DAY OUT

Socialising generally with family and/or friends. With or without alcohol!

### MY LAST HOLIDAY

Other than a couple of weekends away, Tenerife last November. I went with my pals from school or just after school. It is effectively the first time all eight of us have been on holiday together. I have known them all forever and we had a fabulous time.

### FAVOURITE HOLIDAY DESTINATION

I really like nice views and lovely scenery. There are some lovely places to go and see in Scotland, but the weather is just so unpredictable! So, I would have to say Italy, the scenery along the Amalfi coast is just stunning and the sun is more likely to shine!

### MY FAVOURITE BAND

I have a really eclectic taste in music, but I am more likely to listen to indie type music. Really gutted that Depeche Mode have just announced additional UK dates for when I will be in Tenerife in November!

### PET HATE

I am really, seriously not political – but...I really hate the way egotistical, self-focused politicians are treating our nation at the moment! Sorry – Hung Parliament has just been announced, so the future of our nation seems even more uncertain at the moment.

## CONTACT US

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