over 40 years in business

Walker Dunnett & Co

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TEAM NEWS

Two of our team members had big birthdays recently.

Susan from our Dundee Office was sixty and Irene from the Carnoustie Office celebrated her sixty fifth birthday. Congratulations to them both.

Susan McFarlane

Irene Lucas

INSIDE THIS ISSUE:

MINIMUM WAGE

Elaine Irons
Payroll Bureau Supervisor

The National Minimum Hourly Wage Rate increases on 1 April 2017.

£7.50 – National Living Wage, for those aged **25** and over.

£7.05 – Main rate, for workers aged **21-24** years old.

£5.60 – Age **18-20** rate, for workers over 18 and up until their 21st birthday.

£4.05 – Rate for workers aged **16-17**, i.e. workers above school leaving age but under age 18.

£3.50 – Apprentice rate, for apprentices under 19, or 19 and over and in the first year of their apprenticeship.

Please refer to the following link for further details:
www.gov.uk/national-minimum-wage-rates

STATE PENSION AGE

There have been a number of changes to state pension in recent years, one major change being the age at which you qualify for your state pension benefits.

The following link allows you to calculate when you will be eligible to claim your state pension:
www.gov.uk/state-pension-age

If an employee intends to work beyond their state pension age, they must provide their employer with either of the following supporting documents in order for National Insurance contributions to cease. This should be forwarded to Walker Dunnett if we process your payroll:

- Birth Certificate
- Passport
- Letter from HMRC to confirm employee has reached state pension age and no longer needs to pay National Insurance.

The following link provides further details:
www.gov.uk/tax-national-insurance-after-state-pension-age/stopping-paying-national-insurance

If an employee has continued to pay National Insurance contributions beyond their state pension age the following link provides further details on claiming a refund: *www.gov.uk/claim-national-insurance-refund*

If you have any queries on the above articles please contact:
Elaine Irons by telephone on 01382 224221
or by e-mail at eirons@walkerdunnett.co.uk

GO FIGURE...

13 MILLION workers across Britain are heading for a shortfall in the pensions they receive. The Pensions and Lifetime Savings Association say the minimum rate paid into workplace pensions needs to be 12%.

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18,430 ANIMALS were recently counted in a stocktake by London zoo.

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1 HR 9 MINS is the average time UK people spend on their phone in a day.

This compares with 4hrs and 42 mins for the Americans.

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85 TIMES per day, Brits check their phone.

MAKING TAX DIGITAL

Danie Van Niekerk
Partner

The government announced its vision for modernising the tax system in the March 2015 budget. In short every individual and business will have their own tax accounts and all information sent to HMRC will be collated and accessible in one place. This will then eventually cause the "death of the tax return", even though headlines at the time and reality are rarely the same. In relation to the vision, the biggest difference we can see will be for smaller businesses under the VAT threshold, businesses that keep records manually and those businesses that are registered for flat rate VAT and only do the bookkeeping relating to their sales figure in any given quarter.

Since the announcement there has been various discussion papers from HMRC and 3rd parties, including from our regulator ICAS, and below is a summary of where these discussions are.

Over the summer of 2016 HMRC published six consultation documents on Making Tax Digital. The six consultations set out detailed plans on how HMRC propose to fundamentally change the method by which taxpayers, particularly the self-employed and landlords, send information to HMRC.

Two key changes were proposed at the time

- From April 2018, self-employed taxpayers and landlords will be required to keep their business records digitally and submit information to HMRC on a quarterly basis and submit an End of Year declaration within nine months of the end of an accounting period (accounting periods are typically 12 months long). There was no mention about what this digitalisation should look like or whether simple spreadsheets would suffice.
- HMRC will make better use of the information which they currently receive from third parties and will also require more up to date information from some third parties, such as details of bank interest. Employees and employers will see the updating of PAYE codes more regularly as HMRC use the data received from the third parties.

HMRC received over 3,000 responses to their consultations.

The government published their responses to the six consultations on making tax digital (MTD) on 31 January 2017 (arguably the busiest day in accounting practices).

In response to the consultations the government have decided the following

- Businesses will be able to continue to use spreadsheets for record keeping, but they must ensure that their spreadsheet meets the necessary requirements of Making Tax Digital for Business (MTDfB). This is likely to involve combining the spreadsheet with software.
- Businesses eligible for three line accounts will be able to submit a quarterly update with only three lines of data (income, expenses and profit).
- Free software will be available to businesses with the most straightforward affairs.
- The requirement to keep digital records does not mean that you have to make and store invoices and receipts digitally.
- Activity at the end of the year must be concluded and sent either by ten months after the last day of the period of account or 31 January, whichever of these is soonest.
- Charities (but not their trading subsidiaries) will not need to keep digital records.
- For partnerships with a turnover above £10 million, MTDfB is deferred until 2020 due to the complexity of their tax affairs.

The MTD consultations also specifically explored the appropriate level of the initial exemption and deferral for the self-employed, landlords and businesses. Given the range of views expressed on this matter from respondents to the consultation, the government has decided to take more time to consider these issues alongside the fiscal impacts. Final decisions will be made before the law is finalised later this year.

In addition, HMRC will begin piloting digital record keeping and quarterly updates for a full year from April 2017, building up to working with hundreds of thousands of businesses and landlords before rolling the services out more widely. The stated aim of this pilot is to ensure the software is user-friendly and give individuals and businesses time to prepare and adapt.

On 8 March 2017 Chancellor Philip Hammond announced in his budget that unincorporated businesses that have an annual turnover below the VAT registration threshold will have until April 2019 to prepare before MTD becomes mandatory.

Summary

We believe some of the initiatives are a good step forward. Preparing a tax return for someone where HMRC already have all the information seems strange to me (one tax return I had to prepare, as HMRC insisted, was resolved by phoning HMRC to ask what information they had, putting it in a tax return and sending it back to them).

At present Making Tax Digital, and especially the MTDfB section, is not going away and all business owners will need to be aware of the changes in the rules. We believe that this will not really impact businesses that use appropriate software to prepare their VAT returns, but those businesses that are not VAT registered and people working from manual records will require to change.

At present the rules will come into force for some self-employed people from April 2018 and for companies in 2020. We will keep our clients informed about any changes to the proposals going forward.

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

DOES YOUR BUSINESS NEED KEY MAN INSURANCE?

Ian Barr
Financial Services Manager

In 2012, entrepreneur Sue Rizzello found herself blindsided by a diagnosis of ovarian cancer, a disease for which symptoms are often overlooked.

Rizzello survived and entered remission in January 2013, but lamented the harm her illness caused to her PR Company, Potion. Although she had taken little time off and worked from her hospital bed, the side-effects of chemotherapy made work and keeping up with clients difficult.

"I became ill remarkably fast and it pulled the rug from under the business," she says. "I had no key man insurance [life insurance on the key person in a business], no senior person in the firm who could step up, so when I entered chemotherapy I had to effectively virtualise the company, losing the offices and moving everyone to freelance.

"My accountant had been warning me for years that I ought to have Key Man Insurance in place but the problem is we tend to think we are immortal."

Rizzello, who has since dissolved Potion and set up a new business called Remedy Services, has learned several lessons from the loss of her first business. "Now I have better plans in place for, 'What if'," she says. These include keeping outgoings as low as possible and making sure large bills don't arrive at inconvenient times. Rizzello only invests in short-term software deals and has negotiated a fixed monthly price for business accounting. When she needs extra staff, she uses freelancers.

She adds: "I save money in advance for any foreseeable business expense, including VAT and PAYE costs, so I reduce the risks if a bad month or quarter comes. I can't effectively mitigate against the possibility of a longer term illness any more, I'm not yet very insurable as I haven't survived five years yet. But I'm trying to make sure my domestic finances stay in decent shape, just in case."

For anyone facing a serious illness, work takes a back seat. But for small business owners, it's not so simple.

Of the 5.5m private businesses in the UK in 2016, 4.2m (76%) didn't employ anyone aside from the owner. So what happens when the owner or a key member of staff has to take leave?

Research from Legal & General in 2015 revealed that 40% of small businesses would cease trading within a year of losing a key employee or owner. Despite that, 60% didn't have any protection in place.

If you are self-employed, you may be entitled to support from the government to top up your income in difficult times. If you're working for yourself full time but your income falls, you may qualify for working tax credits. Or, if you already claim these, they could increase.

If you find yourself unable to work because of illness, injury or disability, while you may not be able to get sick pay, you might be entitled to benefits to supplement or replace your earnings, such as employment and support allowance, or personal independence payment. And other benefits exist to help with mortgage interest or council tax if you experience a sudden drop in income.

Financial products, such as key man insurance, are available to protect your business from being crippled by the loss of key staff.

Five ways to prepare for personal adversity:

1. Plan for the worst. When planning a new business, think through every eventuality, even those to do with your health or family problems.
2. Employ the right people and don't be scared to delegate. Share knowledge and responsibility.
3. Protect yourself – insurance will be a lifeline if you have to take time out.
4. Don't over-commit – look at hiring freelancers or working virtually if you can't guarantee stable income.
5. Communicate and ask for help – you might not want to admit defeat, but communicating with staff, customers and suppliers in times of difficulty could provide essential leeway.

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@walkerdunnett.co.uk

SCOTTISH BUDGET

On 15 December, Finance Secretary Derek Mackay delivered the 2017/18 Scottish Draft Budget setting out the Scottish Government's financial and tax plans.

Scottish Rate of Income Tax

On 6 April 2016, a fundamental change was made to the taxation system for Scottish resident individuals. The main UK rates of income tax were reduced by 10p for Scottish taxpayers and in its place the Scottish Rate of Income Tax (SRIT) was applied equally to all Scottish taxpayers. As the SRIT was set at 10p, the overall income tax rates are currently the same as in the rest of the UK.

Tax bands 2017/18

For 2017/18, the Scottish Government is proposing to freeze the Scottish basic rate of income tax at 20% and also to freeze the Scottish higher and Scottish additional rates at 40% and 45% respectively. In addition, the higher rate income tax threshold is frozen at £43,000 in 2017/18.

The Scottish Government has therefore not followed the UK Government's plans to extend the threshold for paying the higher rate level of income tax of 40% from £43,000 to £45,000 for 2017/18. This means that a Scottish higher rate taxpayer will pay £400 more tax in 2017/18 than a UK higher rate taxpayer.

HMRC'S SNOOPER COMPUTER

HMRC's "snooper computer" is unleashed.

HM Revenue & Customs has spent years and reportedly £100m or more on a super-computer designed to identify those who may have paid too little tax. The 'Connect' computer system created by HM Revenue & Customs to assist in identifying people who are paying less tax than is due is being used for the first time in the current tax year.

Instead of relying solely on information provided by taxpayers through their tax returns, the Connect computer system draws from many government sources, financial institutions and banks to produce a broader picture of taxpayers' financial affairs.

So what can HMRC find out about you from this computer?

- Anonymised information from Visa and MasterCard transactions on all payments.
- Searching Land Registry records to determine properties purchased, and stamp duty paid.
- Checking DVLA records for details of cars purchased and owned by individuals.
- UK and overseas bank accounts: Since last year it receives information from banks in more than 60 countries.

The system is supposed to be able to cross check internal tax documents to show council tax paid, relevant VAT registration, previous tax investigations as well as last year's tax return (or absence of one).

It can bring all employment income from any employer, including those you have worked for casually, or on an ad-hoc basis together. This includes any company benefits received. It can also access child benefit and maintenance payments through the child support agency.

Online marketplaces: websites such as eBay and Gumtree can be accessed to weed out regular traders.

The Connect system can also look at public social media account information, including from Twitter, Facebook and Instagram as well as apps like Airbnb.

Under the 'Snoopers Charter' HMRC will be able to access individual's digital information potentially from web browsing and email records.

Discrepancies between the resulting figures and what has been declared will be investigated, and 10,000 letters have already been sent to taxpayers in relation to the tax year 2014/15.

HMRC will be able to get more and more information about individuals and will be able to bring a lot of legacy systems together to use within their increased tax compliance plans. Time will tell if these measures work as intended.

If you do receive a letter from HMRC regarding earlier year potential undeclared income, please forward the letter to us and we can deal with the correspondence with HMRC.

If you have any queries on this please do not hesitate to contact:
Danie van Niekerk at dvn@walkerdunnett.co.uk or your usual contact at Walker Dunnett & Co.

MEET THE TEAM

Irene Lucas

YOU MAY NOT KNOW THIS
I joined the WRAF at 17 to see the world and saw some of it in Cyprus, Gibraltar and Germany.

PEOPLE WHO INFLUENCED ME
My mum who was my best friend, a great listener and we shared lots of interests together. Also my granddad, as his first of 12 grandchildren. He gave me my first job in his greengrocer's shop aged 14 where I learned to be courteous to the public and count cash.

MY FAVOURITE FOOD
I like simple home cooked food but love dining out and trying new restaurants with my partner Roger. I could not live without fruit and usually manage 5 a day.

MY GREATEST WEAKNESS
My two granddaughters Lola and Myla and treasure the fun time I spend with them.

MY LAST HOLIDAY
Bardolino on Lake Garda which included wine and olive oil tasting, great food, a trip to Venice and great leather handbags shopping.

MY FAVOURITE DAY OUT
Going to St Andrews with Roger and enjoying retail therapy, a nice lunch and then a film at the New Picture House which opened in 1931.

IF I COULD PASS A LAW
I would make every child do 'tattie and berry picking' as I believe it instils discipline and builds character.

MY FAVOURITE ENTERTAINMENT
I like a gritty TV drama series or a DVD from my vast collection. Cinema is a favourite as well and amateur and professional stage shows with a few planned this year.

IF I COULD CHANGE ANYTHING ABOUT MYSELF
I would learn how to tell a story without deviating – my work colleagues would agree. I would also get more exercise and have recently joined an aqua-combat class.

MY DESERT ISLAND DISC
I love 'Stranger on the Shore' by Acker Bilk – heard it as a teenager and although I like lots of kinds of music, it touched me. Acker played it for me at Sessions in Dundee many years ago and will be my 'swan song'.

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