

Newsletter

Bulley Davey welcomes new agricultural specialist

Bulley Davey has grown its agricultural offering with the appointment of Wayne Glenton to Agricultural Director.

Wayne brings over a decade of experience to the firm, with strong experience in the agricultural field, including five years at Forrester Boyd – a leader in the sector.

The appointment of Wayne is part of Bulley Davey's move to expand their agricultural offering, currently led by John Cheney. John has continued to support the agricultural team by providing consultancy services following his recent retirement.

Wayne has always specialised in preparing accounts for the agricultural sector (including equine) and understands what underpins the farm's performance. He is a strong advocate for embracing new technology to improve efficiency, and this does of course apply to the agricultural sector just as much as any other, both in the farm processes and in the financial reporting function.

Wayne spoke about joining Bulley Davey: "I'm really happy to be joining Bulley Davey; I saw a great opportunity here, with the prospect to grow within a company that values its clients and delivers high-quality work, and with a client base that I can offer my expertise to.



Agriculture is important in the area and I hope that over the coming years we can continue to build on what we offer and establish ourselves even further in the sector."

Bulley Davey announces two new Directors

Keir Warwick and Chris McKenna



We are delighted to announce the appointments of Chris McKenna (Holbeach) and Keir Warwick (Peterborough) as Directors of the firm effective from 1st September 2017.

Chris joined Bulley Davey as a trainee accountant at our Spalding office in 2007 and qualified as a Chartered Accountant in July 2011. He was

appointed as a manager in July 2012 and was moved to oversee the firm's Holbeach office.

Chris' role encompasses a range of traditional accountancy disciplines, including assisting owner managed businesses on a day to day basis with their growth and development, and managing the Holbeach team. Chris has a special interest in providing bespoke management information to companies and in Research and Development tax credits.

Keir joined Bulley Davey in 2008, having qualified as a Chartered Accountant in 2007, he is based in the Peterborough office and also oversees the Stamford office.

Keir is a forward thinking pro-active accountant who helps business owners implement systems to ensure that timely and accurate management information can be produced using either Xero or Quickbooks. Keir's expertise lies in analysing this information and making appropriate informed recommendations.

Keir advises on accounting and taxation matters for a portfolio of clients including sole traders, partnerships and small to medium owner managed companies.

Both Chris and Keir have a genuine enthusiasm and have built up a strong technical knowledge for assisting clients with their goals, as well as developing a strong team culture within their offices.

Exam Success

Congratulations go to James Boughen, of our Wisbech office, and Ben Higgins, of our Peterborough office, on passing their final exams to become affiliates of the Association of Chartered Certified Accounts.



Using the Lifetime ISA to buy a first home

Lifetime ISAs could be opened by individuals from April 2017 but it is only now that a reasonable number of providers exist. Are they the right thing for you, or if not you, your children?

Adults under the age of 40 are able to open an account and contribute up to £4,000 per year and receive a 25% bonus from the government after the end of each tax year. If £4,000 is invested, the investment limit for the other types of ISAs falls to £16,000. Funds, including the government bonus, can be used to buy a first home up to £450,000 at any time from 12 months after the first subscription, or can be withdrawn from age 60 completely tax-free. In this article we are considering the first use – as an investment vehicle to fund the purchase of a first home. Is the use of a Lifetime ISA better than the Help to Buy ISA?

Help to Buy ISAs started in 2015. The scheme provides a government bonus to each person who has saved into a Help to Buy ISA at the point the purchase of their first home is completed. The maximum bonus is £3,000 on £12,000 of savings but the maximum that can be invested in the first year is £3,400 (£1,200 in month one followed by 11 monthly payments of £200). You need to have at least £1,600 saved to get the bonus. The bonus is available on homes worth up to £250,000, or £450,000 in London. As the Help to Buy ISA is a type of cash ISA the rule that an individual can only open one cash ISA each tax year comes into play. Some providers will bundle a Help to Buy ISA and a cash ISA together in the same wrapper to get around this issue.

You can have both a Help to Buy and Lifetime ISA at the same time but you will only be able to use the bonus from one of the accounts to purchase your first home.

In a straight comparison of the bonuses the Lifetime ISA provides more, particularly if the timescale for the purchase of a home is some way off. The bonuses each year are higher and are received after the end of each tax year and so can boost investment returns.

Off-plan purchases and Principal Private Residence exemption

An interesting tax case was heard before a First-tier Tribunal this year and has resulted in a victory for the taxpayer. The case is good news for individuals who have bought or who are making off-plan property purchases. Buying off-plan property means purchasing property – typically an apartment – in advance of its completion and has become much more common in the UK in recent years.

If this property is a residence of an individual for all their 'period of ownership' the UK tax regime provides an important relief from a capital gains tax charge. This is known as Principal Private Residence relief (PPR). Partial relief is available if the property is a residence for part of the period. The intriguing question that has been answered by this tax case is - what is the 'period of ownership'? In HMRC's view, their interpretation of tax law resulted in a capital gains tax (CGT) charge of over £61,000. Mr Higgins thought no charge was more appropriate.



Why the difference of opinion?

The case turned on the interpretation of two specific but important provisions in the legislation:

- S28 TCGA 1992 – which stipulates that a person is deemed to have acquired or disposed of an asset when a contract is made and not, if different, the time at which the asset is conveyed.
- S222 TCGA 1992 – which provides that PPR is available if the property has been the main residence of the individual throughout the 'period of ownership'. Partial relief is given if the property has been the main residence for part of the period.

Often there is little difference between the date of the contract (ie there is a binding agreement to buy) and completion of the contract (ie when a person can move into the property). In Mr Higgin's case however, he entered into the contract for the purchase of an apartment in October 2006. Construction did not start on the apartment until 2009, and it was finished in December 2009. The credit crunch in 2007 had held up the developer somewhat. Mr Higgins paid the balance due on completion and moved in on 5 January 2010.

Two years later, Mr Higgins sold the property at a healthy profit.

S28 TCGA is a very useful provision in CGT planning particularly in allowing a taxpayer to decide whether a disposal is made in one tax year rather than another. But HMRC argued the section worked against the taxpayer in this case. They argued that s28 meant that Mr Higgins owned the property from 2006 to 2011. This was his 'period of ownership' for the capital gain and therefore only 2/6ths of the gain was eligible for PPR. Mr Higgins argued that for the purposes of PPR his period of ownership began when he had the right to occupy the property and so the property was his main residence throughout the 'period of ownership'.

The Tribunal agreed with Mr Higgins. The 'period of ownership' is not defined in legislation and should be given its ordinary meaning. A period of ownership of a dwelling house will ordinarily be said to begin on the date the purchase of the dwelling house has been physically and legally completed and the purchaser has the right to occupy.

Making Tax Digital for Business: plans delayed

The government's much-publicised plans for Making Tax Digital for Business (MTDfB) have taken a radical new direction, giving businesses longer to get ready for change.

MTDfB involves not just mandatory quarterly updates to HMRC, but also makes digital accounting records compulsory. For some unincorporated businesses, including landlords, April 2018 was the proposed start date. There has been much concern about the entire plan, particularly for SMEs, in terms of additional cost and red tape – and also the very rushed timescale.

There is now a lengthier period to prepare and initially, MTDfB will be limited just to the VAT regime.

New timeline

The timeline now proposed makes MTDfB mandatory from April 2019 for businesses with turnover over the VAT threshold (£85,000 at present). They will have to keep digital records, but only for VAT purposes. Such businesses will be able to provide quarterly updates for other taxes if they wish. Similarly, businesses with a turnover below the VAT threshold can choose to make quarterly updates voluntarily.

2020 is the next date in the MTDfB calendar: HMRC say this is the earliest that businesses and landlords will be

required to keep digital accounting records and make quarterly updates for taxes other than VAT.

New problems?

The government announcement has to be good news for business. It allows more robust trials of HMRC systems, particularly as regards our access as agents to client information, and it gives time for the software houses to release the necessary software.

But there may be problem areas. There are many special VAT schemes. Partial exemption is one particularly tricky area. So although HMRC are getting online quarterly information for VAT, many businesses do not submit VAT returns direct from software but use spreadsheets. HMRC will

start testing MTDfB for VAT later in the year, though only on a very limited basis, with a wider live pilot in Spring 2018. It's still possible that this timeline will involve VAT-registered businesses in quite a sprint for the finish.

Please be assured that if your business is affected by these changes, we will do all that we can to support and advise you through the transition.



Hackers' favourite sport – phishing

In early 2017, a UK company warned its employees about suspicious emails and how to deal with them. Two months later it sent a bogus email from the HR manager to a sample of employees requesting personal details. Despite the previous warnings, 54% of the employees clicked the link in the email and amazingly nearly all of those submitted data in the form provided via the link.

It is no surprise that the vast majority of hacking attacks begin with a phishing email. It may also be no surprise to know that HMRC is one of the most phished brands in the UK. What is more, there may be another surge as HMRC are encouraging individuals and businesses to sign up to their Personal Tax Account (PTA). The government's ambition is for everyone to have a PTA by 2020.

However, HMRC will never ask people to disclose personal or financial information by email. And that's the golden rule for any employee to remember for emails received from anyone.

Two links which you may find useful:

<https://goo.gl/oJsCsr> - this is a list of digital and other contacts from HMRC if you have any doubts about the authenticity of an email. It gives some helpful pointers to look out for if you are in any doubt as to whether an email or other contact that purports to be from HMRC is what it seems to be.

www.gov.uk/personal-tax-account - this is the page from which you sign up to a Personal Tax Account. The page lists what you can currently do in the Personal Tax Account, but the aim is for these to be secure areas where an individual or business can see all their tax details in one place and interact with HMRC digitally.



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New data protection rules

There are new data protection rules in the pipeline, and they're likely to get a lot more publicity in the months to come. The new initials to look out for are GDPR.

GDPR - General Data Protection Regulation - is set to kick in from 25 May 2018. It increases the obligations on all businesses to safeguard the personal information of individuals which is stored by the business - be they customers, suppliers or employees. Broadly speaking, if you are already subject to the Data Protection Act, you're likely to have to comply with the GDPR.

GDPR will apply to data 'controllers' and 'processors.' Processing is about the more technical end of operations, like storing, retrieving and erasing data, whilst controlling data involves its manipulation in terms of interpretation, or decision making based on the data. The data processor processes personal data on behalf of a data controller. Obligations for processors are a new requirement under the GDPR.

New features

The GDPR applies to personal data - but the new definition is wider than under the Data Protection Act (DPA).

One key new feature is having to show how you comply with the rules. Evidencing compliance is known as the 'accountability' principle. Things like staff training and reviewing your HR policies are examples of compliance - and you'll need evidence to prove you've done it.

Under GDPR, higher standards are set for consent. Consent means offering people genuine choice and control over how you use their data.

Under 250 employees?

The legislation acknowledges that micro, small and medium enterprises have particular needs, and for record-keeping, the GDPR distinguishes between what is expected of organisations with more than 250 employees, and those below this size. There is a little more leeway at the smaller end of the scale and additional requirements for organisations with 250+ employees.

250+ employee organisations have to keep internal records of processing activities, whilst smaller organisations don't. Smaller

organisations however, do have to keep records of activities concerning higher risk processing. Higher risk processing is a category including processing of special categories of data or criminal convictions or offences, or personal data potentially impacting the rights and freedoms of an individual.

Showing compliance and consent

Overall, the aims of GDPR are to create a minimal data security risk environment, and to protect personal data to rigorous standards. For most organisations, this will entail time and energy getting up to speed with compliance procedures. Reviewing consent mechanisms already in place is likely to be a key priority. In practice, this means things like ensuring active opt-in, rather than offering pre-ticked opt-in boxes, which become invalid under the new rules.

Organisations will also have to think about existing DPA consents. The ICO's advice is that 'you will need to be confident that your consent requests already meet the GDPR standard and that consents are properly documented. You will also need to put in place compliant mechanisms for individuals to withdraw their consent easily.' If consents already in place don't meet the new standards, action will be needed.

Getting it wrong

As well as adverse reputational impact, the cost of getting it wrong could be high. Infringing the basic principles for processing personal data, including the conditions for consent, could amount to 20 million euros or 4% of total worldwide annual turnover (if higher).

This article highlights just some of the main features of the new rules. The Information Commissioner's Office (ICO) has published some very useful information and planning points to help organisations get ready ahead of the May 2018 deadline which are well worth reading <https://goo.gl/sBV45D> and <https://goo.gl/NwTzDY>