Lentells
Chartered Certified Accountants

RURAL BULLETIN Spring 2017

Making Tax Digital plans put on hold

The forthcoming snap election has forced the government to drop its Making Tax Digital (MTD) plans from the Finance Bill due to lack of parliamentary time.

The MTD initiative attracted considerable criticism, primarily due to the unrealistically short timescale and lack of clarity in regard to its implementation.

However, while the news to drop MTD has been welcomed by many, this should be seen more as a delay than an abandoning of the proposed initiative. What is clear is that there is broad parliamentary support for a digital tax system in the near future and that at some point HMRC will no longer accept paper records. This will prove a challenge for those who have always kept their records manually and given them to their accountant once a year. In the future everyone will be required to use software of some sort and keep records in real time.

At Lentells our advice is to get ahead of the game

Whilst it is not yet compulsory to update your tax information electronically, getting into the habit of using the appropriate software now will save you considerable time and stress in the future.

We are already working with an increasing number of our clients to put in place digital record-keeping systems through moving to a Cloud based system. As QuickBooks Platinum ProAdvisors, we are in a strong position to offer topical and relevant advice to all our clients.

However, we will always advise on the best package for your business which is why we can also discuss the suitability of both SageOne and Xero. We will work with you to ensure an efficient transition and provide ongoing advice and training.

In addition to facilitating the change to digital reporting, moving to the Cloud brings with it a number of additional benefits, saving time, unnecessary paperwork and increased efficiency.

Please contact a member of our Agricultural team for more details.

APPLICATION DATES FOR MID TIER COUNTRYSIDE STEWARDSHIP SCHEMES ANNOUNCED

The latest round of Countryside Stewardship Schemes has now opened, offering excellent opportunities for farming businesses to diversify their income and maximise the efficiency of their land use.

The Scheme is open to all eligible farmers, woodland owners, foresters and other land managers through a competitive application process.

Farmers who wish to apply for the Mid Tier Scheme can request an application pack anytime up until the end of July. All completed forms must be submitted by 30 September.

The Mid Tier scheme offers five-year agreements for environmental improvements in the wider countryside, such as reducing diffuse water pollution or improving the environment for birds, pollinators and farm wildlife.

Eligible land must be within an agricultural area, which is defined as any area taken up by arable land, permanent grassland or permanent crops. There is no minimum restriction on the size of land as the scheme is field based rather than farm based.

For an application pack call Natural England on 0300 060 3900. For more information go to: www.gov.uk/government/collections/countryside-stewardship-get-paid-for-environmental-land-management

Come and join us at the Honiton Show

Thursday 3rd August 2017

We are delighted to be at the Honiton Show again this year and look forward to seeing as many of you as possible.

As in previous years, we will be in the Blackdown Hills Business Association's marquee which is always a hive of activity, showcasing a fantastic variety of local businesses.

Do come and join us. We will be offering refreshments throughout the day and the chance for a welcome sit down and chat. Our Agricultural team will be on hand and look forward to welcoming you.

Minimum energy efficiency standards for rented properties

The farming and rural sectors have been warned to plan ahead for changes in the law which will require landlords to ensure their properties meet minimum energy efficiency standards.

From 1 April 2018 it will be illegal for a private landlord to let a property with an energy performance certificate (EPC) rating lower that E to a new tenant. From 1 April 2020 this will be extended to apply to all existing tenancies. These rules will not only apply to buy-to-let investors and those with large housing portfolios, but to people who let just one or two dwellings.

For many landlords, especially of older properties, this could require significant investment in areas such as new renewable heating systems and double glazing in order to bring their properties up to the required standard.

Non-compliance could attract potential fines of up to £4,000 per property.

PROPOSED CHANGES TO PROBATE COSTS SCRAPPED

The government has abandoned controversial plans to increase Probate fees to as much as £20,000 as there will not be time for the legislation to pass before Parliament prior to the General Election on 8 June.

The plans would have replaced the current flat fee of £215 with a sliding scale based on the value of the estate ranging from £300 to a maximum of £20,000 for those estates worth over £2m.

The proposed increases attracted wide-spread criticism for putting pressure on asset-rich but cash-poor families. It is not yet clear whether a newly elected government would re-visit these proposals in the future.

Farmers warned of 20% rise in costs of planning applications

From July, planning fees will increase by an average of 20% in an attempt to boost funding for councils. Farmers are already forced to spend considerable amounts of money on planning applications as fees for agricultural buildings are based on floor space and can reach up to £250,000 – a fact which the NFU said the Government has not taken into consideration.

UC Universal Credit

Farmers could lose out in benefits shake-up

The introduction of the Universal Credit system will affect farming families currently claiming Tax Credits. Many are unaware of the changes and the fact that they are liable to lose out due to complications caused by their self-employed status.

Universal Credit is a single monthly payment for people on low incomes or out of work and is being rolled out in stages across the UK. It replaces a range of benefits and credits including the Child Tax Credit, Working Tax Credit and Income Support.

One of the main issues for farming families is that payments will be calculated by treating self-employed people as earning a 'Minimum Income Floor' which assumes that all self-employed applicants earn a wage equivalent to the National Minimum Wage, even if they are not actually earning this amount. The initiative has been criticised for not taking into account the reality of farming where, in almost all years, a very substantial part of income is gained from the Single Farm Payment and for several months of the year, farms are operating at a loss.

In addition it will be more time consuming to make a claim under the new system. All those self employed will be required to report their cash-in and cash-out figures on a monthly basis. At present these figures only have to be submitted twice a year, in January and July. It is not possible to apply for Universal Credit if you have savings of over £16,000.

HMRC instigating National Minimum Wage compliance checks on rural businesses

Farmers are being urged to double-check that they are paying at least the level required under the National Minimum Wage (NMW) which increased on 1 April 2017.

An employer must pay their workers a minimum amount per hour as defined by law. This is called the National Minimum Wage (NMW). Workers aged 25 and over are entitled to the National Living Wage (NLW).

Who is covered by the NMW?

NMW applies to all workers, with certain exceptions, such as:

- those under the age of 16
- apprentices under the age of 26 during their first year of apprenticeship
- those who are genuinely self employed
- family members working in the family business
- people working and living as part of a family (e.g. au pairs)
- voluntary workers

What are the rates of NMW and NLW?

	From 1.4.17	From 1.10.16
National Living Wage (25 and over)	£7.50	£7.20*
21-24 year old rate	£7.05	£6.95
18-20 year old rate	£5.60	£5.55
16-17 year old rate	£4.05	£4.00
Apprentice rate	£3.50	£3.40

**From 1 April 2016*

How is the NMW calculated?

The Regulations set out a rather complex procedure detailing the calculation of the NMW.

Benefits in kind, expenses, certain allowances and most deductions are not included. Enhanced payments for particular work will not count but incentive or profit related payments will be included.

What working time counts for NMW?

Job-related travelling and training time is included. Periods of holiday or absence do not count (even though holiday pay is now obligatory) nor does time taken as rest breaks or industrial action.

What if the pay is not time-related?

The previous 'fair estimate agreements' has been replaced and employers must pay their workers the relevant rate for every hour they work or a 'fair piece rate' initially set at 100% of that rate.

What about family businesses?

Although there is an exemption for family members working in the family business, the regulations specifically refer to the employer's family. If the family business (i.e. the employer) is a limited company, then it does not have a family. Even if the family business operates as a sole trader or partnership, the only family members exempted are those who actually live at home.

What records have to be kept?

For workers earning in excess of £12,000 per year, employers simply have to keep sufficient records to demonstrate that the NMW has been paid. For workers earning less than £12,000 per year, full details of the NMW calculation must be kept.

Records should be kept for 6 years.

Employers face a penalty if HMRC discover that the NMW has not been paid. Workers are entitled to the arrears of wages at current rates.

FARM INCOME FROM DIVERSIFICATION ON THE INCREASE

A quarter of farm businesses that have diversified make more money from the diversification than they do from their farming activities, according to Defra statistics.

Final results of the 2015/16 Farm Business Survey (FBS) show that 62% of farms now have some form of diversification and nearly a third of total farm business income comes from diversification.

Income from farm diversification totalled £580m across England in 2015/16, a 9% rise on the 2014/15 figure of £530m. After allocated costs were taken into account, including unpaid and paid labour, the average income from diversification was £16,600 per farm. However, 4% of farms reported that their diversification projects actually lost them money.

Most popular diversification

The survey shows that, excluding agricultural contracting work, the most popular form of diversification is letting buildings for non-agricultural use.

This was also the most profitable, bringing farms an income – or net profit – of £17,400 per farm.

Renewable energy was the second-most popular form of diversification, with 23% of businesses generating green energy.

For those farms generating renewable energy, it provided 9% of their total income for the year, averaging £4,400 per business.

However, the second most profitable activity was on-farm processing and the sale of farm produce. This brought an average income of £9,600 per farm.

Percentage of farm businesses with a diversification enterprise:

2010/11	52%	2013/14	58%
2011/12	53%	2014/15	61%
2012/13	56%	2015/16	62%

Marriage Allowance – Don't miss out

According to HMRC, less than 25% of eligible couples have applied for the Marriage Allowance which could potentially reduce their tax bill.

The Marriage Allowance was launched in April 2015 and allows you to transfer 10% of your Personal Allowance to your husband, wife or civil partner – if they earn more than you and do not pay 40% tax.

This has the potential saving of £220 (2016/17) and £212 (2015/16).

To benefit, the lower earner must have income lower than their Personal Allowance; £11,000 (2016/17) or £10,600 (2015/16).

If you were eligible for Marriage Allowance in 2015/16, you can backdate your claim to 6 April 2015 and reduce the tax paid by up to £432.

Who can apply in 2017/18?

You can get Marriage Allowance if all the following apply:

- you're married or in a civil partnership
- you don't earn anything or your income is under £11,500
- your partner's income is between £11,501 and £45,000

You can still apply for Marriage Allowance if you or your partner:

- are currently receiving a pension
- live abroad – as long as you get a Personal Allowance.

You can apply for Marriage Allowance on line, for more details go to www.gov.uk/apply-marriage-allowance

Red diesel – no change for farmers

Fears of a clampdown on the use and increase in cost of red diesel have eased after the Government confirmed that it is committed to keep the lower tax rate for farm fuel.

This assurance follows the announcement in the Spring Budget of a consultation into the eligibility and use of red fuel, prompting fears amongst farmers of potential cost increases. Red diesel currently attracts about 40% less duty at 11.14p/litre than white or road diesel, which is taxed at 57.95p/litre.

PERSONAL TAX CHANGES

A number of new rates and allowances were introduced on 6 April 2017.

Here is a reminder of some of the main changes for 2017/18 affecting personal finances:

Income Tax

The Personal Allowance is £11,500 for 2017/18 and the basic rate limit is £33,500.

Inheritance Tax

An additional residence nil rate band is available to those passing on a main home to a direct descendant.

The allowance starts at £100,000 and is in addition to the existing tax free Inheritance Tax allowance of £325,000.

It will increase by £25,000 each tax year until it reaches £175,000 in 2020/21.

Capital Gains Tax

Capital Gains Tax exemption for individuals is £11,300 and £5,650 for Trusts.

After this, gains are taxed at the following rates:

- basic rate taxpayers – 10%
- higher and additional rate taxpayers – 20%.

Residential Property and Carried Interest are taxed at 18% (basic rate) and 28% (higher and additional rate).

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