

proactive

Inside:
Are you ready for RTI?

SUMMER 2012

We're tweeting

Our farming and tax departments are now on Twitter.

You can follow tax partner Paul Aplin - @PaulAplinOnTax - and the farming team's Rob Selley - @RobAtACMole - for regular news and comment. And if you would like to receive Proactive or occasional news updates by email, please email newswire-subscribe@acmole.co.uk and we will do the rest.

110th Anniversary

In October we will be marking the 110th anniversary of the founding of the firm by Albert Charles Mole in 1902. There will be more about the anniversary and some of the milestones along the way in our Christmas newsletter.

Autumn Statement

Our next newsletter will also contain our analysis of the Chancellor's Autumn Statement. With the UK's borrowings now standing at £1.03 trillion (and set to continue growing to around £1.4 trillion by the end of this Parliament) there is unlikely to be any good news for individuals or businesses.

Draft legislation is expected on proposals announced in the Budget to "cap" certain tax reliefs and we should also see final changes to the proposed new rules on UK residence.

There will be a summary of our immediate reactions on our website on the day.

K2 it isn't!



Paul Aplin at around 13,000' on Mt Shasta

There has been a great deal in the press recently about tax avoidance and tax partner Paul Aplin was interviewed by both BBC Somerset and BBC Bristol on the subject.

Different people have different opinions, but in one leading tax case the judge expressed a view most accountants feel sets out the basic position on tax planning. He said that "no man in this country is under the smallest obligation, moral or other, so to arrange his legal relations to his business or to his property as to enable the Revenue to put the largest possible shovel into his stores... The Revenue is not slow to take every advantage which is open to it under the taxing statutes for depleting the taxpayer's pocket. And the taxpayer is in like manner entitled to be astute to prevent, so far as he honestly can the depletion of his means by the Revenue."

Ultimately, it is for the courts to decide whether the schemes reported in the press – including the "K2" scheme used

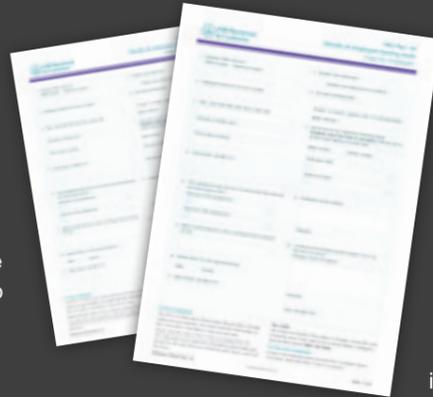
by comedian Jimmy Carr - are within the law. We have never promoted or sold aggressive schemes of this type, largely because of the degree of risk and uncertainty that they can involve. We have, however, always believed in using tax law to the advantage of our clients in exactly the way HMRC uses tax law to the advantage of the Treasury. Over the years we have achieved some spectacular results and gained national recognition for our tax expertise. In our experience the keys to success lie in having a well qualified team who keep up to date with the latest developments, in thorough research, in careful planning and (more often than not) in simplicity.

The risks associated with K2 are not for everyone. We think that there are safer and more rewarding mountains to climb.

Are you ready for RTI?

If you are asking “what on earth is RTI?” and you are an employer you should read on, because some radical changes are on the way.

RTI stands for Real Time Information and is the latest change to the PAYE system. It will require employers to report payroll information to HMRC every time they run their payroll rather than once a year as they presently do. The need for forms P14 and the annual P35 end of year return will disappear. One of the main reasons for the change is the introduction of the new Universal Credit (UC) into the state benefit system: RTI will enable UC payments to reflect “real time” earnings rather than the previous year’s earnings as the Tax Credit system does.



That will mean that PAYE will need to be deducted and an RTI transmission made at the time if you make an advance of salary to an employee. There will also be implications for employers who use temporary staff or casual workers. The days of informality will be over.

Some employers are already using RTI as part of a pilot scheme to test the technology but all employers will have to move to RTI between April and October 2013. Your payroll software should deal automatically with the electronic transmission of the necessary information to HMRC but you should check now with your software supplier to ensure that they will be ready. You should also ensure that you have the basic employee data you will need, as incomplete data will lead to problems. You must for example know each employee’s full name, date of birth and national insurance number. Using “invented” dates of birth will no longer be allowed and neither will temporary or “invented” national insurance numbers.

Payroll practices will also have to become far more rigid. The RTI transmission in respect of a payment must be made on or before – not after – a payment is made to an employee.

Another important point to note is that currently HMRC does not know how much PAYE is due for a month until after the end of the tax year and while it can charge interest and penalties for late payment it does so in arrears. Some employers have historically paid their PAYE late but under RTI HMRC will know how much PAYE is due the instant a payment is made to an employee. PAYE payments will therefore be chased far more quickly and far more effectively than at present. Employers who have relied on paying late will need to re-think their cash flow planning in advance of the new regime. If you have any concerns about what will be involved, please contact us.

After many years of service, the infamous form P45 will finally be made redundant.

Business Tax Dashboard

Do you know about HMRC’s business tax dashboard? It is designed to give you an instant overview of the tax your business owes, whether it is corporation tax, VAT or PAYE.

For each tax you can see the overall position as well as more detailed information such as any tax you owe, repayments HMRC owes you, payments you have made, interest on any late payments, penalties you have incurred or direct debit payment plans. You can also view and change some contact details that HMRC holds for your business, including your address, telephone number and

email address. You can find details at www.hmrc.gov.uk/online/dashboard.htm.

And if you want to be reminded automatically by email of Companies House and HMRC filing and tax payment due dates, there is a facility for this at www.businesslink.gov.uk/bdotg/action/keydates.



On 20 May a team from the firm ran in the Bristol 10K run notching up times ranging from 51 to 65 minutes and raising £1,400 for the Children’s Hospice South West in the process. Pictured here at the end of the race are (from left to right) Matt Davis, Rob Selley, Chris Loveluck, Leanne Tidball, Alex Graham, Charles Chandler, David Perry and David Eva.

Are you sure you are a farmer?

Of course you are. You have spent your life on the land and farming is your life. But would the tax man agree?

If he doesn’t, you – or your family - could be in for a shock. We have seen a number of cases recently where decisions were taken for the best of family, practical or commercial reasons but where insufficient thought had been given to the tax consequences.

Firstly there was the farmer who had diversified into livery. The business reasons were sound but the potential tax effect was the loss of inheritance tax relief for the farmhouse. The same might have been true if the farmer concerned had decided to give up ground previously used for growing crops to accommodate a large photovoltaic array. To qualify for agricultural property relief land has to be occupied for the purposes of agriculture and if it is not so occupied the farmhouse cannot qualify for IHT relief.

Then there was the farmer who had let his land under a grazing agreement. For the landowner to occupy the land for tax purposes he must undertake (or contract someone to

undertake and then pay for) any hedging and ditching, fertilising, harrowing and tilling. The safest situation is for the landowner to occupy and farm the land personally. Great care needs to be taken when land is let to ensure that the paperwork is right and that what actually happens does not inadvertently lead to unintended tax consequences.

The temptation for many farmers is to put off the annual meeting with us to the last minute when the January tax return filing deadline is looming. The last thing we are likely to have time to discuss at that stage is the tax efficient structure of your business. The entire focus will be on getting the accounts and tax return done. We much prefer to meet – ideally on the farm - when we will have time to talk at length about your plans and have a better chance of helping you to arrange things tax efficiently. And with the taxman now demonstrating increasingly detailed knowledge of farming, keeping one step ahead of him is more important than ever.

West Somerset Railway



7828 Norton Manor
at Blue Anchor

Douglas Fear



An essential feature of any audit is the physical verification of key assets. Few can be as impressive as those we look at when we audit the West Somerset Railway Company PLC.

The WSR line originally opened in 1862, linking Taunton and Watchet and it was extended as far as Minehead in 1874. In 1971 it was closed by British Rail. That might have been the end of the story, had it not been for the enthusiasm and determination of the Minehead Railway Preservation Society. In 1971, the Society formed a working party headed by Douglas Fear (an A C Mole & Sons client incidentally), to look at reopening the line under private ownership. Three months later, a new West Somerset Railway Company was formed to acquire the line and to operate a year-round commuter service from Minehead to Taunton and a summer steam service.

The proposed commuter service never materialised, but the line was successfully reopened in stages as a heritage railway. The Minehead to Blue Anchor section reopened in March 1976 and services were extended to Williton in August that year. Trains returned to Stogumber in May 1978 and reached Bishops Lydeard in June 1979. The WSR is now the UK's longest standard gauge heritage railway, with services generally operating over the 20 mile section between Minehead and Bishops Lydeard (though occasionally trains continue to Norton Fitzwarren, where a connection allows them to link to the national network).

The WSR owns an impressive collection of steam and diesel locomotives. Stations on the line have appeared in films – including the Beatles film *A Hard Day's Night* - and have been used as locations in a number of TV series including the BBC's *Miss Marple* and ITV's *Poirot*. The company

runs a number of special trips through the year, including the Quantock Belle first class dining train, a Santa Special and carol trains at Christmas and occasional murder mystery trips. There are even special courses for those who have always wanted to experience life on the footplate.

If you have never travelled on a steam train or would just like to take a more scenic route to Minehead, why not head along to Bishops Lydeard Station and buy a ticket?

Full details can be found on the WSR's website at www.west-somerset-railway.co.uk.

Douglas Fear died in 2004 but we still act for his son Ben, who kindly gave us permission to use this photograph of his father. The WSR is one of Somerset's greatest assets – as the company's auditors, we can say that with authority.