

# proactive

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Autumn Statement 2012

WINTER 2012

## PAYE and RTI

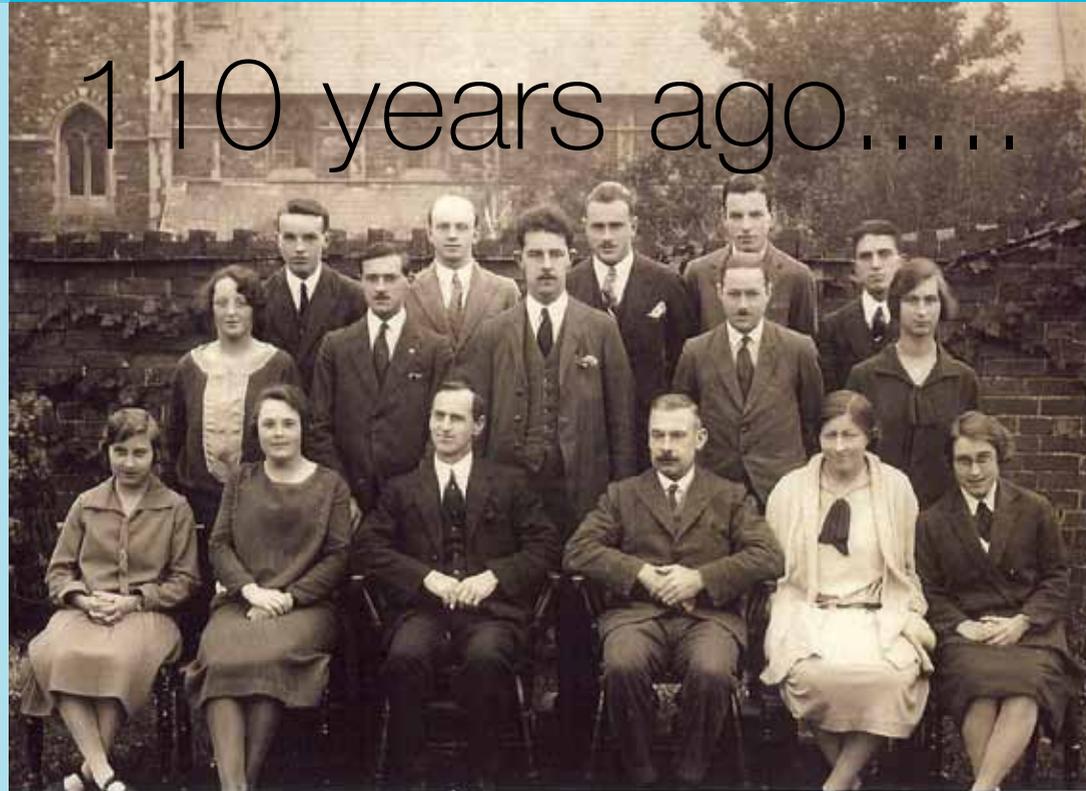
The last edition of Proactive contained an article on RTI (Real Time Information). RTI will be the biggest change to PAYE in 60 years and virtually every employer will be affected. As things stand, the payroll will have to be run "on or before" payments are made to employees. HMRC has announced a relaxation to "within seven days" of payment in some limited instances but this is only a very small concession. Many employers who currently run their payrolls monthly but pay employees – casual or regular – weekly will now have to run a weekly payroll: to put it more starkly, 52 times instead of 12. Others will have to make 12 or more submissions instead of a single annual return. We will be writing to all of our payroll clients to explain the changes.

## Audit limits

The statutory limits for audit are changing. For accounting years ending on or after 1 October 2012 companies will not require a statutory audit if they are classified as 'small'; the rules are complicated but a company will usually be classified as small if it meets two of the following three requirements:

- No more than 50 employees
- No more than £3.26 million gross assets on the balance sheet
- No more than £6.5 million turnover

There may be other reasons to have an audit (for example if a company's articles of association require one or if the bank or shareholders insist) and there may be a case for having an Assurance Report instead. An Assurance Report involves less cost than an audit but still gives some level of reassurance to the board, to shareholders and to third parties that the accounts have been subjected to formal, independent scrutiny. We would be happy to discuss the options if you think you may be affected.



*A C Mole (front row, third from left) with business partner A G Browne at the original Stafford House. A C's sons Horace, Stafford and Edgar are in the second row.*

In 1902 Albert Charles Mole founded the firm that still bears his name. Many things have changed along the way, but some things have remained the same.

While A C would be astonished by the technology we now use and the complexity of the tax system we help our clients navigate, he would be pleasantly surprised to find that we still act for some of the families and businesses he first took on as clients over a century ago.

A C's first office in Taunton was in a part of Stansell Builders premises on the corner of East Street and Billet Street. Three generations on, we still act for the Stansell family and the successor companies Taunfield Limited and the Summerfield Group. When we moved our Taunton office to Blackbrook in 2004 we chose Summerfield to build our new office.

A number of other clients are third and fourth generation and you can read about the strong links we still have with A C's family – and more about A C himself – on page 4.

And while we are proud of our history, we are committed to remaining one of the South West's leading independent firms of Chartered Accountants and Chartered Tax Advisers. We are quietly confident that in 2052 when we celebrate our 150th anniversary, there will be sixth generation clients and some family names that A C would still recognise.

### Bridgwater Office

With the end of our lease rapidly approaching and having decided that Wylde Road was no longer the right location for us, we have decided to relocate from Bridgwater temporarily. As a result, all Bridgwater staff and partners are currently based at Stafford House in Taunton. We are seeking suitable new Bridgwater premises but in the interim we would like to reassure our Bridgwater clients that in terms of the service they receive, it will be very much business as usual.

# The Autumn Statement 2012

The Chancellor George Osborne delivered his Autumn Statement on 5 December. In many ways it was more of a mini-Budget.

## The economy

The economic background remains bleak with UK borrowings in excess of £1 trillion and still rising. The Chancellor expects to borrow a further £108 billion this year, 99 billion in 2013/14, 88 billion in 2014/15, 73 billion in 2015/16, 49 billion in 2016/17 and 31 billion in 2017/18. Only then does he expect the UK's borrowings to stabilise. Growth returned in the last quarter but overall the outturn for 2012 is now expected to be -0.1%. For 2013 growth is forecast at 1.2%, then 2.0% in 2014 and 2.3% in 2015. Inflation is forecast to be 2.5% next year, 2.2% in 2014 and to fall to 2.0% thereafter. Employment has grown more strongly than forecast and UK unemployment is lower in percentage terms than in the USA and the Eurozone.

The Eurozone crisis remains a major factor in the government's projections with Euro area Gross Domestic Product remaining flat through 2013. The Euro area accounted for 42% of UK exports in 2011 (the USA accounted for a further 16%).

## Business tax measures

The surprise announcement was the ten-fold increase in the capital allowances Annual Investment Allowance (AIA) from £25,000 to £250,000. The increase runs from 1 January 2013 for two years. The AIA enables businesses to write off expenditure on plant and equipment and on certain expenditure on buildings.

The chancellor also announced that the main rate of corporation tax (currently 24% and due to fall to 23% from 1 April 2013) will fall to 21% from 1 April 2014. This will put it within one percentage point of the small companies' corporation tax rate of 20%.

A new scheme for giving shares in a company to employees in exchange for them forfeiting certain employment rights was announced a few weeks ago. The proposal was that shares worth between £2,000 and £50,000 could qualify and that they would be exempt from capital gains tax on sale. The fact that there would still be an income tax and national insurance charge on acquisition of the shares was seen as a fundamental problem by commentators and the government has now announced that they will look at this aspect. Further details will be announced later.

The government intends to proceed with the idea of allowing small businesses (those with sales below the £77,000 VAT threshold) to prepare their accounts on a cash basis. While this might sound superficially simple it effectively results in identical businesses reporting identical transactions in different ways.

## Personal taxation

The personal allowance will increase from the current level of £8,105 to £9,440 for 2013/14. The higher rate threshold will fall from the current level of £34,370 to £32,010. The additional rate for income in excess of £150,000 will fall from the current 50% to 45%.

The controversial proposals to "cap" certain income tax reliefs (including relief for trading losses and relief for losses on certain unquoted trading company shares) are still scheduled to take effect next April. This will be unwelcome news for some smaller businesses and for those who invest in the venture capital market.

Currently tax relief is given on contributions to pension schemes of up to £50,000 per annum. From April 2014 the limit will fall to £40,000 and the lifetime allowance will fall from £1.5 million to £1.25 million.

The capital gains tax allowance (currently £10,600) will increase to £11,000 for 2014/15 and to £11,100 for 2015/16. The IHT allowance will increase from £325,000 to £329,000 in 2015/16. The Individual savings Account (ISA) limit will increase from the current level of £11,280 to £11,520 from next April.

## Compliance and regulation

HMRC is to be given extra funding to combat tax evasion and aggressive tax avoidance.

A "one in, two out" rule for new business regulations will operate from next year to attempt to reduce the red tape faced by businesses.

This was an Autumn Statement with some good news for companies and for small businesses, but with less for individuals to celebrate.

For more information, please contact us on 01823 624450 or visit our website at [www.acmole.co.uk](http://www.acmole.co.uk).



Exchequer Secretary to the Treasury David Gauke MP presenting Paul with the award.

## Improving the tax system

Tax partner Paul Aplin was presented with an award at 11 Downing Street on 12 November for helping HMRC to improve tax administration. Paul gave evidence to the House of Commons Treasury Select Committee (TSC) last year and was critical of HMRC's service delivery.

The Committee subsequently recommended that HMRC should talk to the tax profession about setting credible performance measures and that people from HMRC should try to see things through taxpayers' eyes. Paul was heavily involved in arranging for HMRC to visit firms and in driving a programme of work that has resulted in some significant improvements.

Among the changes the programme has so far delivered is a commitment to redeploy 1,000 staff to HMRC's call centres to improve telephone contact and a better process for employers' end of year PAYE returns which resulted in 70,000 fewer employers paying late filing penalties this year. HMRC also agreed to publish monthly call handling statistics so that progress can be monitored.

In Paul's words "my aim is to encourage the people in Whitehall who make tax policy to see things through the eyes of taxpayers and small businesses. If they do then hopefully we will see better tax policy and fewer burdens on small business. So far the results have been encouraging, but there is still a very long way to go."

## Staying Active

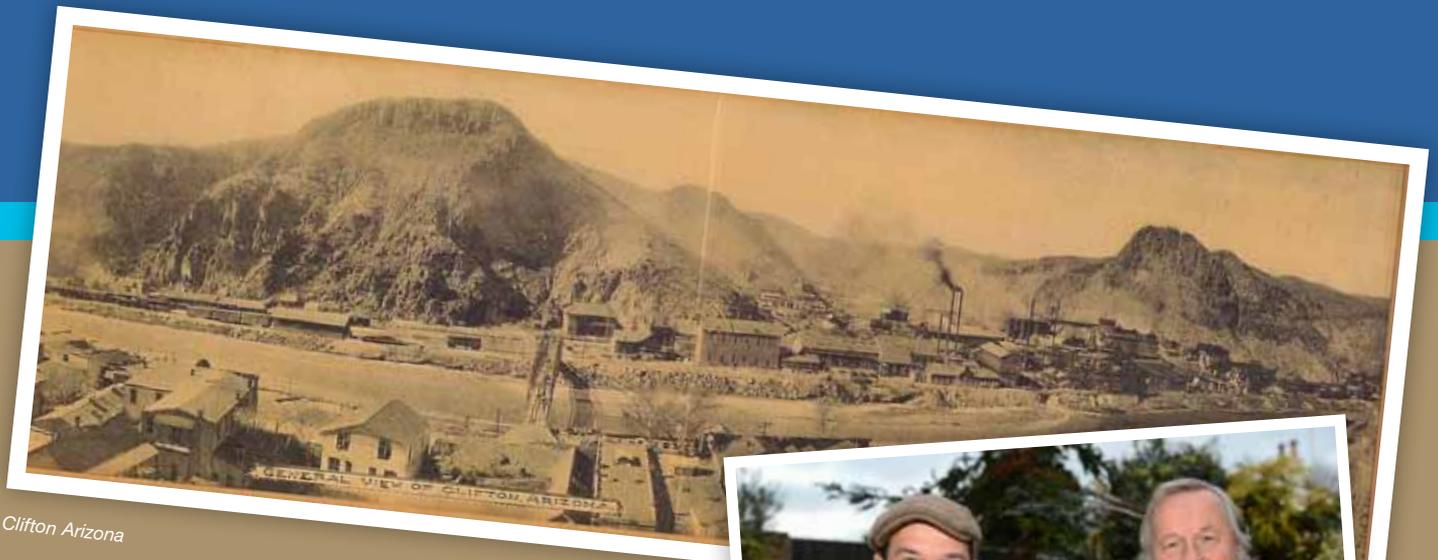
Farming qualifies for some very valuable tax breaks – particularly where inheritance tax is concerned – but these can easily be lost, especially on retirement, on reducing the scale of farming operations or when farmers diversify into other areas such as holiday accommodation, livery or power generation. The government is trying to bolster tax revenues and HMRC is becoming increasingly knowledgeable about the farming industry. Add these things together and you have a clear incentive to arrange your affairs more carefully than ever.

HMRC tries to ensure that tax relief is only given in what it sees as "genuine" farming situations. The problem is that the word "genuine" doesn't appear in the legislation. That is why contentious cases end up being decided by the courts. If HMRC could find a clear way to identify a "genuine" farming situation it would find it much easier to grant or deny relief.

A leaked document has recently raised the prospect that HMRC might soon have the simple test it has been seeking. The document relates to the reform of the Common Agricultural Policy and suggests that the Single Farm Payment could be restricted to "active farmers". Sadly, it doesn't define "active farmer", but if the reformed CAP does go down this route there undoubtedly will be a definition. That could give HMRC exactly what it has been seeking. The test could be as simple as "if you get the Single Farm Payment, you are genuine and if you don't you are not". This issue has already sparked questions around what the definition of "active" might be and whether farmers who use contractors or who share-farm might be affected. The fact is that we don't know yet, but what we can say is that with pressure on both the EU budget and on UK tax revenues there will be an inevitable move towards restricting subsidies and valuable tax reliefs to what the EU and government see as genuine, active farms.

Our advice is simple: keep us informed about your plans for diversification, retirement and succession. And stay active.





Clifton Arizona

## AC Mole

If you have visited our Taunton office, you might have noticed the photographs of Clifton Arizona in our conference room. A C was sent by his then employers in Edinburgh to a copper mine in Clifton in 1897 to act as bookkeeper.

He found a very different world there. His diary for 13 October 1897 records "My first real Wild West experience...Tonight a cowboy shot the town up. He rode through shooting for all he was worth with Billy Hamilton, the Sheriff and others after him with 6 shooters. They ran him to bay at the top of town & as he refused to dismount Billy knocked him off with his gun; he was dragged across to the gaol on his back as he refused to walk & is now safe for the night. Billy says he felt the wind pass as one of the shots passed by."

A C became a member of Taunton Town Council in 1913 and was elected Mayor in November 1915. He served on Somerset County Council for 43 years, during which time he never had to contest an election. He was a Justice of the Peace, serving on the County Bench from 1927 until he retired as Chairman in 1950. He was an Income Tax Commissioner from 1943 to 1957, serving as Chairman for all but the first year. He also found time to write a book *The Students' Epitome of Accountancy & Bookkeeping*. He was secretary of the Bath and Wells Diocesan Board of Finance from its formation in 1913 until 1944 (when the office was moved from Stafford House to Wells) and was still a member of the Board at the time of his death. He died on 21 May 1960, the day after his 86th birthday.



Ben and John Mole

## The Mole Family

The firm was founded by the then 27 year old A C Mole back in 1902. His sons Edgar and Horace both qualified as Chartered Accountants and became partners in the firm.

Although there are no family members amongst the partners any more, we do still have strong links with the Mole family. A C's granddaughter Sally, her brother John and John's son Ben are all clients.

John received an Eric Gregory award and the Cholmondeley Award for poetry and the Signal Award for his writing for children. He has been Writer in Residence at Magdalene College, Cambridge and is currently resident poet to the City of London as part of the Poet in the City project. He is also a jazz clarinettist and an accomplished broadcaster, having presented BBC Radio 4's Poetry Please and Time for Verse as well as Radio 3's Poetry Now. John has written a number of poems based on his memories of A C Mole & Sons.

Ben studied English at Swansea University and taught English as a foreign language in Poland, Spain and Germany before spending two years in Korea. He is now a successful press and commercial photographer. You can see examples of his work at [www.benjaminmole.com](http://www.benjaminmole.com).