SUMMER 2021

PROACTIVE

A.C.MOLE & SONS CHARTERED ACCOUNTANTS & CHARTERED TAX ADVISERS

WELCOME TO THE A C MOLE RURAL SERVICES SUMMER NEWSLETTER

With the nation opening up again after several lockdowns, there is time for much optimism in all business sectors.

The past year and a half has been the most turbulent in living memory. Farmers have been quite rightly recognised as key workers and pivotal to the ongoing success of the country. Hopefully farmers will now be much more appreciated for the value they provide.

Next year A C Mole we will be celebrating 120 years in business and many of our farming clients have been with the firm for several generations. We believe in building strong, long lasting relationships so we can understand our clients and their individual needs.

ESCAPE IS IMPOSSIBLE!

For those readers that are VAT registered you have likely heard of Making Tax Digital, which requires that you to use bookkeeping software to be able to file your VAT returns if your turnover is over £85,000 (over a 12 month period).

On 1st April 2022 this limit is removed and if you have a VAT scheme and haven't already, you will need use software to file your VAT returns, which can be software such as QuickBooks or Farmplan. Excel Spreadsheets can also be an option.

If you are unable to deal with this, it may be possible to apply for an exemption from HMRC on grounds such as not being able to use MTD software or lacking a computer.

For more information/advice, please contact Paul Warren at our office - **PWarren@acmole.co.uk** or **01823 624450.**

INSIDE THIS ISSUE

- TIME FOR A CHANGE?
- EXIT ROUTE FOR FARMERS
- HMRC SCAMS

TIME FOR A CHANGE?

Paul Bradshaw, consultant to A C Mole specialising in farm finance writes.

Capital purchases - be it machinery, livestock or land and buildings - are something all farmers have to face from time to time. **So, what are the key considerations and more importantly, how are they best paid for?**

A good starting point is to ask - how long will the asset last? This can vary from very short term with machinery to very long term with land and buildings. This is critical as it makes sense to have fully paid for an asset over its working life.

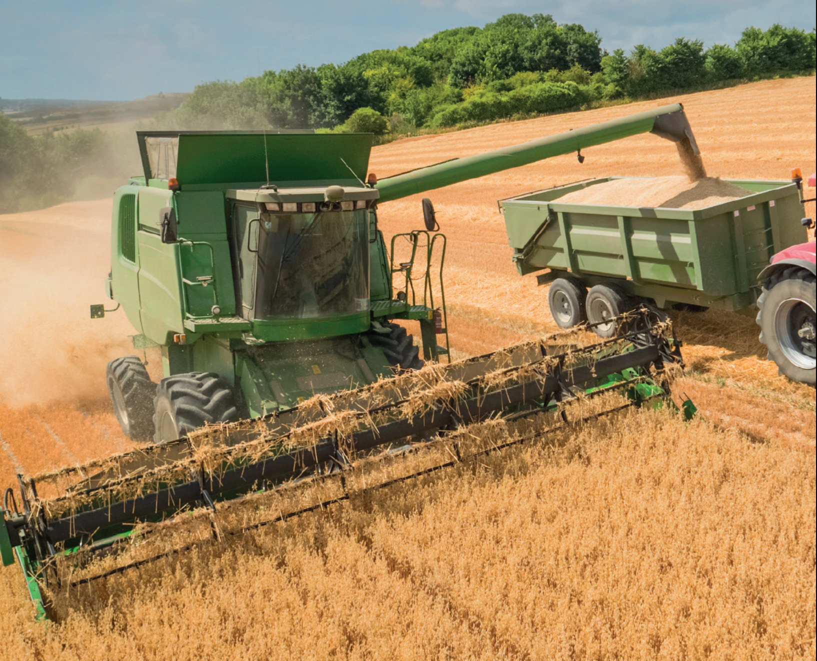
The next obvious question is - do I have the cash to pay for it? When looking at this be sure to take account of the seasonal swings in the farm finances as it can be very easy to use up funds required for day to day cash flow needs and create a problem a few months later which can be less easy to solve.

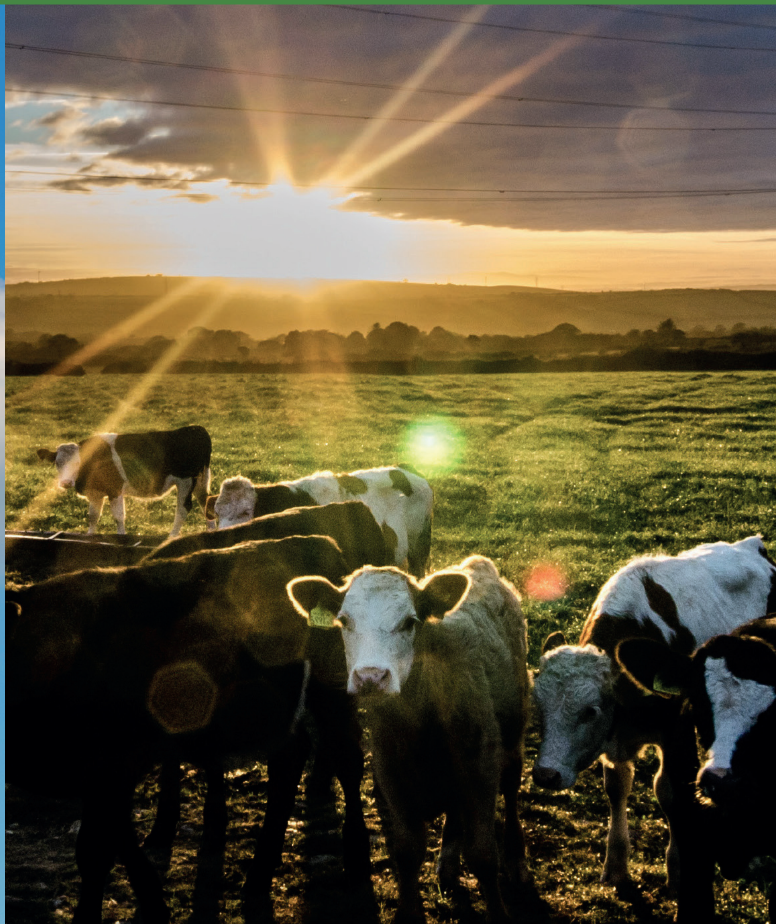
If borrowing is required, generally speaking, the best ways to finance capital purchases are either traditional Bank Loan, Hire Purchase or Leasing. Each of these has it benefits and we are always happy to support our clients in examining the options.

Consideration has to be given to interest rate, set up fees and other costs such as security and early repayment costs.

What is most critical however is the businesses ability to service the repayments and the term of debt makes a huge difference to the annual costs. When your lender is considering your application they will be looking very carefully at the historic and projected performance of the business and its available cash to meet both current and projected commitments.

Presenting your case fully and accurately is always important and we are happy to help.





EXIT ROUTE FOR FARMERS

A C Mole Partner and farm tax specialist David Perry writes.

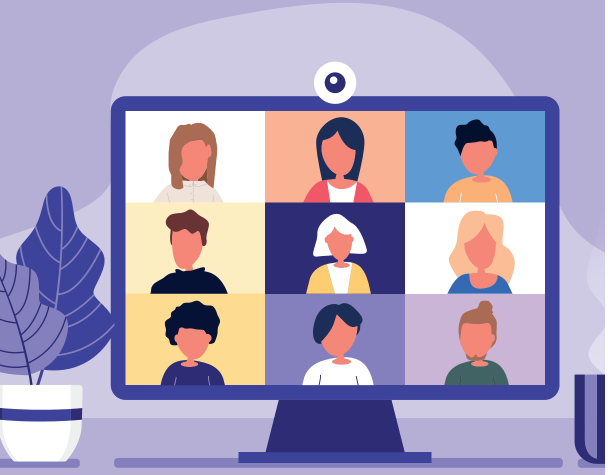
In May this year, Defra released more details on its farmer's lump sum retirement scheme. The main point's are:

- Any farm business that takes the lump sum will not be able to claim any future direct payments including Stewardship or Sustainable Farming Incentive Schemes.
- Any applicant must have been farming since 2015. Owner-occupiers must sell/or rent out their land and /or gift it. Tenant farmers will need to surrender their tenancy to qualify.
- Where land is rented out, then it is likely that you must use a Farm Business Tenancy for a minimum of 5 years.
- You can continue to work as a contractor or work for other farmers.
- The lump sum will be based on 2.35 times the historic BPS received, to a cap of £100,000.
- The key rules should be in place by October 2021 with the introduction of the scheme in 2022.

Unfortunately, what we do not yet know is the tax treatment of any lump sum payment. As you are surrendering entitlements then you would think it should be subject to Capital Gains Tax. However, normal BPS receipts and grant income are chargeable to income tax. Watch this space!

MAXIMISING YOUR CHANCES IN THE NEW WORLD

Paul Bradshaw, consultant to A C Mole specializing in farm finance writes.



Events over the past 18 months have led to dramatic changes in the way many of us work. It could be argued that the changes were coming anyway on the back of technological advances and these have just been accelerated by the global pandemic.

The novelty of digital meetings has now become the norm as has "working from home". When it comes to managing the farm finances, more and more bank reviews and discussions are being carried out over the telephone or by digital meeting rather than face to face at the kitchen table. Getting the best out of these meetings requires planning and preparation.

The availability of up to date annual accounts can have a direct impact on the banks' pricing of facilities so there can be a true cost in not keeping these up to date. For increased or new facilities, the bank may well ask for projections - especially if the project that is being funded is likely to alter the farm finances and underlying performance.

If the accounts and projections can be provided ahead of meetings all parties can maximise the effectiveness of the time on the telephone or video call - and more importantly this will improve the chances of getting the answer you are looking for!

We are always pleased to work with our clients in assessing the likelihood of success of an application and help preparing the required information.

THE SUPER-DEDUCTION

WHAT IS IT? HOW DOES IT WORK?

A C Mole Partner and farm tax specialist Rob Selley writes.

In the Spring Budget, the government announced an attractive new company tax relief in order to stimulate the economy by encouraging capital investment. This super-deduction is a temporary allowance, which is in place for the next two years.

The new relief is only available to limited companies to set against corporation tax. Unfortunately, individuals, partnerships and LLPs cannot benefit from the relief.

HOW DOES IT WORK?

For qualifying expenditure between 1 April 2021 and 31 March 2023 taxable profits are reduced by 130% of the qualifying spend; for every £100 spent on qualifying plant, £130 can be claimed against taxable profits.

Based on the current corporation tax rate of 19%, for every qualifying pound a company invests, a tax saving can be made of up to 25p. This is the first time there has been a capital allowance relief above 100% and it has no upper investment limit!

WHAT ASSETS QUALIFY FOR THE SUPER-DEDUCTION?

Most new plant and machinery will qualify for the super-deduction, but it must be new and unused. Second hand assets won't qualify, however businesses will still be able to claim the existing Annual Investment Allowance relief of 100% on expenditure up to £1m until 1 January 2022, when this limit falls to £200k.

Cars have been specifically excluded from the super-deduction, although vans will qualify.

If cash flow is a concern, there is no requirement to fully pay for the assets up front. Purchases made using hire purchase agreements can still qualify.

It is essential to keep good records of any assets purchased, firstly, in order to initially qualify for the super-deduction, secondly because if any of these assets are subsequently sold before the 31 March 2023 there are special disposal rules to follow.

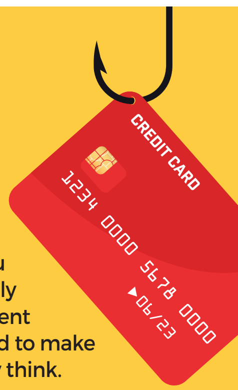
With all capital investment, it is not just the tax savings to be considered. The main aim should be to increase your company profitability. Companies may wish to bring forward planned investment in order to benefit from the super-deduction. However, with the rate of corporation tax increasing to 25% from 1 April 2023, bringing investment forward to utilise the super-deduction may not always generate the highest tax saving.

HMRC SCAMS

If you do receive an email, phone call or text proclaiming to be from HM Revenue & Customs how do you know if it is genuine?

HM Revenue & Customs preferred and most common method of contact is by post. If they do email, phone or text they will never use these methods to notify you of a tax refund, offer you a repayment or ask you to disclose personal or financial information.

To receive emails from HM Revenue & Customs you have to sign up for them and they will address you using the name you provided at sign up. They will not use generic greetings such as "Dear Customer" and they never contain attachments.



Fraudulent emails or texts often contain spelling mistakes and poor grammar. They also often ask you to respond immediately or say they require urgent action. A trick designed to make people act before they think.

HM Revenue & Customs take phishing very seriously and if you do receive a bogus text or email you can report it by forwarding texts to **60599** (charges may apply) and emails to **phishing@hmrc.gov.uk**

Stay vigilant. If you receive an email, call or text from HM Revenue & Customs and you are not sure if it is genuine; if it looks too good to be true, as the saying goes, it probably is. A quick phone call to your accountant could just save you from being caught out.

NEVER STANDING STILL..

Pictured are Richard and Karen Bigwood together with their son Henry and his wife Emma at the family farm.

A C Mole and Sons are proud to have acted for the Bigwood family for over 20 years. Over that time they have grown from a 200 acre tenanted farm with 12 caravans in storage to what they are today - farming 650 acres consisting of approximately 400 acres arable, the rest grass for their herd of 240 pedigree Simmental cattle. The high yielding arable operation sees them finishing bulls in 14 months at 400kg dead weight - all on home grown wheat, barley and silage.

The caravan storage now numbers 550 and this is operated alongside 200 touring and static pitches on their owned sites.

Richard said "we are very much a family business with everyone having an equally important role to play. We all believe our success is down to hard work and paying attention to detail"

Henry added **"we really value our relationship with A C Mole and Sons and whenever we need them, Rob (Selley) is there to offer advice and guidance. We consider them very much members of our team"**

We look forward to continuing this relationship in the years ahead as the Bigwood family continue to build on their success and explore new avenues.

David Perry

Rob Selley

Paul Bradshaw

MEET THE TEAM

A C Mole & Sons partners David Perry and Rob Selley head the team.

David Perry is both a Chartered Accountant and Chartered Tax Adviser and specialises in advising on farm and land related tax issues.

Rob Selley is a Chartered Certified Accountant, a farmer's son and has his roots in the farming community.

Paul Bradshaw is a consultant to the firm and has a lifetime's experience in the banking sector.

Supporting them is a team with many years of practical experience. **The team can be contacted on 01823 624450 or by email:**

DavidPerry@acmole.co.uk
RSelley@acmole.co.uk
PBradshaw@acmole.co.uk

A.C.MOLE & SONS CHARTERED ACCOUNTANTS CHARTERED TAX ADVISERS

A. C. Mole & Sons
Stafford House, Blackbrook Park Ave,
Taunton, Somerset TA1 2PX
T. 01823 624450 F. 01823 444533 E. info@acmole.co.uk

www.acmole.co.uk