RfM Accountants + more

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www.rfm-more.co.uk

# + more news

**Welcome to the autumn edition of our newsletter. We hope you find it interesting and helpful. For more information on any of the matters covered, please contact us using the details on the back cover.**

## RfM gives invaluable support to a vital cause

Emma Murphy and Janet Williams are on a mission. It's a mission that has seen them making a real difference. They have successfully campaigned for changes that will protect the future health of thousands of babies. And they have made influential friends in high places. Here's their story and how RfM is supporting them with their quest.

*Emma Murphy and Janet Williams outside Parliament*

Well before they met and set up in business together, Emma and Janet already had a shared connection – they both have children that have been affected by Fetal Anti Convulsant Syndrome (FACS). FACS is caused when a mother takes one of a number of anti-convulsant drugs during pregnancy to treat her condition. It can affect a child to varying degrees ranging from dysmorphic facial features, cognitive impairments, spina bifida, cleft lip and palate and autistic spectrum conditions.

### A tragic cause and effect

In recent years, the link between a number of epilepsy drugs and disabilities in children has finally been acknowledged by the pharmaceutical companies that make them. For decades the link was denied. But these drugs, due to their effectiveness in managing epilepsy, are still being prescribed to pregnant mothers.

The parallels between the Thalidomide disaster of the 1960s – still affecting the lives of victims today – can't be ignored.

The FACS Association (FACSA), one of two entities set up by Emma and Janet in 2012, is a not-for-profit support group providing information and help to children and their families diagnosed with FACS. The Independent Fetal Anti Convulsant Trust (In-FACT) was also established with the purpose to give relief and assistance to those whose disabilities were caused by FAC Syndrome.

### Official campaign group

In-FACT is recognised by Government as the Official National Campaign Group for FACS.

Their efforts to raise awareness of the condition and effect real change in the way these drugs are prescribed have led Emma and Janet all the way to Parliament. Their cause has been supported by Norman Lamb, former Minister for Care & Support, who has helped form an All Party Parliamentary Group to lobby for changes in legislation.

And their passion and hard work is paying off.

### New warnings

In spring 2016 new warnings and guidance on prescribing the drug sodium valproate to girls and women with epilepsy were issued by the MHRA (Medicines and Healthcare Products Regulatory Agency).

Information booklets to further improve the level of information given to GPs and health professionals will also be produced.

The next major step is to secure a financial Care Plan from the government for those children that have been affected – many of whom are now grown up. The charitable trust will be responsible for protecting and distributing that money.

### A constitutional error

Emma and Janet appointed Alan Meikle of RfM Fylde based in Pilling as he had been their accountant for their previous charity a number of years before. But when it came time to complete the first year's accounts, Alan soon discovered a problem.

"I was not involved in setting up and registering the two entities. It was when it came time to do the first year's accounts that I discovered that the Memorandum of Articles was not set up correctly.

"In order for In-FACT to be able to register as a charitable trust we had to completely re-do the constitution of the company. There was quite a lot of work involved – plenty of paperwork – but now that it's all correct, the charity is in a position to legally operate as a trust."

Emma and Janet have found the support they get from Alan is invaluable.

"Alan has been fantastic at every step. The way we have had to set up the charities is complex – similar in principle to the Thalidomide Trust – but Alan explained everything really clearly," said Janet. "We can't thank him enough for all his support."

You can learn more about FACSA/In-FACT at www.facsa.org.uk

**Find out more about our expertise in not-for-profit organisations at www.rfm-more.co.uk**

For advice on any accounting or business issue, please get in touch. You will find contact details for all our offices on the back cover.

# Small business financial decisions FRS 102 or FRS 105?

In recent years, many companies have been preparing and filing 'small company accounts' under the Financial Reporting Standard for Small Entities (FRSSE). But now FRSSE has been withdrawn and small companies, or 'micro-entities', have a decision to make.

For financial years beginning on or after 1 January 2016, small companies which qualify as 'micro-entities' must make a choice:

- **to use FRS 102, the same accounting standard as larger UK companies but using a reduced disclosure regime (section 1A), or**
- **to use FRS 105, an alternative standard.**

At a glance, FRS 102 introduces some significant accounting challenges including more widespread use of 'fair value' accounting. Whilst this could make FRS 105 seem more appealing, it may not be the best choice for the company.

### Is your business a micro-entity?

To be classed as a micro-entity a company must meet two of the three size limits for two consecutive years. The limits are: turnover of £632,000; total assets of £316,000, and 10 or fewer employees (average over the year).

Certain financial services firms – such as credit institutions and insurers, and also charities – are excluded from qualifying. There are also special rules if the company is part of a group.

### Simplified accounts

Accounts prepared under FRS 105 need only to consist of a simplified Profit & Loss Account, a Balance Sheet and two notes to the accounts. Note: the accounts filed at Companies House do not need to include the Profit & Loss Account.

Company law assumes that micro-entity accounts prepared in this way give a true and fair view. As such, the company does not need to add any further disclosure. If the reduced disclosure regime under FRS 102 is chosen, extra disclosure may be required to ensure the accounts give a true and fair view.

### Simpler accounting

For accounting purposes, FRS 105 is simpler than FRS 102. Of the numerous differences between the two standards, the three most significant are likely to be:

- **Revaluation/fair value of assets**

This is not permitted under FRS 105. FRS 102 allows (and sometimes requires) some assets to be assessed at fair value annually.

Not having to obtain regular fair values could be more convenient and less costly for the business. However, if the company is currently re-valuing properties, and has significant loans and debts against these properties, using FRS 105 would require them to re-value them at 'depreciated cost'. This could reduce the value of the balance sheet significantly.

- **Fewer intangible assets**

Fewer intangible assets are recognised under FRS105. As an example, if the company acquires a business, the purchase price is divided between tangible assets and liabilities, and goodwill. The company would not need to identify separate individual intangible assets, such as customer lists and brand names. Internally-generated intangibles like development costs can also therefore not be treated as assets. Instead, costs such as these must be expensed through profits as incurred.

- **No more deferred tax**

FRS 105 does not allow companies to recognise deferred tax whilst FRS 102 includes deferred tax more frequently than previously.

### Still undecided?

Micro-entity accounts mean that less financial detail about the company is available to Companies House and in the public domain. This could be considered an advantage by Directors but we are waiting to see if this lack of information has a negative effect on company credit-ratings. In addition, company shareholders will also be less well informed by their members' accounts.

Company accounts can, of course, include more information than the statutory minimum. To ensure that directors have enough financial detail to make informed decisions in running the business, we can provide extra analysis of the company's position.

We want to ensure that directors are prepared and informed about the accounting choices for their companies. **To discuss Financial Reporting Standards for your business, please contact one of our offices or enquire online at www.rfm-more.co.uk**

## The Tax-Free Childcare scheme is nearly here

The long-awaited (and much delayed) Tax-Free Childcare scheme is set to launch in early 2017. There will be a phased roll out, allowing parents of the youngest children to apply first, and by the end of 2017, all eligible parents will be able to benefit from the scheme.

### Tax relief on childcare costs

Parents will be able to claim tax relief of 20% of the costs of childcare, up to a total of £10,000 per child per year. As such, joining the scheme will be worth up to £2,000 per child (or £4,000 for a disabled child). To qualify, children must be under 12 years of age within the first year of the scheme (or up to 17 for children with disabilities).

### Are you eligible?

To qualify, all parents in the household must:

- meet a minimum income level
- each earn less than £100,000 a year not already be receiving support through Universal Credit or Tax Credits .

When the scheme launches, parents will be able to open an online account into which they can make payments. The government will make 'top up' payments of 20p for every 80p that families pay in.

### Good news for self-employed parents

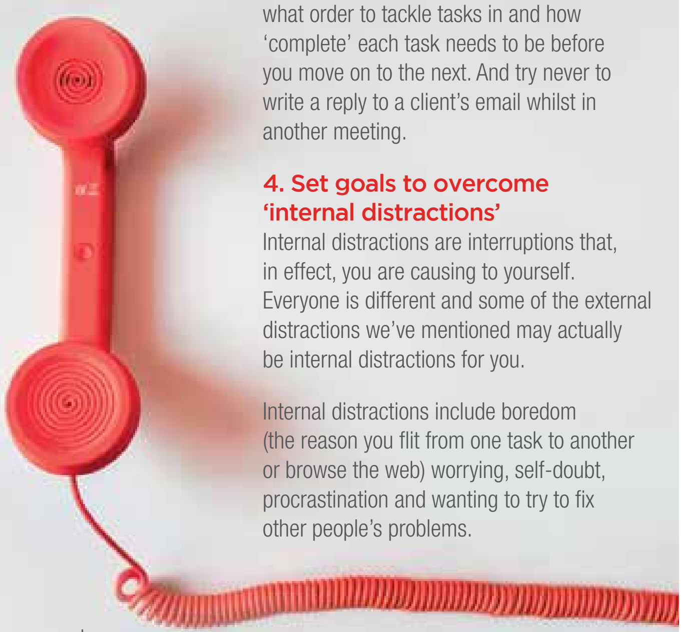
Unlike the current Employer-Supported Childcare scheme, self-employed parents will now be able to get help with childcare costs.

If you are an employee, you will still be able to apply to join an Employer-Supported Childcare scheme until April 2018. Any parents already registered by this date can continue to use the scheme for as long as it is offered by their employer.

### Employers childcare schemes

If you are an employer and you currently have a scheme in place, now is a good time to review your arrangements. The decision as to whether or not it is best for your staff to remain in the existing scheme will depend on a number of factors. You can help your employees by giving them access to advice from the Childcare scheme provider.

# Work interrupted: how to deal with distractions



Research suggests that it can take 10 to 15 minutes to recover your focus after being distracted from a task. With so many distractions in the modern workplace, how can we ever be expected to get the job done?

**Here are 4 helpful tips for dealing with distractions at work.**

### 1. Set aside time in your schedule

Interruptions aren't very polite. Emails, phone calls and instant messages just turn up unannounced, at any time of the day, and always expect you to be available to respond.

If these types of interruptions are stopping you being productive, consider allocating set times in your day for dealing with them. For example, check your emails in the morning, after lunch and at the end of the day – and, of course, close your inbox and turn off alerts at all other times. If it's possible, use voicemail for incoming calls or ask someone to take messages outside your set times. These small steps will allow you to better focus on the task in hand.

### 2. Work around your 'optimum focus' time

If your morning routine involves repeated pressing of the 'snooze' button and you can't speak to anyone before your third coffee, you probably aren't what we'd call a 'morning person'. But, seriously, when you are planning your work schedule, it makes sense to take into account your energy levels at different times of day. If your optimum focus time is in the morning, consider planning in your most challenging work to a morning slot. Do the opposite if you consider you're at your best later in the day.

If the nature of your job allows it, working from home gives you an opportunity to avoid workplace distractions, not least the background chatter of colleagues. To maximise your optimum focus time, why not consider working at home for a couple of hours at the start or end of the day? If the distractions at home are not greater than those at work, that is!

### 3. Don't multitask

You'd think that multitasking would help you to get more done but the opposite can be true. By all means, drink a coffee whilst reading your emails but where your work requires a high focus, plan in one task at a time.

Structure your 'to do' list so that you know what order to tackle tasks in and how 'complete' each task needs to be before you move on to the next. And try never to write a reply to a client's email whilst in another meeting.

### 4. Set goals to overcome 'internal distractions'

Internal distractions are interruptions that, in effect, you are causing to yourself. Everyone is different and some of the external distractions we've mentioned may actually be internal distractions for you.

Internal distractions include boredom (the reason you flit from one task to another or browse the web) worrying, self-doubt, procrastination and wanting to try to fix other people's problems.

All of these are barriers to you getting through your work schedule. It can be helpful to step back and consider why you are allowing yourself to be distracted.

The key to overcoming internal distractions is to set goals. Before leaving work at the end of each day, think what you would like to achieve the following day and the time you will give to each task. Focus on two or three important tasks and set realistic goals.

### Sometimes a distraction isn't a distraction

If you are getting distracted by the same thing every day and you can't eliminate it, minimise it or delegate it, it's probably not a distraction but something you actually should be dealing with. Ensure you give it time to be looked at on your daily schedule.

# What's mine is yours... dividing rental income

Our current tax regime provides married couples and civil partners with opportunities to reduce their income tax liabilities by dividing assets between themselves. However, when it comes to dividing rental income, beware of the traps.

The increases in the income tax personal allowance in recent years have come at the cost of reductions in the band of income attracting basic rate tax. In this tax year, an individual may have £43,000 of income before being subject to higher rate tax. There are a number of opportunities for couples to double that income limit, helped by tax rules which treat asset transfers between couples as tax neutral. But they need to tread carefully to avoid the pitfalls.

### Dividing income from property

At the moment, HMRC appear to be paying close attention to the way that rental income is divided between spouses.

The rules for splitting rental income have not changed for many years. In general, where rent is received from an asset held jointly by individuals who are married to each other and living together, the income is shared equally. Even if the one partner has contributed 90% of the capital to buy the property, their spouse is deemed to receive half the income. This rule works well for many couples.

But what if the couple wish to change how the income is allocated so that the spouse with little other income gets more? It is possible to change the way it is split provided that the couple make a joint declaration, and they are 'beneficially entitled' to unequal shares in the property. A joint declaration is made using 'Form 17'.

### Joint tenants vs tenants in common

If the property is in England, Wales or Northern Ireland, it will often be owned by married couples as 'joint tenants'. If so, the split is 50/50 – even if a declaration of deed is submitted. An important first step is to change the ownership status of the property from 'joint tenancy' to ownership as 'tenants in common'.

Different rules apply to properties which fall within the definition of furnished holiday lettings and those held by a partnership where the spouses are partners.

**If you would like more information on this matter, please contact your RfM advisor.**

# Plan ahead to lessen the Inheritance Tax blow

There is never a good time to think about the unthinkable. But as HMRC reveals a 22% increase in Inheritance Tax receipts for 2015/16, a little forward tax planning now could make a big difference when you die.

The 22% increase in Inheritance Tax (IHT) receipts for the 2015/16 tax year is a steep jump from the average 12% annual increases we've seen since 2010.

Factors contributing to the latest increase include rising property prices and the static IHT nil rate band of £325,000. The rate has been set at this level since April 2009 and is expected to stay at this level until April 2021.

## New relief may reduce IHT for many

The figures highlight the importance of Inheritance Tax planning to mitigate the impact of tax on death. In cases where the assets include residential property that the deceased lived in at some point, a new relief may help remove or reduce IHT tax.

The 'additional main residence nil rate band' will apply to deaths on or after 6 April 2017. The amount of relief is to be phased in over four years, starting at £100,000 in year one, and rising to £175,000 in 2020/21.

For many married couples and civil partners the relief is effectively doubled. Each individual will benefit from a main nil rate band and each will potentially benefit from the additional band.

A significant part of most estates in the £300,000 to £400,000 range will be a main residence. In such cases, the new relief will be effective in removing an Inheritance Tax liability.

## Inheritance Tax planning for larger estates

For larger estates, we have learned that shares and securities make up an increasing proportion of the estate. Planning to mitigate IHT for an estate including these assets would often include:

- Claiming the exemption on the transfer of assets to a spouse or civil partner.
- Gifting assets to charity. A charitable gift removes the gift from the value of the estate. It may also reduce the rate of IHT on the remaining chargeable parts of the estate from 40% to 36% (if at least 10% of the net estate is given to charities).
- Business Property Relief. Assets qualifying for this relief in the main will not be subject to IHT. Business property includes shares in unquoted companies and many shares listed on the Alternative Investment Market potentially qualify.

It is useful to point out that, if the net value of the estate is above £2 million, the additional nil rate band is reduced by £1 for every £2 that the net value exceeds that threshold.

## An up-to-date will

The additional nil rate band will be relevant to many individuals but you must take action to ensure it will be available. Arrange for a review of wills written a while ago to ensure current tax advantages are fully utilised.

To discuss Inheritance Tax planning or for advice on making changes to your will, please contact one of our offices or enquire online.

# Investors' relief could be good for business

In the 2016 Budget, we learned of the future introduction of a new tax relief designed to attract new share capital into unlisted companies. Investors' Relief (IR) is an extension to Entrepreneurs' Relief (ER) but it is a different group of people that will benefit from the scheme.

## How Investors' Relief differs from Entrepreneurs' Relief

Both reliefs are similar in that they provide a 10% capital gains tax rate for shareholdings in trading companies. This is in contrast to the 20% tax rate for higher rate taxpayers. They also both have the same upper limit – up to £10 million of lifetime gains can be made and be taxed at the 10% rate.

ER is aimed at shareholders who own at least 5% of the ordinary share capital of the company and are also officers or employees in that company. By contrast, IR is designed for non-working investors. Late changes to the rules mean that IR may be allowed in some cases where an individual (or someone connected with an individual) is an 'unpaid director' or becomes an employee of the company.

## Weighing up the options: EIS, SEIS, Investors' Relief

Investors and companies seeking additional capital should look at Investors' Relief as an alternative to the Enterprise Investment Scheme (EIS) and the Seed Enterprise Investment Scheme (SEIS).

At first glance, EIS and SEIS look better from the investor's point of view. Both EIS and SEIS give income tax relief on the amount invested as well as complete tax exemption from capital gains. There is no tax relief on IR and is subject to capital gains tax of 10%.

It is the companies looking for investment who may find Investors' Relief far more attractive. IR is subject to far fewer conditions and restrictions than the other two reliefs. To qualify for EIS and SEIS a company must tick all the right boxes in terms of the type of trade, company size, the amount raised, and how and when the monies are invested.

*Businesses excluded from EIS and SEIS could benefit from IR*

## When to choose Investors' Relief

Here are some examples of where IR may be attractive to the company and the investor:

- asset-backed trades which are excluded from EIS and SEIS e.g. farming, property development and hotels,
- larger companies on the Alternative Investment Market. As they are not regarded as 'listed', these companies potentially qualify.

If you are looking for advice on raising funds for your business, or are interested in IR as an investor, contact one of our offices or enquire online.

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| | |
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| RfM Preston | 01772 431233 |
| RfM Ulverston | 01229 582149 |
| RfM Barrow | 01229 820003 |
| RfM Fylde | 01253 790527 |

**Accountants**

| | |
|---|---|
| RfM London | 02073 985685 |

**Chartered Management Accountants**

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|---|---|
| RfM Morecambe & Lancaster | 01524 566190 |
| RfM South Lakes | 01539 445412 |

Email enquiries@rfm-more.co.uk
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