



Regular News from our Specialist Agriculture Team

AUTUMN 2018

National Basic Payment Support Scheme

Rural Economy Secretary Fergus Ewing announced the launch of a National Basic Payment Support Scheme in August 2018, following months of adverse weather conditions affecting farming in Scotland.

Under the scheme, eligible farmers can apply for up to 90% of what they are due for their Basic Payment Scheme 2018 payments. A loan will be advanced on an opt-in basis, and offset against the BPS payments due on an interest free basis.

Farm businesses will receive letters from Scottish Government in mid-September with details of

how to apply. Applicants are urged to apply for these loan payments by 28 September 2018 to be included in the first round of payments which are expected to be made in early October. The scheme remains open after 28 September so if you miss this, please still apply.

1976 all over again?

Many have likened 2018 to 1976 when, for those old enough to remember, a prolonged drought led to reduced potato yields which was more than compensated for by a sharp increase in price. Many farming businesses saw a significant increase in their underlying profits, which at the time was welcome but it did raise the question, "how much tax will I have to pay?"

With the potential for the 2018 harvest to produce a similar uplift in profits, now may be the time to consider various strategies to ensure that tax liabilities are minimised as far as possible. We set out below a range of options.

Farmers averaging

Due to the volatility in the agriculture sector, farmers can average their taxable profits over two or five years. This allows profits to be aggregated together and then taxed on the average value over the set number of years. This can help reduce exposure to tax by taking income out of higher rate tax bands and taxing it at basic rate or being covered by the personal allowance. We have had success in securing substantial tax repayments for clients by utilising averaging over the last few years.

Pension planning

Tax planning around pension contributions has become more appealing over the last few years following changes in pension legislation. A pension contribution increases the individual's basic rate band for tax purposes allowing more profit to be taxed at basic rate rather than higher rate. Targeted pension planning can provide significant tax savings with pension contributions providing effective tax savings of over 50%. Please be aware that pension planning is complex and requires specialist advice.

Discretionary expenditure

Farm repairs attract 100% relief against profits and many businesses have a programme of repairs already scheduled. It may be prudent to undertake repairs ahead of schedule to help manage profits when cash will be available.

Capital allowances provide tax relief on capital expenditure and businesses which are entitled to claim the Annual Investment Allowance (AIA) can write-off up to £200,000 of qualifying expenditure against profits in the year of purchase.

Business structure

When businesses operate as a sole trade or partnership the profits are subject to income tax and national insurance. Currently Scottish income tax payers have five tax rates to contend with, with the higher and additional rate tax being 41% and 46% respectively plus 2% national insurance, for those below state pension age.

An alternative may be to convert to trading as a limited company. Company profits are subject to a flat rate of corporation tax, currently 19% and due to drop to 17% by 1 April 2020. Due to the increasing divergence between income and corporation tax rates, many businesses are choosing to incorporate and trade as a company. Any post tax profits extracted from the company by way of a dividend are likely to be subject to additional tax charges, however, if you can afford to leave the profit in the company then the current rate of corporation tax is appealing. There are many issues to consider before incorporating and advice should always be taken ahead of time.

The correct approach will depend on your individual circumstances. If you feel that 2018/19 is likely to be a more profitable year than normal you should seek advice early or ensure that the correct strategy is in place to manage your tax liabilities.

New trainees boost EQ ranks



Ten new trainees recently gathered for training (photographed) and will be based across all our offices, including five in Forfar and one in Cupar, to support our services to our agriculture clients.

The new trainees include four Accountancy graduates from the University of Dundee, Lia Hay, Melanie Martin, Samantha Turkington and Caitlin Treschman, alongside Aiden McIntyre, an Aeronautical Engineering graduate from the University of Glasgow and Isla Millar and Mark Moseley, both Accountancy and Finance graduates from Heriot-Watt University. Meanwhile, an additional trio of trainees have also joined our Forfar office. Nafeesa Amjad from Forfar Academy and Gareth Lamb, an HND Accountancy graduate from Dundee and Angus College, have both been appointed Trainee Accounts Assistants and Ben Mitchell, a third

year Accountancy student at Robert Gordon University, is also completing his 48 week university placement.

Our graduate recruitment drive is about to begin for 2019. It's our aim to train and develop each and every one of our graduates to become Chartered Accountants who we are proud of, and who can complement the service we provide to our clients. You can find out more information on our graduate vacancies and what our students think about their experiences at EQ via www.eqaccountants.co.uk/careers/graduate-recruitment/.

Making Tax Digital – act now

VAT registered businesses with an annual turnover above the VAT registration threshold of £85,000 will need to keep VAT records digitally and file their VAT returns using Making Tax Digital (MTD) compatible software from April 2019.

April 2019 may seem like a long way off, but if you don't currently maintain your business records on MTD compatible software, then you don't have long to source, set up and become familiar with a suitable alternative.

Traditional desktop accounting software will not provide the functionality required, and although bridging software solutions are available to provide the link into the digital format HMRC will need, this is not a solution we would recommend. Most providers of accounting software do, or will, have a MTD compatible version available by April 2019. There are, however, big variations in the

functionality and costs associated with different software providers. It is therefore imperative that you consider which software provider will best suit your business needs.

Now is the time to do something about this.

At EQ we have extensive experience of the different software solutions which are MTD compliant and can discuss your needs and help you make an informed choice on the best way forward. Contact our accounting support manager **Scott Kennedy** on **01307 474274** or scott.kennedy@amberaccounting.co.uk for assistance and advice.

Working with landed estates

We were delighted to be exhibitors and sponsors at the Scottish Land & Estates Spring Conference earlier this year, which focussed on "Brexit and Beyond – the future for Scottish rural businesses".

The event was very well supported and heard from a variety of speakers, including Fergus Ewing MSP, Cabinet Secretary for Rural Economy and Connectivity and Lord Duncan of Springbank, Parliamentary Under Secretary of State in the Scotland Office.

Our clients have included landed estates in Scotland for several decades and we act for many diverse estate businesses, covering many thousands of hectares throughout Scotland. These businesses demand a service which fits perfectly with our approach and ethos – we like to get to know and understand our clients and their aims and aspirations. To achieve this we appoint a dedicated engagement team to them. The continuity, trust and knowledge we build from

dealing with clients that way over a number of years ensures that we can offer best advice across the range of business and tax issues they are likely to face.

Diversification in various forms is a feature of landed estate businesses and many have moved to enhance existing enterprises or create new ones in the tourism and leisure sector. Again, this plays to our strengths at EQ where we have specialist leisure sector knowledge and experience as we look after many businesses that provide tourist accommodation, restaurants, and other leisure facilities.

If you own, manage or advise a landed estate business and would like to speak to us about the services we offer, please get in touch.

Diary dates

We will again be at **AgriScot, the UK's No 1 Farm Business Event**, at the Royal Highland Centre on **Wednesday, 21 November 2018**. Come and speak to our team about the topical issues of the day and your accounting and taxation needs.

The Farming Scotland Conference 2019 will take place at Carnoustie Golf Hotel on **Thursday, 14 February 2019**. An exciting line up of speakers is being assembled, and will be announced soon. Look out for more information at www.farmingscotlandconference.co.uk and follow @FarmScotConf.

Working with you.

We are always happy to offer free, no obligation, initial consultations, and often act on a consultancy basis only.

For more information on any of the services outlined in this brochure, or to discuss a particular issue with one of our advisers, please contact our Agriculture specialists.

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