Talk to the **EQ Tax**perts
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TAXATION SPECIALISTS

Taxation News

Regular News from the **EQ Tax**perts

AUTUMN 2019

The Autumn Budget

The Autumn Budget has been announced for 6th November. Watch out for our Autumn Budget Summary which will be available shortly after the Budget on our website, **www.eqtaxperts.com**.

Not Only, But Also

Six months ago, we launched our new tax focused website, **www.eqtaxperts.com**. By focusing on real case studies and work done by EQ's Taxperts, we've attempted to demonstrate the breadth of our expertise, but in a light touch manner. more inside >

Not Only, But Also (cont.)

We all know what a taxpert is i.e. an expert in tax so what does an EQ Taxpert offer that is different? EQ categorises its taxperts as "not only, but also". We do not operate a separate tax department as others do but rather, we intensively train all of our client facing people to provide not only great tax advice but also relevant, commercial, strategically important advice. This approach to work means;

- We provide expert tax advice but delivered on a bespoke client basis rather than as a product. EQ delivers services not products
- Our internal standards demand client queries are answered urgently
- Our advice is technically correct, but importantly, commercially appropriate
- We solve problems, we don't create them
- We aim to provide strategic solutions, planning ahead, not sticking plasters for the short term.

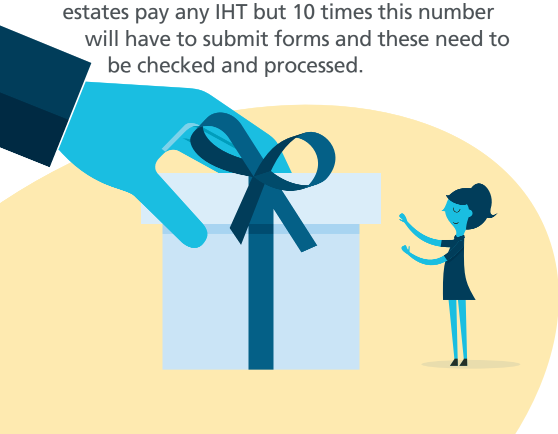
If you have a tax dilemma, a problem that apparently can't be solved or if you simply want to chat about the future, then a meeting with an EQ Taxpert is a must.

Get in touch by calling any of our offices to arrange a chat or meeting.

The Death of the Death Tax?

Inheritance Tax (IHT) has seen little in the way of change over the last decade, the introduction of the residence nil rate band in 2017 being the obvious exception. This could be about to change with a recent paper from the Office of Tax Simplification suggesting changes and our current Chancellor, Sajid Javid, also hinting at radical reform.

IHT brings in around £5.4bn to the exchequer, whilst not a trivial figure, it is significantly lower than many of the other taxes (Income Tax raises £192bn). IHT is also very complex and expensive for tax administrations to deal with, only 25,000 estates pay any IHT but 10 times this number will have to submit forms and these need to be checked and processed.



Mr Javid has suggested at the recent Conservative Party Conference that he may be prepared to scrap or significantly change the current IHT burden. That said, given the current political uncertainty, if a Labour government was to get into power they have said that the IHT rates will significantly increase! So, it is anyone's guess where we will end up.

It has never been a more important time to consider your own Inheritance Tax position, our Private Client Taxperts are here to help you plan and to react to any IHT changes. Please get in touch for more information or to discuss your own circumstances.

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R&D – A Cautionary Tale

Regular readers of this tax bulletin will be aware that EQ are leading providers of R&D tax credits advice in Scotland. We have recently passed the £17m mark in overall savings which has allowed our clients to reinvest in their businesses, staff and infrastructure.

More recently, the R&D market has become ever more populated with new providers. Almost all of our clients are being cold called on a regular basis and set out below are some examples of false promises made;

FICTION - A veterinary practice was advised that all of their large animal treatments delivered on site would qualify.

FACT - Whilst vets perform amazing work, these treatments are what highly qualified professionals deliver, but are not R&D.

FICTION - A partnership was advised that it could claim R&D tax credits.

FACT - Only limited companies can claim R&D tax credits.

FICTION - A client was advised to "just claim a proportion of everyone's salary".

FACT - An assessment of costs should be done diligently.

Overstated or even fraudulent claims carry huge risks for the taxpayer were there to be a suggestion of negligence and any fraudulent claims could carry more severe consequences, including criminal proceedings.

EQ's advice is to seek a regulated provider and to never lose sight of what is credible. Over claiming R&D tax credits will simply signal the death knell of what has proved to be a highly valuable tax relief for innovative businesses.

If you are unsure if what you do would qualify as R&D, get in touch with our R&D Taxperts who will happily discuss with you.

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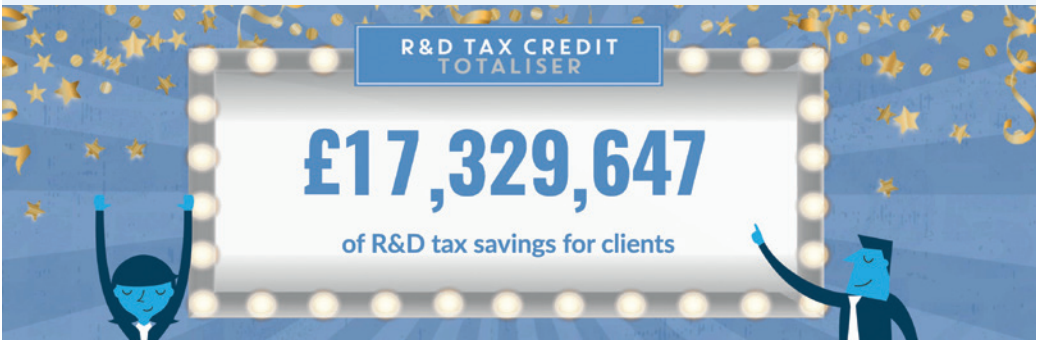

Making Tax Digital Update

The first filing deadline for quarterly VAT returns under MTD of 7 August 2019 passed relatively painlessly. HMRC and industry software stood up to the challenge and over 1 million VAT returns have been successfully submitted through MTD.

If you did not manage to sign up for MTD or successfully submit your VAT return through MTD before the deadline you will not be penalised, provided you filed your VAT return on time using the old HMRC portal. You may receive a letter from HMRC asking you to take action to ensure future returns are submitted through MTD.

If you require assistance in complying with MTD or with your VAT return please get in touch with our EQ MTD Taxperts.

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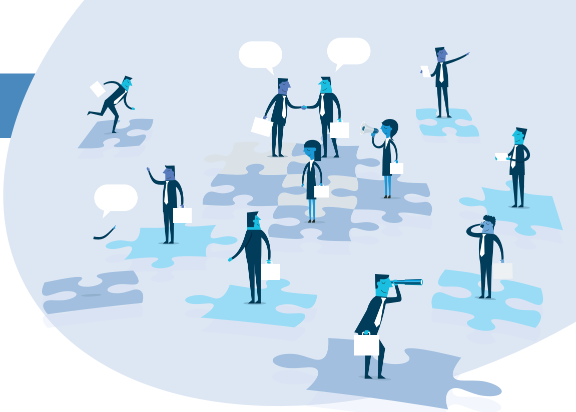
Assessing Your Options



If you are looking to attract and retain talented staff, you could consider offering EMI share options as part of a remuneration package. Not only are EMI schemes a great way to incentivise employees, they are tax efficient and relatively inexpensive to set up.

How does an EMI Scheme work?

Under an EMI scheme, employees are given the option to buy shares in the employer company at some date in the future, but at a price that is set today. The idea is that the shares will increase in value over time meaning when the employee exercises their share options, the shares can immediately be sold at a profit.

EMI share option schemes are extremely flexible. The employer can set options terms and build in specific performance criteria that must be met by the employee before the shares can be exercised.

Provided the shares are granted at their market value at the date of the grant, there will be no tax implications for the employee at grant or exercise. In addition, provided certain conditions are met, EMI shares qualify for the 10% Entrepreneurs' Relief rate when sold.

When might an EMI scheme be useful?

We typically see EMI schemes being used by start-ups given the low option price that can be agreed with HMRC before the company has built up any value. In addition, start-ups find the scheme particularly useful as a tool for attracting skilled employees as they often cannot afford to offer large salaries or bonuses at the outset, but can offer share options with the employee ultimately benefitting once the company has grown.

To find out more about EMI share option schemes, contact our Employer Solutions Taxperts.

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Note To Residential Landlords – Is doing nothing a good answer?

The recent changes to rules over claiming interest costs against rental income have made landlords question whether property ownership is right for them and even if it is, whether transferring ownership to a company might prove beneficial.

EQ have looked at dozens of such proposals and the costs of restructuring are most commonly prohibitive. So what costs are involved in such a change:

- The legal costs of transferring property
- LBTT on the transfer, including the 4% Additional Dwelling Supplement
- Capital Gains Tax on sale
- Security costs for restructuring lending
- Break costs for fixed fee lending
- Professional advice on tax and other consequences.

A combination of these costs can run into tens of thousands of pounds with perhaps only a tax saving of one or two thousand. As is always the case, there is usually a better way so please give our Residential Property Taxperts a call to see what the right road for you is.

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Visit us at the Scottish Association of Landlords, Scottish Landlord Day on 12th November 2019 at Dynamic Earth. scottishlandlords.com/events/scottish-letting-day.

David Morrison will be addressing the attendees with a talk, "Property letting after the world changed" where he will be discussing tax and financing issues.

Does Your Business Have The Right Structure?

Our Transaction Tax team have dealt with a wide range of business restructuring projects in recent months. A number of these projects were undertaken for new clients where we helped them take a step back and re-assess whether their existing business structure was fit for purpose. Whilst the resulting restructuring has taken many different routes, for example changing the structure of company share ownership or setting up a new group structure, there are some recurring themes behind the need to restructure.

One of the most common reasons is due to companies holding certain assets, for example either large cash/bank balances or non-trading assets such as investment properties or listed share portfolios. Objectives behind separating these assets from the main trade of the company include;

1. **Risk management i.e. moving valuable assets away from a riskier trade.**
2. **To prepare for a business sale, for example if either the sellers want to retain an asset or if the buyers might not want to acquire certain assets.**
3. **To ensure the company is treated as a trading company for the purposes of valuable tax reliefs, such as Entrepreneurs' Relief, Business Property Relief and for reliefs available on the transfer to an Employee Ownership Trust.**

If restructuring is the required step then the exact route taken will be different for each case - it is important that the outcome not only allows the owners to continue to operate their business but also allows them to meet their longer-term objectives.

For more information or to discuss your own circumstances, please get in touch with our Transaction Taxperts.

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Minimising Errors In VAT Returns

There are a number of common errors that businesses make when submitting their VAT returns. VAT is a tricky area and there are lots of rules to remember. HMRC can impose penalties for filing incorrect returns so it is important to ensure you are aware of what can and cannot be reclaimed. We have detailed below helpful tips for filling in your VAT return to minimise errors:

- VAT should only be reclaimed where you have a supporting VAT invoice in the business name
- VAT should not be reclaimed on private fuel unless there is a corresponding fuel scale charge
- VAT should not be reclaimed on business entertainment, but should be reclaimed on staff entertainment
- VAT should only be reclaimed on the purchase of a car used exclusively for business purposes
- Only 50% of VAT can be reclaimed on car lease costs where there is both business and private use
- VAT should not be reclaimed on directors' personal expenses paid for by the business
- Partially exempt businesses should be calculating their allowable input VAT reclaim in line with the partial exemption calculation
- Bad debt relief should only be claimed once the invoice is more than six months overdue
- Subject to certain exceptions, output VAT should be charged on the full value of business gifts.

For help with any VAT matter, please contact our VAT Taxperts.

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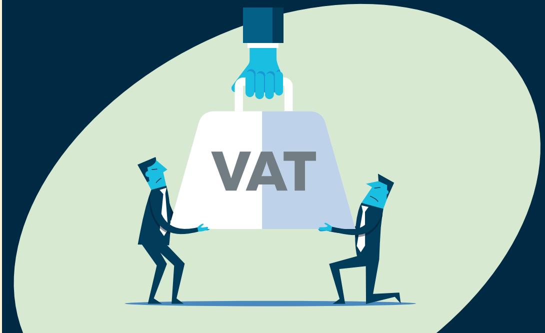

Profile – Natalie Filipovic

How long have you worked with EQ?

I joined EQ in June 2019 as a Tax Senior in the Glenrothes office, having previously completed my tax training with another firm in Dundee.

What taxes do you specialise in?

My main experience and interest is in tax planning for individuals and businesses, including Inheritance Tax, Income Tax and Capital Gains Tax. These taxes affect all of us at some point in our lives, so timely tax planning can save a lot of headaches in the future!

What do you enjoy most about your job?

I enjoy getting to know clients, their businesses and ambitions, and finding the most tax efficient solution to meet their goals. I am involved in a wide variety of work and every client is different, which keeps things interesting. There are always changes in tax legislation, so nothing stays the same for very long and there is always something new to learn.

What are the components of good tax advice?

There is no "one size fits all" when it comes to tax planning, so a good understanding of a client's unique circumstances and business aspirations is essential. A sound awareness of clients' personal values also goes a long way in helping them achieve their desired outcome. When making big decisions it is important to consider both their current circumstances as well as any future needs, however tax shouldn't be the dominant factor. By understanding what the client is hoping to achieve, I can guide them through the options available to them to find a good balance between meeting their objectives and minimising the tax cost.

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