

AGRICULTURAL

SPOTLIGHT

Whitley Stimpson
CHARTERED ACCOUNTANTS AND BUSINESS ADVISORS

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WHITLEY STIMPSON ANNOUNCES MERGER

PLUS: BUDGET 2014: HOW DOES IT AFFECT YOU? + DEFRA'S FORECAST

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WELCOME

Welcome to the Summer 2014 edition of Agricultural Spotlight and greetings to the clients and professional contacts of Baxter Payne & Haigh who may be picking up our Agricultural Spotlight for the first time.

As you will read, it is an exciting time for all associated with Whitley Stimpson and we extend our best wishes to all current and new readers for a successful and prosperous summer season.

WHITLEY STIMPSON ANNOUNCES MERGER



Whitley Stimpson and the Bicester based Baxter Payne & Haigh Ltd have merged. The Whitley Stimpson Banbury and High Wycombe offices will retain their existing name but under a new limited company structure and the Bicester office will be known as BPH Whitley Stimpson.

Malcolm Higgs, Director at Whitley Stimpson said: "This is a very exciting time and opens up a new world of opportunities for our clients and ourselves. The reputation for excellence already commanded by Baxter Payne & Haigh combined with complementary skills and experience in specialist sectors will significantly strengthen our business offering, which already provides a wealth of benefits to existing clients.

The merger is a meeting of minds in both business and cultural terms with the crossover

in practice areas making Baxter Payne & Haigh the perfect fit. I am confident that by coming together we will be creating a firm with a wider portfolio of services".

Stephen Payne, Director, BPH Whitley Stimpson said: "Whitley Stimpson has a rich heritage and shares our approach to business. We have always ensured the firm's growth is built on integrity, objectivity and technical excellence with an emphasis on providing strategic advice that will benefit our clients' bottom line."



Whitley Stimpson first extended its services into Buckinghamshire in 2010 following a merger with Hale Partnership based in High Wycombe. The latest expansion is supported by a rebrand to harness together shared core values, expertise in niche areas and complementary client profiles.

Both the Banbury and High Wycombe offices have very strong agricultural departments representing a large number of farming enterprises. With the new merger of Baxter Payne & Haigh our agricultural team of specialists welcomes the vast experience of Stephen Payne and his team which will only benefit new and existing clients and enables the firm to act for all sizes of agricultural business along the M40 corridor.

Malcolm Higgs concluded: "We are confident that with our new team on board, we can continue to reinforce our position as one of the region's leading accountancy firms. We are very optimistic about 2014 and the continued growth of our company."

Whitley Stimpson has provided financial advice to businesses and individuals for more than 80 years. Traditions such as personal service, value for money and expertise with a genuine emphasis on a director-led service have ensured the retention of many existing clients from early days as start-ups through to achieving multi-million pound success.

BUDGET 2014

HOW DOES IT AFFECT YOU?

The dust has settled on another busy budget day. As usual one or two announcements grab the headlines and a lot of important changes go relatively unnoticed by the media. We have therefore provided a brief guide to matters which may affect those in the agricultural sector.

CORPORATION TAX

The main rate of Corporation Tax paid by the largest companies will fall by 1% to 21% in April 2014 and by a further 1% to 20% in April 2015, therefore bringing it in line with the small companies' rate.

ANNUAL INVESTMENT ALLOWANCE

Since 1st January 2013 the AIA, or the amount at which 100% tax relief is given for plant and machinery additions in a 12 month period, has been £250,000 per annum.

This was due to fall to £25,000 on 1st January 2015 – in fact, we discussed tax planning for this change in our last issue!

However, George Osborne announced that on 1st January 2015, the AIA would in fact increase to £500,000 before falling to £25,000 in January 2016. This is good news for businesses anticipating high levels of plant

and machinery expenditure in the next couple of years as a significant amount of expenditure will get full tax relief in the year of purchase.

INCOME TAX- PERSONAL ALLOWANCE

The tax-free personal allowance for individuals aged 65 or under for 2014-15 has been confirmed to be £10,000 and will increase to £10,500 for 2015-16. The personal allowances for those aged between 65 and 75 and those aged over 75 remain frozen at £10,500 and £10,660 respectively.

From April 2015, a spouse or civil partner will be entitled to transfer up to £1,050 of their personal allowance to their spouse or civil partner. This will only be permitted where neither of the partners are higher rate tax payers but could be worth £210 to each couple. This rate is expected to increase in line with the personal allowance.

INCOME TAX RATES

The rate at which income is charged at 40% has fallen from £32,010 in 2013-14 to £31,865 in 2014-15. This is after the deduction of the personal allowance. When we include the personal allowance, we can see that individuals start paying tax at 40% in 2014-15 when their total income hits £41,865 (up from £41,450 in 2013-14).

CAPITAL GAINS TAX

The annual exemption for 2014-15 has increased by £100 to £11,000 and will be extended by a further £100 to £11,100 for 2015-16. This is the amount of gains an individual can make in any tax year which do not attract Capital Gains Tax.

BASIC PAYMENT SCHEME - CAPITAL GAINS TAX BUSINESS ASSET ROLL-OVER RELIEF

Roll-over relief allows Capital Gains Tax and Corporation Tax on chargeable gains to be deferred where the proceeds received on selling qualifying assets are reinvested into new qualifying assets. These assets are those used in a trade and include land and buildings, fixed plant and machinery, and certain agricultural quotas.

Qualifying assets have now been updated to include payment entitlements under the new agricultural Basic Payment Scheme with retrospective effect from 20th December 2013.

INHERITANCE TAX

The nil rate band will remain frozen at £325,000 until at least 2017-18. This is the amount of an individual's estate which will not suffer Inheritance Tax, subject to any gifts made within the past 7 years.

VAT REGISTRATION

The threshold where registering for VAT becomes mandatory has increased to taxable sales of £81,000 from 1st April 2014. A trader must constantly look back to see if this threshold has been exceeded in the last 12 months. Traders must also register if they anticipate their sales in the next 30 days alone to exceed the threshold.

DIRECT RECOVERY OF DEBTS

It has been announced that legislation will be drafted in next year's Finance Bill to allow HMRC to recover tax debts of over £1,000 directly from taxpayer's bank accounts. This obviously will be of concern to many taxpayers and we will publish more details when they become available.

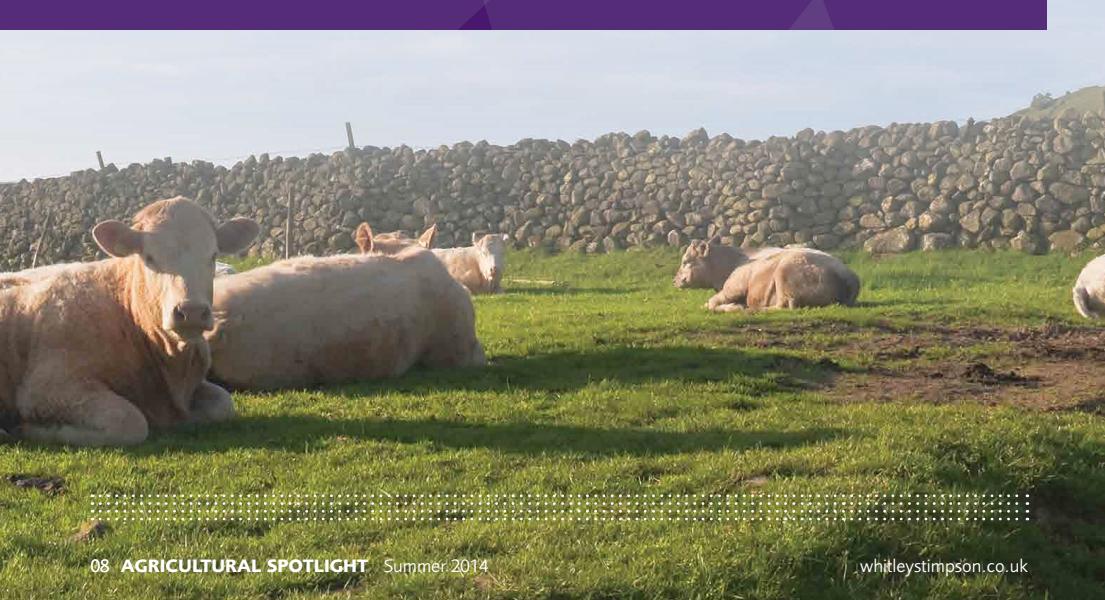
PENSIONS

By far the most fundamental changes came to the pensions sector.

The main changes are:

- ▶ From April 2015, those with a personal pension will be able to draw it down in full after age 55 and only pay their marginal rate of tax (i.e. 20% / 40% / 45%). There will be no requirement to purchase an annuity.
- ▶ 25% of the pension pot will remain tax free. Until April 2015, the amount of overall pension wealth you can take as a lump sum has increased from £18k to £30k.
- ▶ And the amount of guaranteed income needed in retirement to access flexible drawdown has fallen from £20k per year to £12k per year.
- ▶ The maximum amount you can take out each year from a capped drawdown arrangement has increased from 120% to 150% of an equivalent annuity.
- ▶ The size of a small pension pot that you can take as a lump sum, regardless of your total pension wealth, has increased from £2k to £10k.
- ▶ The number of personal pension pots you can take as a lump sum under the small pot rules has increased from two to three.

If you are concerned about how your business will be affected by any of these changes, please contact a member of the agricultural team at Whitley Stimpson.



DEFRA'S SINGLE START DATE WATCH YOUR CASH FLOW

From 2015 onwards, all new agri-environment agreements will have a single start date of 1st January in every year, rather than monthly start dates as at present. From the same date, the claim periods for all current Environmental Stewardship (ES) agreements (including those which started in 2006 and those starting in 2014) will be re-aligned to a January to December year.

This means that, for example, an agreement starting on 1st May and ending 30th April would be re-aligned so that the claim period is synchronised to January to December, with annual payments being for work undertaken from January to December, rather than for May to April.

These changes do not affect the total amount received under your agreement, however the timing of some payments will change. For agreements that habitually start in February to December there will be a one-off 'alignment payment'. This payment will cover any outstanding months up to 31st December 2014. For example if your usual payment is made for the period ending August 2014, you will then receive an alignment payment for September to December 2014.

The timing of this alignment payment is as follows:

- ▶ If your current agreement starts before July 2014, you will receive the alignment payment by May 2015.
- ▶ If your current agreement starts on/after 1st July 2014, you will receive the alignment payment between September and December 2015.

Therefore in 2015, agreement holders could receive an extra payment and then have to wait longer for the next annual payment; or alternatively they could receive a reduction in their expected annual payment. This would affect cash flow and potentially cause agreement holders to change their business plans accordingly.

All subsequent payments will then relate to the calendar year from 1st January 2015 and from 2016 will be paid as follows:

- ▶ A partial payment by December and;
- ▶ An End of Year payment by June in the next calendar year.

This is a complex issue and farmers and landowners are being advised to check their entitlements with Natural England to ensure that they are aware of how their payments will be affected. Natural England's customer service helpline is 0300 0600 011.

We understand that cash flow is fundamental to the growth and success of your business. For advice on forecasting cash flow or on how to improve your relationship with your bank, please contact us.

NEW LEVY ON HGV ROAD USERS

With effect from 1st April 2014, the HGV Road User Levy introduced a charge on all lorries in excess of 12 tonnes maximum authorised mass using UK roads. The charge will depend on the size of the vehicle but will be up to £1,000 per year or £100 per day. For the majority of UK operators this will not mean an increase in costs as they will be compensated through a reduction in the Vehicle Excise Duty. However, foreign registered vehicles will have to pay the new levy which may result in increased costs for haulage.



SEASONAL WORKERS THE NATIONAL INSURANCE PROBLEM

Under the Seasonal Workers Scheme (SAWS), the Department of Work and Pensions (DWP) used to fast track applications to issue National Insurance numbers for seasonal workers.

However following the abolition of SAWS, the DWP no longer offers this option. The result of this is that all seasonal employees without an NI number will have to have an interview with the DWP to get one.

After discussions with the NFU, the DWP has agreed in principle that where farmers and growers who previously employed SAWS staff are willing, then the department may meet with the employees on-site provided there are sufficient employees and facilities available.



If you believe you may require your seasonal employees to obtain National Insurance numbers and are willing to host the interviews on the farm, then please contact your regional DWP contact for further information.

Contact details can be found at nfonline.com/st-info-pack-v5/

Please remember that employers are required by law to report their employees' NI numbers. Social Security regulations require employees to supply their NI numbers to their employer.

GOVERNMENT SEEKS TO CLOSE PARTNERSHIP TAX LOOPHOLE

The government has recently published draft legislation which seeks to combat what it sees as aggressive tax avoidance by so called "mixed-member partnerships". These are genuine partnerships where at least one member is a company, or other non-human entity.

These structures have been used by some partnerships so that profits are allocated to companies who pay business tax at lower rates than individuals, so that the overall tax liabilities of the business and the controlling individuals are reduced significantly.

New incoming legislation will address this by allowing HMRC to re-allocate profits and losses in a mixed partnership where they believe tax avoidance is taking place.

This would apply where an individual (A) is in a mixed partnership with, for example, a company (B) and the following conditions are met:

- ▶ A is perceived as having his profit attributed to B as a profit share in a way that could lead to A paying less tax;
- ▶ B's profit share exceeds an "appropriate notional profit";

- ▶ A has power to enjoy B's profit share (effectively they are able to take profits from B); and;
- ▶ A's share and the relevant tax are less than they would have been in the absence of A's power to enjoy.

So where A owns B, sends the majority of the partnership profit to the company to be taxed at lower rates, then extracts the profits from the company by way of tax-free dividends, then A will be shown to be taxed less than he should have been.

HMRC would then overrule the profit allocation to a reasonable arm's length profit share.

There are often genuine commercial reasons for setting up a partnership structure in this way and the government claims that arrangements where profits are allocated at arm's length and not intending to secure a tax advantage will not be caught by the new rules.

If you are involved in a partnership with a corporate partner and you think that you could be caught by the new rules, please contact us for a review of your tax situation.

TALK TO SOMEONE WHO UNDERSTANDS THE REAL ISSUES

Accounting for agriculture, farming and rural business is a specialist area that requires expertise and an understanding of the industry. Our dedicated team come from farming backgrounds and offer a clear understanding of the issues facing farmers.

We provide professional knowledge and hands-on experience in the agricultural sector. We have worked with agricultural businesses for over 80 years, providing the expert advice that is required to help you enhance the potential of your farming business.

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A list of directors is available for inspection at the registered office. Registered to carry on audit work in the UK & Ireland and regulated for a range of investment business activities by the Institute of Chartered Accountants in England & Wales. Details about our audit registration can be viewed at www.auditregister.org.uk, under reference number C003795019.

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