

## Making Tax Digital - all you need to know

Making Tax Digital seems to be a phrase you can't escape from at the moment, particularly if you have a business and need to file your VAT returns. Whilst it's implemented and working well for some there are others who are still a bit confused as to how to proceed and what the options are.

We caught up with our Accounting Solutions Directors Claire Barringer and Roman Pathak to find out how MTD is helping our clients.



Roman Pathak

Claire Barringer

### How has the MTD Rollout been?

**Claire:** We were really prepared for MTD and digitisation and started reviewing this with clients as soon as MTD was first announced so when it came to deadline day their systems were in place and ready to go. That gave us the experience to get all our other clients on board seamlessly. Ironically it's been some of our larger clients with their own bespoke software that have taken longer to move over.

### There must have been some hurdles?

**Claire:** Of course, sometimes the directives from HMRC haven't been very clear, which has led to confusion for some businesses meaning they haven't signed up. We anticipated this might

happen and so we ensured that we were involved in the pilot schemes so that we understood the whole process clearly and could support our clients with total certainty and efficiency.

**Roman:** The key thing is that clients sign up in the very first instance. We've published a step by step guide that simplifies the directives from HMRC so that businesses can manage the process smoothly.

Check out the table below for filing and sign up deadlines.

### You mentioned some businesses with bespoke software need more help, how do you support them?

**Claire:** For instance, sometimes we have subsidiaries reporting in a different base

currency which means their system can't talk to the MTD portal. Some of our clients have been quoted astronomical sums by software providers to install bolt on solutions to solve this but it's not necessary.

**Roman:** We did some research on the various Bridging Software available and we found a solution that is easy to set up, very cost effective and straightforward to use. A number of our clients have already successfully submitted through this.

### Obviously MTD is a legal requirement and so businesses don't have a choice but what are the real benefits for businesses?

**Claire:** Whenever people are forced to make changes it's easy to feel negative about it. Most of us had to embrace online banking when we might have been reluctant but who would be without it now? It's the same with MTD and digitisation. It has revolutionised things for one of my clients who was constantly losing VAT receipts. We know he is never without his phone so now he uses the Receipt Bank App and photographs every receipt as he gets them – he's claiming more VAT than ever before!

*cont. overleaf...*

RETURN FREQUENCY	FIRST RETURN DUE UNDER MTD	MTD SIGN-UP DEADLINE	FIRST MTD FILING DEADLINE
Monthly	April 2019	30th May 2019	7th June 2019
Quarterly Mar/June/Sept/Dec	June 2019	30th July 2019	7th Aug 2019
Apr/July/Oct/Jan	July 2019	29th Aug 2019	(Sat) 7th Sept 2019
May/Aug/Nov/Feb	Aug 2019	27th Sept 2019	7th Oct 2019

## Making Tax Digital - all you need to know (continued)

**Roman:** We have another client who is incredibly organised and files in great detail so she didn't initially think there would be a benefit. Digitising her filing means she can access critical information in the blink of an eye, saving her untold amounts of time.

**It sounds like Rayner Essex are on top of things when it comes to MTD and Digitisation. What would you suggest to those businesses that haven't yet signed up?**

**Claire:** Don't see it as a burden, review your current processes and you will find opportunities for efficiencies when digitising for MTD, remember it's got to be done and we can guide you if need be.

**Roman:** We have an expanding team of 25 in our Accounting Solutions Department and it's proving to be a growth area for us. Nicola Scofield is our Cloud and Digital Solutions Advisor which is a new role with the sole purpose of supporting existing and new clients in making the right decisions when opting for a digital solution.



Nicola Scofield

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## Probate issues

A substantial increase in probate fees was planned for April 2019, but is still making its way through parliament, due to pressure of other business. The media has been quick to call this a new 'death' tax. Strictly speaking, however, this is an 'enhanced fee', rather than a tax. It would apply in England and Wales, not Scotland and Northern Ireland, which have their own procedures.

The change would replace the long-standing flat rate scheme, with its fixed fee of £155 for a solicitor's application, or £215 for a personal application. The new rules would set fees depending on the size of the estate (before inheritance tax), with no discount for applications via a solicitor. Whilst estates worth less than £50,000 would be exempt, the change would have particular impact on higher value estates.

Value of estate before inheritance tax	Fee
Up to £50,000	Nil
£50,000 to £300,000	£250
£300,000 - £500,000	£750
£500,000 - £1 million	£2,500
£1 million - £1.6 million	£4,000
£1.6 million - £2 million	£5,000
Over £2 million	£6,000

While the changes are pending, there is a temporary process in place for applying for probate, and estates will not incur the higher fees if applications are lodged before the fee changes take effect. Probate registries will thus, exceptionally, accept applications for probate before HMRC has processed the necessary inheritance tax account. Applications should contain a note to say that appropriate inheritance tax forms will be submitted 'shortly'.

**If you would like to find out more,  
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# Don't lose out when disposing of your business

Entrepreneurs' Relief (ER) is a valuable tax relief for those disposing of a business. It can give access to a 10% rate of capital gains tax, subject to a £10 million lifetime limit. ER is potentially available to company shareholders, owners of unincorporated businesses and trustees. But for a claim for ER to be successful, close attention to the detail of the rules is critical - and important new conditions have recently been added.

## New ownership period

Ownership conditions apply throughout the period up to the date of disposal. Budget 2018 brought change affecting all business owners and shareholders looking to claim ER. For disposals on or after 6 April 2019, the necessary qualifying period of ownership is extended, becoming two years, rather than one. Where the claimant's business ceased, or their personal company ceased to be a trading company (or holding company of a trading group) before 29 October 2018, the one-year qualifying period still applies.

## Company shareholders and trustees

For company shareholders, and trustees who are company shareholders, there are new rules on what constitutes a 'personal company'. An individual must, throughout the relevant qualifying period:

- be a company employee or office holder
- hold at least 5% of the company's ordinary share capital and
- be able to exercise at least 5% of the voting rights and
- satisfy either the distribution test, or the proceeds test.

The conditions in the last bullet point are the new conditions added recently.

Note that for trustees who are company shareholders, the qualifying beneficiary of the trust must (had they owned the shares personally) fulfil these criteria, and pass either the distribution or proceeds test.

## Distribution test

For disposals on or after 29 October 2018, Budget 2018 introduced the requirement that an individual must satisfy the 'distribution' test. By virtue of their holding, an individual must be entitled to at least 5% of the company's profits available for distribution to 'equity holders', and 5% of the assets available for distribution to 'equity holders' in a winding up. Note that the basis is profits available to equity holders, rather than shareholders: this has wider impact.

Unfortunately, this could impact companies genuinely issuing different classes of shares - sometimes known as 'alphabet' shares - to different shareholders. As different classes of shares have different rights, alphabet shareholders may not meet the distribution test. The existence of preference shares could also affect the outcome.

## Proceeds test

To address this, the government introduced an alternative test, based on proceeds on disposal.

For disposals on or after 29 October 2018, the individual must, in the event of a disposal of the whole of the ordinary share capital of the company, be beneficially entitled to at least 5% of the proceeds.

Here the 5% threshold is computed by reference to the market value of the company at the end of the qualifying period, but the test will need to be met



throughout the two-year holding period (one year for disposals before 6 April 2019). This could mean – in situations where the new distribution tests are not met – that it would not be apparent whether ER will be available until shares are actually disposed of.

## Review now

These changes will impact many claims for ER, and we would strongly recommend that you review your eligibility for ER now.

If your current shareholding fails to qualify under the distribution test, and may not qualify under the proceeds test, your qualifying ownership period has ended. To reactivate eligibility for ER, action to change shareholding will be needed. Please do not hesitate to contact us to discuss whether you need to act to ensure ER will be available on any future disposal.

**If you would like to find out more, please contact:**

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## Client Feedback

Recently we sent out our Client Survey to help us understand our client's view as to what we do well and also where we might be able to improve. We're preparing a full report which we will be circulating but in the meantime here are some of the comments we feel proud to have received. Thank you to all of you that took part.

Rayner Essex team are always on hand to answer our queries or advise as required. We have a really good working relationship.

Good technical skills  
Very responsive.  
Easy to work with.

Excellent knowledge,  
always helpful and  
accommodating.

Extremely helpful.  
Excellent head staff  
and always make an  
extra effort to help.

Expertise.  
Up to date knowledge.  
Friendly and caring  
service.

Friendly - Quick to  
respond - Offers a wide  
range of services.

They answer my  
questions rather than  
dodge them.

Good long term business  
relationships. Helpful  
friendly people who are  
also highly professional  
and have high level of  
technical expertise.

I like working with  
the team I feel they work  
with us rather  
than for us.

## One Click Portal



We also picked up from our survey that we could have a better portal for securely exchanging and approving documents and so we are pleased to announce that **One Click** is now live and you should have received an activation email which will take you through the set up. If you have any queries or difficulties please do get in touch and we will be happy to help.

### DATES FOR YOUR DIARY



**AUTUMN  
EVENT**  
Location:  
St Michael's Manor



**ST ALBANS  
GOLF DAY**  
Location:  
Verulam Golf Club



**VERULAM  
LUNCH CLUB**  
Location:  
Verulam Golf Club



**ARAB BRITISH  
CHAMBER EVENT**  
Location:  
ABCC in London

Please see our website for further details: [rayneressex.com](http://rayneressex.com)

## London Golf Challenge for RNIB



On a wet day in early June we hosted our London Golf Challenge at Bush Hill Park Golf Club. The recipients of the event were RNIB who organised a fantastic putting competition with 'sim specs' which simulate a variety of degenerative eye conditions. As if putting wasn't hard enough! The event raised £2500. Thank you to all those who took part.



## Bloomsbury Lunch Club

Women's boxing was showcased at our July Bloomsbury Lunch Club and we announced the new athletes we're sponsoring through SportsAid. We are delighted to be supporting rower Julian van Gelderen and cyclist Ellen Bennett for the next year. At the well attended event we were treated to a fantastic demonstration of boxing by the very talented Caroline Dubois. The picture shows Ellen Bennett receiving her cheque from Tim Sansom of Rayner Essex.

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