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Farming Matters

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RENNIE WELCH

accountants : audit . tax . investment . IT

Welcome

Welcome to our seventh edition of Farming Matters.

Hopefully by the time you are reading this we will have seen the last of the snow for a while and Spring will have sprung. The weather of late is just one of the challenges farmers have had to deal with recently, but hopefully some of the articles in this newsletter will make a start at addressing some of the issues that need to be dealt with in the near future.

One of the main buzzwords at the moment is 'MTD' or 'Making Tax Digital', and you will have read a bit about this new tax system in some of our previous newsletters. This new tax system will require businesses, self-employed individuals and landlords to use software or apps to keep their business records digitally and to report this information to HM Revenue & Customs on a quarterly basis. As things stand at the moment some businesses (those VAT-registered traders with annual VATable turnover of more than £85,000) will be required to report on this basis from their first VAT period that begins on or after 1st April 2019. If you don't already have procedures in place to meet the requirements of MTD, our article on cloud accounting may help to set the wheels in motion.

With the dawn of a new tax year we felt it appropriate to provide an update on wage rates, both under the National Minimum Wage and the Agricultural Wages Board, along with some additional information regarding dog allowances and pensions.

This then takes us on to the Scottish Rate of Income Tax (SRIT), which is perhaps a more pressing issue at the moment, as it came into force this month. As you will see from our article on the matter, a number of different tax rates have been introduced for different wage levels. We will explain how these are applied and how to identify employees that require to be taxed using the SRIT. This will no doubt cause many employers a headache, and none more than those with a number of employees, some of whom are resident in Scotland, and some in England.

Finally, we have some lighter reading in the form of a reflective interview with Ron Wilson, who recently retired as Secretary and Treasurer of the Border Union Agricultural Society after 20 years of service.

I do hope you find these articles useful, but as always if there are other topics that you would like to see covered, please do not hesitate to let us know and we will endeavour to include these in a future edition, as we aim to deliver a dynamic and interactive bulletin.

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A number of different tax rates have been introduced for different wage levels.

Scottish Rate of Income Tax

During the Scottish Budget in December 2017, it was announced by Finance Secretary Derek MacKay that there would be major reforms to the way in which individuals classed as 'Scottish taxpayers' would be taxed on their income.

This involved the introduction of two new tax rate bands and as a result means that from April 2018 there will be a new five tier income tax system for individuals classed as Scottish taxpayers. A new 'starter rate' of 19% will apply to income between £11,850 and £13,850. Individuals earning up to £24,000 will be taxed at the 20% basic rate and a new 21% 'intermediate rate' will apply to earnings in excess of this up to the basic rate band of £43,430.

It was originally announced that the basic rate band was to be increased to £44,274 – an increase in line with inflation – however, due to an anomaly in the Finance Secretary's original plans, which would have seen individuals earning between

£43,525 and £58,500 receiving a tax cut, the basic rate band will now only increase by 1% from £43,000 to £43,430.

Individuals earning over £43,430 will pay an increased higher rate of 41% on income up to £150,000, and an increased additional tax rate of 46% will apply to any individuals who earn in excess of this.

The result of these changes means that an individual classed as a Scottish taxpayer who earns over £33,000 will end up paying more in income tax than they will have in the 2017/18 tax year. An individual earning over £26,000 will be paying more in income tax in Scotland than an individual situated elsewhere in the UK.

The new Scottish rates apply only to non-savings income, and do not apply to other income such as bank interest and dividends, which will continue to be taxed at the same rates as the rest of the UK.

An individual will be classed as a Scottish taxpayer where:

- They have a 'close connection' to Scotland; or
- Where there is no close connection to Scotland, they spend at least as many days in Scotland as they do in the rest of the UK.

An individual will have a close connection to Scotland where their single main residence is located in Scotland. If an individual has a residence in both Scotland and another part of the UK, they will have a close connection to Scotland where their 'main place of residence' is located in Scotland and they spend at least as much of their time during the tax year at this residence as they do at any other residence in the UK.

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The new Scottish tax bands and rates can be summarised as follows:

Band		Rate
£11,850* - £13,850	Starter rate	19%
£ 13,851 - £ 24,000	Basic rate	20%
£ 24,001 - £ 43,430	Intermediate rate	21%
£ 43,431 - £ 150,000**	Higher rate	41%
£150,001 +	Additional rate	46%

*Assumes that an individual is entitled to the full UK personal allowance

**Personal allowance is restricted by £1 for every £2 of income that exceeds £100,000



Cloud Accounting

Accounting software is seeing a huge revolution, in both features and accessibility. This is partly driven by the advent of Making Tax Digital but also by technological advancements. It has never been easier to raise sales invoices or reconcile your bank, meaning you are able to see your accounting figures on a real-time basis.

The move to 'cloud accounting' is gathering pace and is an alternative to the traditional desktop software which is installed directly on a PC or laptop. Cloud computing allows you to access the service through the internet, with users logging into the software with a user name and password, wherever they have access to a web browser. Many software companies are also releasing apps for mobile phones and tablets which in turn give the user access on the move.

With no programs to install, no back up routines required and regular upgrades automatically applied by the software provider, the anytime, anywhere access is proving very popular with clients.

Cloud software is generally paid on a monthly subscription so there is no initial investment needed for software or installation. Many providers allow for multiple users, with varying access rights, and your accountant also has simultaneous access. This allows us to collaborate with you easily, as well as support any queries you may have as we are able to see exactly the same data as you. It also means data is available to us instantly at your year-end.

Functionality of programs is excellent. For example, you have the ability to link your internet banking to the program and download transactions. The system is then able to automatically match entries already in process or alternatively create new entries from a set of rules. Sales invoices can be raised and emailed directly to customers, resulting in a reduction in paper and postage costs, while follow up emails to request payment can be automated for those slow paying customers. Information about your business performance is displayed in a clear format allowing you to keep an eye on how you are doing throughout the year. Budgets can be recorded with variances viewed and cash flow forecasting is available.

Some cloud accounting companies are now giving you the facility to take a photograph of your receipts on your mobile phone and submit them directly to your data, using optical character recognition software. There are many separate apps being developed by companies which will allow you to link stock, till systems (Epos), etc. into the software, saving time on rekeying data.

We have fully accredited staff experienced with Xero, Quickbooks, Free Agent and Kashflow, and are happy to demonstrate software to you. We can also help with program setup, training and ongoing support. Data currently held on many desktop packages can be converted to new systems, so no information will be lost.

Making Tax Digital, which means figures will have to be submitted to HMRC on a quarterly basis, starts to come into effect in April 2019, so now is the time to get organised. To arrange a software demonstration, or if you require any further information, please contact Gail Kristiansen in our Kelso Office.

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Ron's reflections

After 20 years of service, December 2017 saw Ron Wilson retire as Secretary and Treasurer of the Border Union Agricultural Society. Ross Tinlin recently caught up with Ron to look back at his time with the Society, and to find out what he has planned for his retirement.

Over the years Ron has overseen huge changes to the Society. "A massive investment has been made, getting the infrastructure in, services underground and of course the wonderful Springwood Hall, which meant that the whole business grew because of this. It's really a very busy place now and it grew around us so it was wonderful to be part of the team that managed to run it. I think we can proudly say that it is one of the most up to date facilities of regional Showgrounds in Scotland and probably in the UK."

Ron was quick to point out that he couldn't have achieved what he has without the help of others. "I have been very lucky; I have had 10 Chairmen and not a bad one among them." Over the years he's had help from various assistants, directors, countless volunteers and of course his wife, Joan. "She has been tremendous. She has had to eat, sleep, dream and talk about Border Union for 20 years with me, but we have worked very much as a team and I always say that I am the front man and she is the brains behind it."

Over the years there have been many highlights but when pushed for a favourite: "It's really pretty difficult or possibly unfair to pick out three or four because there are loads of highlights and I may say there were quite a lot of, if we can use the same terminology, 'low lights' as well, such as the foot and mouth outbreaks."

As for Ron's future, "well, the first thing is I am going to have a wee rest. It's a funny thing doing 20 years in anything and then suddenly, 'bang it stops'. So you are bound to miss it to begin with but I have got various other 'small irons' in the fire such as Robert's new venture, Fluffy Moos, but the first thing is that we are going out to Australia for a month to visit family. I'm not sure if relax is the right word but it will certainly be different."

Ron can now attend the Annual Show, Ram Sale, etc. without the stresses that go with organising such events: "Let's hope the sun shines!"

We wish both Ron and the Border Union Agricultural Society all the very best in their respective futures.

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Pensions



All employers will now have staged for auto enrolment workplace pensions, the law introduced in 2012 that all employers must provide a pension scheme for employees. This law has been phased in over the years for employers, with staging dates being staggered depending on the size of the workforce employed. All current employers will have staged by early 2018 and all new employers must provide a pension scheme for their workers from the date they register for PAYE with HM Revenue & Customs.

The law states that minimum employee and employer pension contributions require to be paid for any employees enrolled into the workplace pension scheme. The initial contribution rates were set at 1% for both employee and employer and 1st April 2018 sees the first increase in these rates followed by a further increase from 1st April 2019.

The table below details the increases due:-

Date	E'ee Cont	E'er Cont	Total
1st April 2018	3%	2%	5%
1st April 2019	5%	3%	8%

Wages

1st April 2018 sees an increase in the National Minimum Wage rates together with an increase in the single minimum hourly rate per The Agricultural Wages of Scotland.



It has been announced that the National Minimum Wages rates will increase as follows:-

Age	Apr 2017	April 2018
25 and over	7.50	7.83
21-24	7.05	7.38
18-20	5.60	5.90
Under 18	4.05	4.20
Apprentice	3.50	3.70

Of course Agricultural Wages of Scotland have a single minimum hourly rate which applies to all agricultural workers irrespective of age and duties and this will increase from £7.50 per hour to £7.83 per hour. An additional sum of £1.20 per hour is payable for workers with the appropriate qualification. Workers who agree to undertake an SCQF level 4 or 5 in Agriculture/Horticulture (or equivalent) must be paid a minimum of £5.00 per hour.

The minimum overtime rate for a worker in the first 26 weeks of employment is payable at 1.5 times the minimum hourly rate after 48 hours per week. After 26 weeks of employment the minimum rate remains the same but is payable on hours worked after the basic 39 hours per week.

The dog allowance has increased from £5.60 to £6.00 per dog per week for a maximum of 4 dogs.

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What would you like to see covered?

If there are topics that you would like to see covered in future issues please let us know and we will endeavour to include these going forward. Please contact Isla Young on 01573 224 391 (isla.young@renniewelch.co.uk).

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