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## Spring is in the air!

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**With the 31 January tax filing deadline just behind us, the imminence of another tax year-end seems somewhat premature. But as we spring into March, April 5th is just a stone's throw away and that means that time is running out on your year-end tax planning.**

Check out our Top Ten Tax Planning tips for you, your business and your family.

Over the past 12 months, we have helped our clients secure close to £10million in new finance. In a special article in this issue, we set out what you need to do to get your hands on the cash if you are considering a new property, a new venture or a new product.

Tax is always topical – we provide an update on compliance requirements and a reminder of key changes in the months ahead as we move into a new tax year.

And our Restructuring and Insolvency team provide an update on recent insolvency case law and regulation relevant to Northern Ireland business owners and individuals facing financial pressure.

**For additional information on any of these articles, contact our office on 028 8772 4697 to arrange a free initial consultation.**

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# Top 10 Tax Planning Tips

## Pensions

The annual limit for placing funds in a personal pension plan is £40,000. You can catch up on the pension contributions you could have made in the previous three years so long as you had a pension plan in place right up to that point. The benefit is that if you are a 40% or additional rate tax payer, qualifying pension contributions will help extend your 20% basic rate tax bracket.

Limited companies also obtain tax breaks for pension contributions made on behalf of their employees.

## Gift To Charity

Similarly, gifts to registered charities will help reduce your personal tax bill if you are a higher rate tax payer. And don't forget to Gift Aid it. This will mean more cash for the charity too.

## Annual Investment Allowances

Claim immediate tax relief with spend on plant, machinery, fixtures and fittings of up to £200,000. And don't forget costs in bringing the plant to use are also allowable.

## Dividends

The annual dividend allowance is falling from £5,000 to £2,000 from 6 April 2018. Make sure you vote dividends where reserves allow to get the maximum tax benefit when you can. You don't have to take the cash, you can post the dividend to a loan account, but this needs to be included in your tax return.

## ISAs

Individual Savings Accounts have been around for close to 20 years now. We each have an annual allowance of £20,000 to put away in our ISA. What that means is that any interest you earn on funds invested is free of tax. There are lots of ISA products now on the market – Cash ISAs, Stocks/Shares ISAs,



Junior ISAs, Lifetime ISAs (LISAs) and help to buy ISAs. Always take financial advice before investing – but don't waste your allowance. Come 6 April, it's gone and you are back to having the standard annual allowance for 2018/19.

## Capital Gains Tax Exemption

You have a capital gains tax exemption of £11,300 for this tax year. That means that you and your spouse (if you have one) can receive £22,600 capital gains before paying any capital gains tax. Remember, gains on shares, investments and property all fall into this.

## Marriage Allowance

If neither you or your spouse are higher or additional rate tax payers, you can transfer 10% of your unused tax free allowance between each other. That works out at additional income of just over £200 per year. And if you were eligible since 2015 and haven't claimed, you can still make a claim going back four years.

## Consider Investing In EIS, SEIS or VCT Schemes

These are tax efficient investments sometimes referred to as tax reducers. You receive immediate tax relief at a rate of 30% of funds invested. Always seek independent financial advice before making any investment and remember investments can go down as well as up.

## Gifting Income

If you are a basic rate, higher rate or additional rate taxpayer and your partner or spouse has no taxable income, look at options for gifting income bearing assets out of your estate. Income tax should not be the sole driver – and always seek legal advice before giving away personal wealth.

## Eligible Spends Tax Relief

Mileage, professional fees, subscriptions, uniforms and use of home – there are a number of eligible spends which qualify for tax relief for PAYE workers and the self-employed. Check our website for full details on how you may be able to claim a tax refund.

# R&D

## Research & Development tax credits continue to be one of the most valuable reliefs available to our limited company clients.

As a reminder, the R&D rules do not just apply to clients who have in-house design personnel. If your business is engaged in refining its products or its processes, if you are working to improve efficiency and productivity, and if you are aiming to achieve an advance in technology which is not available to buy, then you could be entitled to R&D tax credits – in the form of a significant corporation tax reducer or in a cash refund to your business if you are loss-making.

Over the past twelve months, we have educated many clients as to the benefits of the R&D tax credits scheme, its relative ease of application and how they qualify even though they thought for years the scheme couldn't work for them.

Contact **Claire.McElduff@gildernewandco.com** for further information.





# There's money to lend: is your project bank-able?

## So what's the secret to a successful funding application?

### Know your project inside out – warts and all!

No one will be more passionate about what you are proposing as a new venture, a new product or a new facility. To get your hands on the cash, you need to have worked up all aspects of the project – lots of detail but most importantly customers/markets, products and finances. Financial projections (profit and loss account, balance sheet and most of all cash-flow forecasts) are non-negotiable. But make sure you understand what's in them as your funder will put you through your paces when assessing them!

### Affordability – is it do-able?

Banks and other funders look at a proposal, look at what the finance repayments are going to be, look back to previous sets of accounts for a business, and conclude if the project is feasible. Make sure that the numbers stack before going to a funder. If you're planning an investment in 12-18 months' time, focus on making your business as efficient and profitable as it can be so that you earn credibility and keep the confidence of the person across the table from you.

### Stress test

Maybe for you – but more for the financials. Economists love the term “optimism bias”. What that means in layman's terms is that you will be unduly optimistic. So, take off the blinkers and re-run the numbers in a worst-case scenario – say for example trade tariffs are introduced in 2020, or milk prices fall

back once more, or the Euro rate goes up or goes down: what will that do to your repayment capacity? This is exactly what your bank or funder will do when they are running their checks on your projections.

### Security

Like it or not, the lender will want cover for their debt. Especially after the events of the past ten years, lenders are making sure they have sufficient cover in place before lending a dime. For limited companies, if there is insufficient asset base within the entity, they will look to the directors for guarantees. For sole traders and partnership, it is personal liability all the way – but the lender will want security over property, inventory or a debtors' ledger to give them comfort in the event of a breach.

Always take independent advice on this aspect – the last thing you want is for all your personal assets tied up against a business debt.

### Are you a match?

When looking for funding for a new project, you need advice and guidance on what form of funding will be right for you. Working with us, we will get you in front of the right funder and make sure you are best placed to get the green light. There has to be chemistry there too – the representative engaging with you will be your ambassador when selling the opportunity to their credit team. Put time into building a relationship with the lender's staff on the ground.

Contact [Gerard.Gildernew@gildernewandco.com](mailto:Gerard.Gildernew@gildernewandco.com) for further information.



# TAX

## It's all there

Improvements in HM Revenue & Custom's technological platform have shocked certain taxpayers of late. The automatic population of certain data in your income tax return means that the preparation of your return in some cases is a check rather than starting from square one. Information on salary, pension income, dividends, benefits in kind, student loan information are all there if you log on to your digital tax account. Improvements in efficiency or no more hiding places – we'll leave it for you to decide!

## Making Tax Digital – Update

Under the Government's MTD plans, we were due to move away from one annual tax return to four quarterly returns from the 2018/19 tax year, that's after 6 April this year. To all our relief, this timeline has been pushed back to April next year for VAT and then 2020 at the earliest for self-assessment income tax and corporation tax. Even though you file your VAT returns on line, you will need Revenue compliant IT software to make sure you can transmit quarterly VAT returns direct come April next year. Speak to us for advice on which software suits your business needs.

## Company corporation indexation allowance

Indexation allowance for capital gains for limited companies was one of the casualties of the Autumn budget. The allowance reduces the level of the capital gain chargeable to corporation tax – companies have been able to increase the base cost of the asset when calculating their gain using a set index. This is frozen at 31 December 2017 which means for disposals after that date, there will be an increase in the taxable gain.

## Auto enrolment

Auto-enrolment is now a mandatory requirement for most businesses. Very few have still to reach their

staging date and for new businesses registering for PAYE from this month onwards, you can no longer postpone enrolment. From 6 April, the minimum contributions increase from 2% to 5% - a real cost increase for all employers.

What's more, for those already enrolled, there is a three-year re-enrolment for anyone originally opting out. If you are using approved software to run your payroll, an automated reminder should pop up. Speak to our Payroll team with any questions.

# Reminders

## IHT gift allowance

Remember – you can gift £3,000 per year and it is not counted towards your estate for Inheritance Tax purposes. Not a lot but every little counts!

## VAT Threshold

VAT Threshold is frozen at £85,000 for the next two years; watch out for connected businesses, your business' mix of taxable and exempt supplies and make sure not to fall foul of the new rules. Speak to us if you have any questions.

## The National Minimum Wage

The National Minimum Wage increases from 1 April 2018 – £7.83 for over 25s; £7.38 for 21 to 24 year olds; £5.90 for 18 to 20 year olds and £4.20 for anyone under 18.

How much time do you spend processing payroll each week or month? We can calculate the true cost for your administration team and the opportunity cost in terms of other value added tasks which are constantly being pushed back. Our outsourced payroll team can save you time and money by taking over your payroll processing. Speak to us today for a competitive quote.

# Restructuring & Insolvency

## Ten years and counting...

In recent months we have seen an increase in the number of mortgage holders coming to us for advice in respect of their interest only mortgages coming to the end of term. Many individuals affected took out interest only products as capital raisers to fund deposits and investments in buy to let properties. Many of the investment properties are not worth what they once were and the mortgage holders have very limited options when they come to the end of their term. Some of the funders are no longer in the local marketplace and others have tightened their lending rules to a place where a refinance is simply out of the question. If you or your client is affected, seek advice sooner rather than later... there are options, but you need to allow time to work through them.

Contact [Roisin.McCrory@gildernewandco.com](mailto:Roisin.McCrory@gildernewandco.com) for further information.

## IVAs - when the end's not the end

Insolvent debtors who enter IVAs very often clock watch from the day the IVA kicks in to the day it ends. Be that 12 months or 60 months, the end of the IVA signals the day that life starts afresh. In recent times, there has been some doubt as to when an IVA really ends – if there are assets still not realised and a certificate of completion is issued, then do those assets vest in the debtor?

The recent case of *Green v Wright* in the Court of Appeal clarified the matter for debtors, creditors and IPs alike. In this case, the debtor's IVA comprised of all his assets; at the time the IVA completed, an ongoing PPI claim had not settled. The claim settlement came in after the Supervisor (IP) had issued their certificate of completion. Could the debtor hold the cash? The Court of Appeal ruled that the funds had gone to IVA

creditors. The ruling concluded that the trust created by the IVA was continuing in respect of the assets at that time, and on that basis, the Supervisor took control of the funds. The mechanics of a Supervisor going back into office to deal with further dividends is a whole other story but it is interesting that even after being issued with a Certificate of Completion, the debtor was still somewhat "on the hook".

## Deposits, gift cards, vouchers – it's not your money

When a business in the retail or hospitality sector hits hard times, very often it is customers who have paid in advance who are hit the hardest. Customers with a credit note, a gift voucher or a deposit.

Recent high profile insolvencies such as Jaeger, BHS and the US arm of Toys R Us have heightened consumer concerns around paying in advance.

So what should you do if operating in that sector?

Well ideally you would hold a separate trust account where funds are held on account for the benefit of customers. If you don't operate such an account (ask yourself why not!), then you need to keep a full listing of pre-paid accounts, and if the business is hitting hard times, stop issuing vouchers and credit notes and stop taking deposits.

The leading World of Leather (*Re Uno plc*) case gave an important ruling in relation to use of funds held on deposit by an insolvent business. So long as you have genuine basis to believe the business can be turned around, then directors cannot be criticised for using such funds.

But do you really want to be in such a situation? Relying on an old legal decision after the horse has bolted can be tricky... our advice is to remain on top of your figures, know the numbers and stop taking deposits the moment any question arises on the future of your business.

Contact [Aisling.Muldoon@gildernewandco.com](mailto:Aisling.Muldoon@gildernewandco.com) for further information.

# Advisory

## Our Systems Improvement Service

Clients who have availed of our SIS to date have seen a huge difference in the functionality and usability of their financial IT systems. Very often, we find that systems are installed and updates run automatically, but the inherent quality of information in the system over time can be compromised through change of staff, lack of training and a genuine limited knowledge of how good the system can be. Some instances where we have improved clients' systems are:

- Roll out of cloud based applications – allows us to log in from our office to our client's system; work on a virtual screen and train and mentor our client's in-house staff to make better use of their system and its reporting functions;
- Reconciliation of client system to financial statements – often year end procedures are only partly run (if at all) and your financial system bears no resemblance to your filed financial statements. This is a quick but essential fix which you cannot afford not to do.
- Connectivity between systems – does your financial system speak to your operations, production or time-recording systems? We work with you and your IT provider to establish real-time connectivity across all your systems to maximise efficiency and visibility across all your systems.

Contact [Jolene.Mallaghan@gildernewandco.com](mailto:Jolene.Mallaghan@gildernewandco.com) to find out how we can improve your business.

# GDPR

**Your inbox is more than likely inundated with reminders (and warnings!) that GDPR is due to come into law on 25th May of this year.**

Businesses must take steps to ensure all personal information – employee, customers, suppliers and anyone else you hold data on – is retained in line with data regulations. Some people we have spoken with have been reacting saying that it is a Y2K scare and they are not concerned. Our advice is different. These are mandatory regulations which must be adhered to. Speak to us to find out what you need to do to address the issues.





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