BUSINESS & TAX UPDATE

Bishop Fleming

The latest business and tax news

INSIDE:

FRS 102: small companies called to account

For accounting periods starting on or after 1 January 2016, small companies face radical reforms to the presentation of their financial reports under Financial Reporting Standard 102 (FRS 102). That means a company with a 31 December 2016 year end will have its accounts prepared under the new rules.

The new regime has already been in place for some time for large companies, but now smaller entities with a turnover of up to £10.2m, assets up to £5.1m and with no more than 50 employees will also have to comply.

These changes are the biggest reform to financial reporting for a long time and require small companies to review their accounting policies to understand what numbers in their accounts need to alter.

Key areas affected by this accounting change will include a company's fixed assets, its goodwill and long term loans. The reforms also spell the end for abbreviated accounts, as new disclosures are required.

Micro companies (FRS 105)

There is some relaxation for the very smallest companies under FRS 105 with sales below £632,000, assets up to £316,000 and with fewer than 10 employees.

These micro companies will actually be better off under the new rules in that they will be able to file less information than they do now. There is no requirement at all for a directors' report under FRS 105.

Moving to FRS 102

Small companies will no longer have their accounts prepared under the Financial Reporting Standard for Small Entities (FRSSE), but will instead use FRS 102 Section 1A (which has generally less extensive disclosure requirements than the full FRS).

They will still need a balance sheet, a profit and loss account, notes to the accounts and a directors' report, albeit with a number of reporting changes. There will be fewer available accounts formats, but additional flexibility in terminology and layout.

Although abbreviated accounts can no longer be filed at Companies House, small companies will still have the option of not filing a profit and loss account and directors' report.

Instead of abbreviated accounts, small companies can file Abridged Accounts, comprising full accounts for members, with a profit and loss account starting at the gross profit line and with reduced balance sheet analysis.

However, to file abridged accounts, all the members of the company must agree to this on an annual basis, and an annual statement to this effect must be delivered to Companies House. In addition, there is an overriding requirement that the abridged accounts show a true and fair view – so extra disclosures may be necessary in order to achieve this.

Filleted accounts

The information disclosed in abridged accounts can be further reduced by filing a fileted version, provided the company's size allows this.

Filleted accounts have the Profit and Loss account and related notes removed, and only the balance sheet and related notes are filed at Companies House. The balance sheet must disclose, among other things, that the Profit & Loss account has not been filed.

What to do now

What is really important right now is for directors and owners of small companies to discuss with their advisers what impact the FRS will have on their business, in order that this change is safely navigated during the transitional period.

If you would like to discuss the implications for your business, please contact your usual Bishop Fleming adviser, or a member of our accounts team.

Check out our downloadable factsheet on our website for further details about the changes.

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Autumn Statement: Key points for the New Year

Key tax announcements of 23 November 2016 Autumn Statement.

This Autumn Statement was effectively a number of **firsts**. It was Philip Hammond's **first** Budget as Chancellor; the **first** Budget of the Theresa May Government; and the **first** fiscal statement since the vote for Brexit. It was also the **first** time since 2010 (when George Osborne became Chancellor) that investment spending was more important than austerity. It was also the **last** Autumn Statement; to be replaced by a new Spring Statement.

And as first appearances go, "Spreadsheet Phil" is a more serious-minded Chancellor than his predecessor and wants the country to put on its hard hat and start building – houses, roads, rail and digital infrastructure – to make us "Match Fit" for the turbulence of Brexit.

Hammond's Autumn Statement was an opportunity to reset fiscal policy, heralding also a new industrial strategy to make the UK more productive through fiscal stimulus and targeted spending.

Our full report can be downloaded via our website.

Recap – key tax changes previously announced:

• Tax free personal allowance £11,500 from April 2017

•Higher rate threshold raised to £45,000 from April 2017

•Apprenticeship levy for large companies from April 2017

•Tax relief for landlord's finance costs restricted from April 2017

•Certain non-UK dom individuals become UK doms from April 2017

•New IHT nil-rate band for residences from April 2017

•£1,000 tax free allowances for micro businesses from April 2017

•New Lifetime ISA for anyone under age 40 from April 2017

•ISA annual limit becomes £20,000 from April 2017

•Termination payments attract employers' NIC from April 2018

•Corporation tax reduced from 20% to 17% by 2020

•Business rates devolved to local authorities by 2020

Autumn Statement 2016 key measures:

•Government will respond to the Making Tax Digital consultations in January 2017

•Scrapped plans for a Budget surplus by 2020

•No further welfare savings measures beyond those already announced

•£23bn National Productivity Investment Fund

•£2bn extra a year in R&D by 2020

•£2.3bn housing infrastructure fund for 100,000 new houses

•£1.4bn aimed at delivering 40,000 affordable new homes

•£1bn to help upgrade Britain's broadband to "full fibre"

•100% capital allowances for electric car recharging stations

•£400m into venture capital funds to help start ups grow

•Corporation Tax will fall to 17% by 2020 as planned

•Employee / er NIC thresholds aligned at £157 per week from 2017

•Insurance Premium Tax increases to 12% from 2017

•Salary sacrifice schemes scrapped from April 2017 except for ultralow emission cars, pensions, childcare and cycle schemes

•The tax advantages for shares awarded under Employee Shareholder Status abolished for arrangements entered into on or after 1 December 2016.

•From 2018, a simpler process for applying for PAYE Settlement Agreements

•New avoidance measures on tax and VAT to raise £2bn

•Corporate interest relief restrictions from April 2017

•A promise to raise the personal allowance to £12,500 by 2020

•A promise to raise the basic rate threshold to £50,000 by 2020

•National Living Wage to rise to £7.50 per hour from April 2017

•Reduction of the Universal Credit taper rate from 65p to 63p to help low paid

•Banning upfront fees imposed by lettings agents in England

•NSI Savings Bond with 2%+ interest rate from next year

•Fuel duty frozen again

•The charge for the Annual Tax on Enveloped Dwellings will rise in line with inflation for 2017/18

•There will be a review of the loss of revenue to the Treasury from the rise in incorporations, which is only to be expected where corporate tax rates are much lower than personal tax rates.

Tax Tools app

Bishop Fleming's free Tax Tools app provides you with the latest tax news and budget updates as well as tax tables and calculators.

Full Report

Download Bishop Fleming's Autumn Statement report from our website at **www.bishopfleming.co.uk/autumn-statement-2016-at-a-glance**

Contact Us

For further information regarding the content of the statement, please contact **Andrew Browne**, or any of the Coporate tax team.

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Autumn Statement: VAT Flat Rate changes

A change which was briefly mentioned by the Chancellor in the Autumn Statement could have important implications for businesses using the VAT flat rate scheme.

It applies to businesses identified by HMRC as having "limited costs".

From April 2017 businesses using the flat rate scheme to account for VAT and who supply services rather than goods will need to check level of costs they incur to make sure they are using the correct flat rate. If purchases of goods are below certain limits they may need to use an increased flat rate of 16.5%, which may make the flat rate scheme no longer beneficial.

This rate will apply if a business's purchases of goods are less than 2% of their VAT inclusive turnover or if more than 2%, less than £1000 per annum. The definition of goods excludes capital expenditure, food and drink for consumption or vehicles, vehicles parts or fuel except for businesses supplying transport services.

Further details will be in the draft legislation which will be published on 5 December, but any affected businesses will need to consider whether the flat rate scheme will still be appropriate for them after April 2017.

Accountants recieve record exam results...

A record 26 trainees achieved a total of 36 passes across all of Bishop Fleming's offices covering the South West and West Midlands, with 7 completing their professional level. In addition to this, we have also taken on 35 new trainees this year, another record, and are still recruiting.

Bishop Fleming's partner in charge of technical quality and staff training Caroline Smale said:

"These exam passes are a fantastic result for our trainees and for the firm. We were the first accountancy firm to win 'Investors in People' and we continue to offer the very best training and support for our staff. These results are a perfect demonstration of how that policy is paying dividends."

She added:

"We continue to grow and innovate to reflect the changing market, and our recruitment and training programmes are a core part of our growth. We need to have the right people to embrace the digital accounting landscape of the future."

British Accountancy Awards
2016
FINALIST

"Mid-tier firm of the year"

"Top 50 Audit Team of the year

Bishop Fleming are proud to have been **shortlisted** for two categories in the **2016 British Accountancy Awards** held in November**.**

"Top 40 firm chalks up record deals"

A recent flurry of deals has helped Bishop Fleming's corporate finance and tax teams chalk up new records.

Despite initial market uncertainties in the aftermath of the Brexit vote, our Bath and Bristol corporate finance and tax teams are celebrating another summer of deals, having advised on a "double digit" number of transactions worth in excess of £100m in total.

Recent deals on which our teams have advised included: the £17m sale of Simulation Systems to Costain PLC; the acquisition of RDC by telecoms business Solar Communications; the private investor backed buy out of whistle-blowing hotline provider, Expolink Europe; the sale of communications business Applicable Ltd to Arkadin SAS; the merger of financial business Moneywise with Fidelius; and the sale of personal financial advisory firm, Farleigh Group to Wealth at Work, backed by Equistone Private Equity.

Bishop Fleming's Corporate Finance Director, David Abbott, said:

"We are delighted to have been instrumental in delivering all of these successful transactions for clients across such a diverse range of sectors. Our speciality is to work closely with owner managers to achieve their goals, irrespective of what their business is. Clearly, there is a degree of uncertainty at present, but we continue to have a very strong pipeline of deals."

Bishop Fleming's Transactions Tax Partner, Paul Morris, said:

"Our recent level of activity underlines the continued success and strength of our corporate finance and tax specialists in the region. Our Bath and Bristol offices both have teams in place covering corporate finance and tax. We all work together to deliver the best outcomes for clients wanting to buy, sell, or transform their businesses."

Bishop Fleming was recently ranked at number 33 in the Accountancy Age top 100 UK firms.