

Veterinary Matters

Guiding your practice to lifelong prosperity



Contents:

Capital expenditure
- spend spend spend!

Employment allowance

Additional tax saving opportunities

Taxation and partnerships

Events

London Vet Show

Come and visit us at our stand
and join us at our lectures.
Olympia
20 and 21 November 2014

Hazlewoods Equine Day

Save the date!
15 October, Cheltenham
Further details to follow

SPVS Golf Day

The Oxfordshire Hotel
24 June 2014

HAZLEWOODS

DRIVING LIFELONG PROSPERITY

Tax Saving Opportunities

Capital expenditure - spend spend spend!

Well, that's what the Government are hoping you will do: spend spend spend!

A doubling of the Annual Investment Allowance (AIA) to £500,000 took place with effect from 1 April 2014 (for companies) and 6 April 2014 (for income tax), up to 31 December 2015, being an increase from the previous £250,000.

This is great news for practices investing in equipment or undertaking significant capital projects, for example extensions/refurbishments, particularly as the Government had previously indicated that the AIA would be reducing to £25,000 from 1 January 2015!

The AIA is a form of capital allowance and provides tax relief for the purchase (in cash or on hire purchase) on plant and machinery. There is no HMRC definition of what is plant and machinery although generally most equipment and commercial vehicles (but not cars) purchased by practices will be included.

Expenditure on structural items, e.g. fixed walls do not fall under the AIA. If you are considering a significant capital project, it would still be worthwhile speaking to your accountant first to ensure that the costs are treated in the most tax efficient way.

The Government have indicated that the AIA will reduce down to £25,000 from 1 January 2016. Based on how previous AIA changes have worked, if you have a future accounting period starting after 1 January 2015 and ending after 31 December 2015, then you should plan the timing of expenditure carefully to ensure that you do not "lose out" on valuable AIA when transitional rules are applied when the AIA next changes. Whilst this is a way off, it is still worth bearing in mind that the AIA at this unprecedented high level is expected to be temporary - so as the old saying goes, it may be time to make hay whilst the sun shines!



Employment allowance

Since 6 April 2014, a new employer's National Insurance (NI) allowance of up to £2,000 per tax year ended 5 April is available in respect of employees and Directors which can be claimed through your practice's payroll.

How does this work in practice? If, for example, your employer Class 1 NI bill is say £1,500 each month, then in April 2014 you could have claimed a £1,500 reduction in your Class 1 NI bill (i.e. reducing it to £nil) with the £500 remaining allowance reducing your May 2014 Class 1 National Insurance bill to £1,000. The maximum allowance is capped at £2,000.

For practices with minimal staffing costs and employer's NI of less than £2,000 per tax year, the unused allowance will automatically be carried forward to be available in future tax years.

There are a few exceptions to which employers can claim (see "www.gov.uk/employment-allowance" for details), although the vast majority of veterinary practices should be eligible.

It is worth pointing out that individuals who are self-employed cannot claim the employment allowance themselves. Practices owned by self-employed individuals, e.g. Partnerships or LLPs,

would normally be eligible in respect of payroll staff (but not in respect of the self-employed partners themselves).



Additional tax saving opportunities

Corporation tax rates

As expected, company corporation tax rates continue their mission to align themselves whatever a company's profit levels.

To recap, the following rates apply to standalone companies (see chart - right):

Whilst trading through a company is not the best bet for every practice, whether that is for tax or commercial reasons, for many practices it is now more attractive than ever to use a company structure. It is therefore worthwhile reviewing your financial structure even if you have done so previously and see what is appropriate for you.

	Taxable profits < £300k	Taxable profits £300k - £1.5m	Taxable profits above £1.5m
Previously	20%	25%	24%
1 April 2013 - 31 March 2014	20%	23.75%	23%
1 April 2014 - 31 March 2015	20%	21.25%	21%
From 1 April 2015	20%	20%	20%



Goodwill valuations and HMRC

We have recently seen an increasing number of veterinary goodwill valuations being enquired into by HMRC.

The best line of defence is to ensure that valuations used are set at a commercial level which is supported by third party transactions in the market.

It is worthwhile reviewing whether or not you have appropriate insurance in place to cover the professional fees that may be incurred when liaising with HMRC on such matters.

Principal Private Residence relief

Since 6 April 2014, the final period of automatic exemption under Principal Private Residence relief is reduced from 36 months to 18 months with effect from 6 April 2014. Essentially this means that if you have a second home / property which you have lived in as your main residence at some point, then whereas previously you would have automatically been exempt from Capital Gains Tax (CGT) upon a sale of that property

in relation to the last 36 months of ownership, it is now only 18 months.

There are other matters to consider when looking at the CGT position and therefore if you feel that this area impacts on you, it would be worthwhile speaking with your accountant.



ISAs - all change

The ISA (Individual Savings Account) annual subscription limit will increase from £11,520 to £15,000 from 1 July 2014 and at the same time ISAs will be reformed into the 'New ISA' ('NISA') which will remove the previous

restriction on only being able to invest up to 50% in cash. It will also be possible to convert stocks and shares ISAs into cash ISAs and the range of investments available in an ISA is also expected to increase.

Retirement income - a brave new world?

Radical changes were announced in the Spring 2014 Budget which herald the biggest shake up to UK pensions ever and it could happen as soon as 2015.

These welcome proposals would give defined contribution pension savers more freedom, choice and flexibility than ever before over how they access their pension savings.

If the changes go ahead, anyone of pension age would be able to draw as much (or as little) from their defined contribution pension pot as they choose at any time. 25% would

still be available as a tax free lump sum. The balance would be taxed as income in the tax year it is taken.

The detail is not set in stone, however this signals a clear Government desire to give savers more control and responsibility over their destiny in life after work. The Government have indicated that these proposals will be consulted on this year.

There are also proposed plans to cut the rate of tax payable on drawdown death benefits from April 2015 to make it more closely

aligned to income tax charges on drawdown. It is still early days and very much one of "watch this space" but there are positive signs coming from the Government in this area.

Your accountant will be able to advise you on the tax implications of the changing world of pensions. You should speak with your financial adviser for pensions and investments advice.

Tax-free childcare: more to be claimed, sooner



childcare up to a maximum of £10,000, giving up to the £2,000 for each child under 12 years old. An online scheme is anticipated to be run by HMRC in partnership with National Savings & Investments (NS&I).

To be eligible, families must have both parents in work (which includes self-employment), with each earning less than £150,000 per tax year and they must not already receive support through tax credits or universal credit.

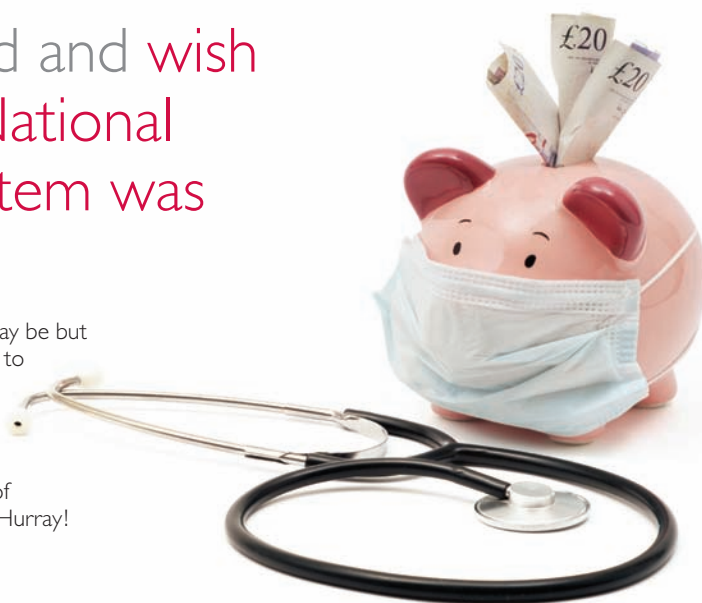
Working families struggling to meet childcare costs are to get a welcome £2,000 a year boost from the Government.

From Autumn 2015 families are expected to receive 20% tax relief on savings used for

Families won't be able to be in both employer supported childcare schemes and the new tax-free childcare scheme. Some families will be better off in one or the other, so guidance is likely to be needed.

Self-employed and wish the Class 2 National Insurance system was simpler?

Fear not! Further in the future it may be but at last some relief is on the horizon to this administrative burden. From April 2016 Class 2 National Insurance contributions will be collected through Self-Assessment as opposed to the current system of monthly or six monthly payments. Hurray!



Taxation and partnerships

The changes to two aspects of the taxation regime for partnerships have been well documented since the announcements were first made in the 2013 Budget.

These news rules took effect on 6 April 2014.

LLPs and “disguised” employees

This relates only to Members of a Limited Liability Partnership (LLP).

Since the introduction of LLPs, there has been an automatic presumption of self-employed status for LLP members for tax purposes. Where self-employment status applies, the practice is not required to pay employer's NI in respect of that individual member.

With effect from 6 April 2014, an LLP member who meets all of the following conditions will be a “salaried member” and will be taxed as an employee through the PAYE system (i.e. will not be treated as self-employed and employer's NI at 13.8% above earnings of £7,956 per annum will be payable):

Condition A

80% or more of the profit share payable by the LLP to the member is:

- fixed;
- variable, but without reference to the overall profitability of the LLP; or;
- not in practice, affected by the overall profitability of the LLP

Condition B

The Member does not have a significant influence over the management/affairs of the LLP as a whole.

Condition C

The member has made a capital contribution of less than 25% of their total expected profit share for the year. For capital contributions this 14/15 tax year (6 April 2014 to 5 April 2015), the Government have given grace until 6 July 2014 for this 25% criterion to be met, so that individuals have reasonable time to obtain any additional funding that may be needed.

In order to remain self-employed for tax purposes, each LLP member will need to fail one or more of these conditions.



If you trade through an LLP, it is worth reviewing your position, in particular to ensure that Members of the LLP are not caught out by not having appropriate arrangements in place.

Mixed partnerships and mixed LLPs

This new aspect applies to all partnerships including LLPs. Reference in this section to partners also means members in LLPs.

The new rules will principally affect partnerships where one or more of the partners is a limited company, i.e. a corporate partner, that is owned by individuals who are themselves partners in the partnership.

With effect from 6 April 2014, any profit share allocated to a corporate partner that exceeds a “commercial amount” will be reallocated to those individual partners who have ownership in the company and taxed on those individuals as if they had received the profit share themselves.

The ‘commercial amount’ is the total of a return on the capital the company has invested in the partnership, calculated on a commercial basis, and consideration for services provided by the company, and only by the company, to the partnership.

An anti-forestalling measure was introduced with effect from 5 December 2013 to prevent partnerships from altering their composition in an attempt to circumvent this new rule.

If your practice has a corporate partner, you should ensure your accountant talks to you about these changes so that you can be comfortable your arrangements are commercial.



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The services we provide include:

- Accounting and bookkeeping
- Management accounts
- Business planning and practice reviews
- Tax planning advice and compliance services
- Goodwill and business valuations
- Benchmarking and profitability advice
- Advice on buying or selling a practice
- Advice on incorporation
- Partnership changes
- Payroll assistance
- Financial planning
- Sage software advice
- And more!



Our Veterinary Team are happy to discuss matters arising from this newsletter, as well as any other issues relating to your business or personal financial affairs. Our Veterinary Team are based at our Staverton Office:

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