



## Electric growth at the energetic Fischer

**When Leicester business Fischer Future Heat installed its German-made heating systems in homes it often discovered its customers were paying wildly different bills to their energy suppliers.**

Some were even paying much more than neighbours on the same street. People were parked on uncompetitive tariffs. So Fischer, led by husband and wife Keith and Maria Bastian, set up a team to renegotiate energy supply on behalf of customers.

Keith said: "We even had customers saying 'we wish we could buy our electricity from you.' Which is why they now can."

Fischer Future Heat has been the exclusive UK and Ireland distributor for Fischer's German manufactured electric storage heaters for 6 years. Last year saw a 38 per cent increase in sales. This year will also be close to 40 per cent.

The room-by-room wirelessly controlled heaters produce no carbon at the point of use. "It's a technology suited for today and the future" said Keith.

"I have such faith in it that I made Herr Fischer an offer and we've bought the factory. It gives me great peace of mind that we have secured that continuity."

Securing the whole process of manufacturing, distribution, sales and installation is one achievement. Supplying the electricity they run on is another.

Keith became convinced that there is a market for an electricity and gas supplier with just one tariff. Existing customers won't be subsidising sweetheart deals available only to new arrivals.

And if the price of energy on the wholesale market falls, all Fischer Energy's customers will enjoy cheaper bills – that's the beauty of having just one tariff. "Fair," is how Keith sums up its USP.

Fischer Energy has been established and will start supplying customers this winter ahead of a wider launch in 2017. Office space in Leicester is being created, as will employment.

Wes Scales, partner at Mark J Rees, has been working with Fischer Future Heat since 2010. Keith said: "Managing growth is never easy. Wes and Mark J Rees have taken on a huge burden from us in helping to manage our growth."



**L to R: Keith and Maria Bastian with MJR's Wes Scales at the home of Fischer Future Heat and Fischer Energy.**

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## Seasons Greetings!

Everyone at Mark J Rees sends you good wishes for Christmas and the New Year! Our charitable donation, in lieu of sending cards this year, will benefit Steps, Leicestershire Children's Conductive Education Centre in Shepshed.

### Mark J Rees LLP

Granville Hall  
Granville Road  
Leicester LE1 7RU  
T: 0116 254 9018  
F: 0116 254 8308  
www.markjrees.co.uk  
E: enquiries@markjrees.co.uk

### Partners

Stewart Collier FCA CTA  
Richard King FCA CTA  
Paul Hollinshead FCA CTA  
Mark Harrison BA(Hons) FCA  
Andy Turner FCA FMAAT  
Wes Scales FCA FMAAT

### Consultants

David Vice FCA  
Anthony Rhodes FCA  
David Richardson FCA CTA  
(Taxation)  
David King DipPFS  
(Wealth Management)

### Managers

Sarah Wright BA(Hons) FCA  
Adrian Lambourne  
Richard Lewin  
Louise Hynard DipM MCIM  
Chris House MCSE  
Matthew Vice ACA  
Phil Bott BSc(Hons) FCA  
Paul Leach  
Karl Blackwell FMAAT  
Andrew Cray FMAAT



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# Salary sacrifice: change down the road

**The use of a salary sacrifice arrangement can be a win-win for both employer and employee. But the government is proposing to introduce some new restrictions.**

The basic idea is that an employee gives up a portion of their salary in return for a non-cash benefit. This works particularly well if the benefit provided is wholly or partially exempt from tax and national insurance contributions (NICs). Popular arrangements currently involve employer pension contributions, childcare vouchers, cycle to work schemes, low emission company cars, mobile telephones and workplace parking spaces.

Of course, many benefits are not tax-free, so sacrificing salary for the likes of private medical insurance, home technology or a wine plan only saves employee NICs – which is just 2% where earnings exceed £43,000. The main advantage here comes from the employer being able to negotiate bulk discounts.

The government has become concerned about the increased popularity of salary sacrifice arrangements. Apart from the cost to the Exchequer, there is the matter of the uneven playing field which has developed. Lower-paid employees are often excluded because salary sacrifice cannot reduce cash earnings to below the rate of the national living wage or national minimum wage. Also, smaller employers are unlikely to be able to offer the same range of benefits as larger employers.

The government is therefore proposing to restrict the use of salary sacrifice



arrangements by removing most of the tax and NIC advantages. The change will be implemented from 6 April 2017, although the following benefits will NOT be affected:

- Employer pension contributions
- Employer-provided pensions advice
- Employer-supported childcare (including childcare vouchers)
- Cycles and cyclists' safety equipment provided under the cycle to work scheme

Where any other type of exempt benefit is provided in conjunction with salary sacrifice, then the exemption will no longer apply. Income tax and employer's class 1A NIC will then be payable on the greater of the salary sacrificed and the value of the benefit calculated using normal valuation rules. For non-exempt benefits, the change is less drastic, but it does mean that tax and class 1A NIC

will be due on the amount of salary sacrificed if this turns out to be higher than the normal benefit valuation. So there will

be no advantage from company bulk discounts, but still an employee NIC saving.

The changes will not prevent you from providing employees with benefits using salary sacrifice arrangements, but now is a good time to review the tax effectiveness of current or proposed arrangements. We, as always, are happy to help.

## Making tax digital – details still uncertain

**Most businesses, self-employed people and landlords will soon have to manage their tax affairs digitally and update HM Revenue & Customs (HMRC) at least quarterly.**

The radical reform will spell an end to the annual tax return by 2020 and the government is promoting it as a simplification of the tax system. But it has caused some confusion and concern among those affected.

Many of the details of how Making Tax Digital (MTD) will work have yet to be decided and have been subject to consultation. So far HMRC has announced two exemptions from MTD and these are: all unincorporated businesses and landlords with turnover under £10,000, and anyone who is unable to use digital tools. MTD for income tax and national insurance will start in April 2018.

However, to give smaller businesses more time to prepare, the government has postponed its introduction until 2019 for small unincorporated

businesses with income between £10,000 and an upper threshold to be determined.

One issue still subject to consultation is the continuation of 'three-line accounting', whereby businesses below the VAT registration threshold currently only have to report income, total expenses and profit. The facility may be removed or restricted. However, there may be an extension of the cash basis for income tax. HMRC has no plans to offer its own free software, but wants software developers to provide free and low cost software for businesses with the most straightforward affairs. HMRC has confirmed that quarterly updates need only be summary data. Partnerships may benefit because quarterly updates by the partnership could feed directly into each partner's digital tax account.

MTD will also enable businesses and landlords to make voluntary tax payments towards their liabilities. Voluntary 'pay-as-you-go' (PAYG) sums would sit as credits on a taxpayer's digital tax account and be allocated against tax, including VAT, liabilities as they become due.

For taxpayers who do not have business or letting income, MTD may remove the need to complete a self-assessment tax return. HMRC hopes to receive information directly from third parties about a greater range of income types, such as dividends.

Much of the detail remains uncertain, but as all gradually becomes clear we will be here to help you understand and comply with the new obligations.



The latest update to HM Revenue & Customs' advisory fuel rates sees a few 1p increases, although all LPG rates are unchanged:

Engine size	Petrol	Diesel	LPG
1,400cc or less	11	9	7
1,401cc to 1,600cc	13	9	9
1,601cc to 2,000cc	13	11	9
Over 2,000cc	20	13	13

Hybrids are treated as either petrol or diesel. HMRC's rates can be used where an employee is reimbursed for business mileage driven in their company car, or where the cost of private travel is reimbursed. Current rates can be used until the end of the year, although they will be reviewed from 1 December.

## Capital gains tax: reliefs and timing

**It's important to make the most of the various capital gains tax (CGT) reliefs available.**

### Property

Principal private residence relief (PPR) exempts one home from CGT provided it is used as your main residence. There are various planning possibilities should you own additional properties. If you live in two (or more) properties, then an election can be made as to which one is treated as your main residence. If PRR is available, then the final 18 months of ownership are always exempt.

The decision of which property to elect as your main residence will depend on the amounts of potential gain, lengths of ownership and disposal plans. However, you only have two years after acquiring an additional residence to make the election. If a let property qualifies at some point for PRR, then a further letting relief (of up to £40,000) is available. It might therefore be worthwhile moving into a let property before its disposal.

### Disposal of a business

A disposal of a business qualifying for

entrepreneurs' relief benefits from a 10% tax rate.

There is a general one-year qualifying condition, so it might be worth delaying a disposal if not currently met. However, where a sole trade or partnership is being disposed of, it is only the business itself which must be run for one year. Although the whole business need not be disposed of, it is necessary to dispose of a clearly identifiable part. If a shareholding is disposed of, the company must be a trading company for the preceding year. If this test is not met because surplus funds have been invested in property or other investments, it might be possible to rectify the situation before disposal.

### Replacing business assets

Gains on the disposal of certain business assets can be deferred (rolled over) if new qualifying assets are bought. This must be done during the four-year period running from one year before the disposal to three years after. The most common qualifying assets are land and buildings,



fixed plant and machinery and goodwill (disposals by individuals only). So plan carefully – it might be worthwhile bringing forward a disposal to match an acquisition within the previous year if no more purchases are planned.

Be warned that CGT is far more complicated than this basic outline, so please contact us for more detailed advice.

## Calling HMRC – is anybody there?

**Only half of mid-sized businesses that contact HM Revenue & Customs (HMRC) by telephone and email felt that their problem was resolved correctly, according to an HMRC customer survey, and only 35% thought the time taken was acceptable.**

The telephone helplines were rated particularly poorly – just 32% of customers who used them were positive about their experience and 44% were negative. And fewer than half of businesses thought finding information was easy.

One business expressed frustration at having repeatedly to explain a PAYE problem to a

different person each time they phoned and how they were on hold 20 to 30 minutes before anyone answered. Another described how lack of information from HMRC had cost them time and money. The business had contacted HMRC by letter to ask what documentation their customer needed to provide for the removal of goods to another EU member state. HMRC was not prepared to answer the questions, so

the business had to pay professional advisers. Businesses were more positive about online services and felt confident that the systems are secure.

You don't have to waste your valuable time getting nowhere with HMRC. Whatever your tax problem, we have probably been there before and are here to help.



# Changes to non-domicile status

**The government has revealed more details on proposed changes to non-domicile status.**

A new consultation document also outlines how inheritance tax (IHT) will be charged on UK property held through an offshore structure and asks for ideas on how business investment relief could be made more attractive.

From 6 April 2017, UK residents will not be able to retain non-domicile status indefinitely. Instead individuals will be treated as domiciled in the UK for income tax, capital gains tax (CGT) and IHT after they have been UK resident for at least 15 of the previous 20 years – the '15/20 rule'. This will include years during childhood. They will lose their deemed domicile status if they are non-resident for at least six consecutive tax years for income tax and CGT. However, the present four-year period will be retained for IHT.

Individuals will also be deemed domiciled if they were born in the UK with a UK domicile of origin and later return to the UK – returning non-doms. However, their worldwide assets will



not become subject to IHT unless they were UK resident in one of the two preceding tax years. This means people who return to the UK for a short time will not have to rewrite their wills.

Individuals who become deemed domiciled under the 15/20 rule on 6 April 2017 can opt to rebase assets to their market value on 5 April 2017 for CGT purposes, subject to conditions.

They will also have one year from April 2017 to rearrange mixed offshore income and/or capital gains funds to enable non-taxable capital to be remitted free of tax. Residential properties owned indirectly through an offshore company or partnership will be brought within the charge to IHT. Relevant debts, such as a mortgage, will be deductible.

Since April 2012, individuals who use the remittance basis have been able to bring overseas income and gains into the UK without a tax charge if they do so to make a commercial investment.

The consultation seeks views on how business investment relief can be expanded to increase take-up, while ensuring it cannot be used for tax avoidance.

If you stand to be treated as deemed domiciled from April 2017, or will be returning to the UK after that date, please discuss your plans with us well in advance.



**If you are self-employed, you will have noticed that HM Revenue & Customs is no longer taking class 2 national insurance contributions (NICs) from your bank account. These are now paid annually under self-assessment, with NICs for 2015/16 due on 31 January 2017.**

**It is much easier to opt out if you are below the small profits threshold, although paying on a voluntary basis will often be beneficial. You need 35 years of contributions for maximum state pension, and at just £145.60 a year the cost is quite reasonable. Even if you have already achieved 35 years, further contributions can be worthwhile if you were previously in contracted out employment.**

## TAX CALENDAR

Every month

**1** Annual corporation tax due for companies (other than large companies) with year ending nine months and a day previously, e.g. tax due 1 October 2016 for year ending 31 December 2015.

**14** Quarterly instalment of corporation tax due for large companies (month depends on accounting year end).

**19** Pay PAYE/NIC and CIS deductions paid electronically should have cleared into HMRC bank account.

**22** PAYE/NIC deductions paid electronically should have cleared into HMRC bank account.

**30/31** Submit CT600 for year ending 12 months previously. Last day to

amend CT600 for year ending 24 months previously.

File accounts with Companies House for private companies with year ending nine months previously and for public companies with year ending six months previously.

*If the due date for payment falls on a weekend or bank holiday, payment must be made by the previous working day.*

### NOVEMBER 2016

**2** Submit employer forms P46 (car) for quarter to 5 October 2016.

### DECEMBER 2016

**30** Deadline to submit 2015/16 tax return online to have underpaid PAYE tax of up

to £3,000 collected through the 2017/18 tax code.

### JANUARY 2017

**14** Due date for CT61 return for quarter to 31 December 2016.

**31** Submit 2015/16 self-assessment tax return online. Pay balance of 2015/16 income tax, Class 2 NIC and CGT plus first payment on account for 2016/17.

### FEBRUARY 2017

**1** Initial £100 penalty imposed where the 2015/16 tax return has not been filed or has been filed on paper after 31 October 2016.

**2** Submit employer forms P46 (car) for quarter to 5 January 2017.

### MARCH 2017

**2** Last day to pay 2015/16 tax to avoid automatic 5% penalty.

**31** Last few days to use any pension, CGT and IHT annual allowances and exemptions and to invest in an ISA in 2016/17.

### APRIL 2017

**1** Final staging date for businesses (unless commenced after 1 April 2012) to automatically enrol staff into a workplace pension scheme.

**5** Deadline for making a payment of Class 3A voluntary NIC to top-up entitlement to the additional state pension.