



TORUS INTERNATIONAL BUSINESS ASSOCIATION

BORDEAUX CONFERENCE

UK COUNTRY REPORT

UK TAX UPDATE from Geoffrey Rogers, Chartered Accountants.

It has been a very quiet tax year since the last Budget Statement in November 2018. We usually have a Budget Statement in the Autumn but with a new Chancellor appointed by Johnson and a possible election, it is impossible to predict what might happen. It makes tax planning for clients very difficult.

The first move towards Digital Tax (MTD) commenced on 1st April 2019, with VAT returns for businesses with sales over £85,000pa having to be submitted digitally. The old HMRC portal based system remains in place for VAT registered businesses with sales under £85,000pa.

We were told by various agencies that businesses were not ready for MTD but it became clear it was HMRC that was not ready ! Most first submissions were initially rejected but accepted at the fourth attempt. My office was overloaded with cries for HELP ! About 100,000 businesses missed the first quarterly deadline but HMRC did not fine anyone.

HMRC resources had been severely cut under the Cameron Government and centralised into 12 regional offices. With all their efforts going into Brexit, HMRC services have been very poor. We have a dedicated agents helpline to HMRC, but they do not answer the telephone or simply say “ There is no-one here to help you “ and hang up !

There does not have to be any digital link between business records and the VAT return, but this will change from 1st April 2020. We use two types of bookkeeping/accounting software, VT and Excel spreadsheets. VT said they were not going to have any digital VAT compatibility but at the last moment produced very good submission software and for Excel, we purchased bridging software from Absolute.

Thankfully, they both worked very well and we are expecting them to write new updates for the digital links required by HMRC from 1st April 2020. Our independent Office for Tax Simplification is working closely with HMRC and the tax/accountancy professions to push MTD towards a target of full digital tax for all by 2025/2026. It will mean a big change for traditional accountancy practices who will need to adjust their client services accordingly.

With this in mind, and to embrace new digital technologies, my firm has now become a “Xero Partner”. I have no intention to become a 100% Xero Practice because with so many traditional traders and local businesses, I have to embrace their lack of computer literacy. It means we shall

target Xero towards those who wish to keep their own records which we can access online and help with tax planning and management advice. Once we are on the Xero Directory, I expect to attract new clients who already use Xero but wish to change accountants. We only see one danger here – Xero has never made a profit !

Finally, to finish with the tax update, there is a new tax planning device here called “ Business property partnerships “ which aims to turn residential property lets into a business to avoid the tax restrictions on mortgage interest relief. I am advising against it for two reasons. Firstly, HMRC has never admitted that residential property lets are a business (for tax purposes) and secondly, the law could easily change. It might need a test case to go to the Courts.

Legal update (David Lambert)

Turmoil for inheritance cases!

Secretary of State for Justice Robert Buckland has just announced that the enormous increase in probate fees proposed under former Prime Minister Theresa May has been scrapped. The new fee scale was first devised in early 2017 but then temporarily scrapped because of the general election. The then proposed maximum fee would have been GBP 20,000 for large estates.

It was reintroduced in November 2018, this time with a GBP 6,000 cap on fees depending on the value of the estate, instead of the current flat fee of GBP 155 (via a solicitor, GBP 215 without). It still met considerable opposition from the professions, the media and the public, and was challenged as potentially unlawful by some MPs because the proposed charges were far higher than the cost of delivering the service. Simon Armstrong wrote to the Secretary of State criticising the proposal and received a reply as he can tell us!

The proposals were supposed to come into effect in April 2019 and resulted in an unprecedented number of applications to the Court for Probate submitted earlier than normal to pre-empt the fees rise.

A ‘glitch’ in software at the same time resulted in a serious backlog at the Probate Service, which continues now. If you phone HMRC for an update on stamped tax form IHT421s, before you can speak to anyone the helpline provides a recorded message to say that they can’t give any updates until at least 25 working days has elapsed since they received the IHT421 form!

The Probate Registry are currently working in date order on correspondence received on 23rd August, so their backlog appears to be circa eight weeks at least!

Solicitors are telling executors to expect 10 weeks delay (to hopefully exceed their expectations) and 14 weeks + for cases where Inheritance tax is payable.

That is minimum 5 weeks to obtain the stamped IHT421 form from HMRC and a further 8 weeks at least for Grant of probate from the probate registry (3 months IF all goes smoothly).

The normal prior to 2018 was a wait of about 3 weeks for the stamped form from HMRC and 10 days to receive the grant of probate that is just over a month rather than 3.

The court service (HMCTS) told the Law Society this month that it is sending out nearly 7,000 grants of probate a week and that issue levels should remain above 6,000 a week.

New applications are processed within three days of being received, HMCTS said, and the bulk of applications are processed within 28 days if inheritance tax forms are provided.

According to the Law Society, HMCTS is 'optimistic that the probate service will very shortly return to normal levels – applications being granted within 10 working days for solicitors'. HMCTS said the service should be back to normal in the next few weeks.

There have been a number of high profile Disciplinary Tribunal cases

Partners at Freshfields Bruckhaus Deringer face potential earnings penalties if they act inappropriately, in what the firm says is an ongoing drive 'to improve behaviour and inclusiveness'.

The firm revealed today that it has set up a conduct committee to 'drive culture change' and confirmed that partners could face a 20% earnings deduction for bad behaviour.

The news comes after Freshfields partner Ryan Beckwith was sanctioned by the Solicitors Disciplinary Tribunal after he went home with a junior colleague following an alcohol fuelled work event.

Beckwith, who was fined £35,000, was found to have failed to act with integrity and to behave in a way that maintains the trust the public places in the provision of legal services.

The High Court has ruled that a solicitor who received client fees into his personal account was treated too leniently by disciplinary watchdogs.

In Solicitors Regulation Authority v Siaw, Lord Justice Flaux today overturned the Solicitors Disciplinary Tribunal decision to fine Kwame Siaw £10,000 for acting with a lack of integrity.

The judge allowed the SRA's appeal and ruled that Siaw should be struck off the roll and ordered to pay a further £14,000 costs. Siaw will not have to pay any fine and will be refunded any money already paid, but the tribunal's costs order of £3,371 remains in place.