

Changes to accounting for LLPs and Limited companies



Lesley Haresnape
Partner
lharesnape@dtgroup.com

The implementation of FRS102 should now be a serious consideration for all medium and large practices that trade as either companies or LLPs. The new accounting standard replaces all previous UK standards (UK GAAP) and applies for years commencing on or after 1 January 2015, but on implementation, the prior year's figures will need to be restated in accordance with FRS102.

For small companies or LLPs, implementation can be deferred for a further year. In July, it was announced that the FRSE (January 2015) would apply for years commencing on or after 1 January 2015 and then FRS102 with reduced disclosures for years ending on or after 1 January 2016. This date also coincides with the increase in small company turnover limits from £6.5m to £10.2m implemented under the EU directive.

Other than presentational differences, many firms will not see any major changes to their financial statements, however the major areas of impact are:-

- Business acquisitions and mergers
- Employee benefits such as accruals for holiday pay
- Investment properties
- Goodwill
- Lease incentives such as rent free periods

If there is a change in accounting policy arising from the above there will be taxation consequences and there may also be an impact on banking covenants.

Even if your implementation period is not until 2016, you need to consider the impact of these changes now to avoid unforeseen consequences.

Changes to Accountants Reports

As part of their measures to reduce the regulatory burden on firms, the SRA were proposing to remove the mandatory requirement for the submission of an annual Accountants Report to be substituted by the COFA signing an annual declaration of compliance with the SRA Accounts Rules.

After further consideration, the SRA have decided that the Accountants Report requirement will remain but that the report will only need to be submitted to the SRA if it is qualified. In addition, firms that receive 100% of their fee income from Legal Aid will not require an Accountants Report at all. These new rules apply for reporting periods ending on or after 31 October 2014.

In July 2015 the SRA also announced a further relaxation relating to Accountants Reports, which will be implemented from 1 November 2015. From that date accountants will no longer need to qualify their report for trivial breaches. In addition the exemption for lower risk firms from obtaining an Accountants Report will be extended to include those with an average client account balance of less than £10,000 per year and a maximum account balance of £250,000. These changes are subject to the approval of the Legal Services Board.

For more information on
DTE Business Advisers visit:
www.dtgroup.com

The Exchange, 5 Bank Street
Bury, BL9 0DN
DX 711400 Bury 6

t: 0161 767 1200
f: 0161 767 1201

Tax Efficient School Fees Planning

Recent statistics show that the cost of raising a child in the UK equates to over £10,000 per year. For most families, these costs are met from income which has already been taxed. However our School Fees Planning is an effective way to use gross income to fund these costs tax efficiently.

Who is it suitable for?

Families with children at private school or university, who own assets such as shares in a company or investment property that generate income to pay their educational fees.

Where parents place assets into trust for the benefit of their own minor children, tax will be payable by the parents themselves where income received exceeds £100. This is due to specific anti-avoidance measures which prevent parents from splitting income with their own children, who are likely to have their full personal allowances and basic rate bands available.

However, no such anti-avoidance provisions exist for grandparents or other relatives wishing to settle assets into trust for minor relatives. Therefore, where such trust planning can skip a generation, it can be immensely powerful from a tax and wealth protection perspective.

How does the planning work?

A family member, such as a grandparent (although this doesn't necessarily have to be the case for the planning to work) could settle income producing assets into trust for the benefit of a minor relative.

Once the asset is held within the trust, the income that arises will be taxable on the minor relative, rather than the settlor or crucially, the parent.

The most tax efficient example of how this planning can work is where the underlying assets are shares in a limited company. In this situation potentially as much as £42,385 can be allocated to the minor relative tax free during the 2015/16 tax year. This is subject to the minor relative's personal allowance and basic rate band availability.

Where company shares form the basis of the assets in trust, efficiency of the planning will reduce slightly when the new 7.5% dividend rate comes in for basic rate taxpayers from 6 April 2016.

This income can then be used to pay school fees or it can be saved towards future university costs.

Potential pitfalls

It is crucial that professional advice is sought from the outset of any such arrangements. Whilst the planning opportunity seems relatively simple in concept, restrictions within tax legislation means that any School Fees Planning should be advised upon and implemented by a qualified tax adviser. It is very easy to fall foul of the anti-avoidance rules.



Outsourcing your IT Support

In this day and age, businesses whether large or small cannot survive without efficient IT systems. Every business needs to have secure access to the Internet and email, plus a reliable computer or tablet to work from.

To keep these things running smoothly, or fix them when they go wrong, you need an IT expert to call upon.

DTE offer a professional IT support service with focus on delivering effective and knowledgeable support across all major technology platforms such as:

Network Security

We know only too well that ensuring your computers are safe from the ever growing list of virus threats is an increasingly problematic area. Staying one step ahead saves time, money and wasted resource – let alone the risk of infecting one of your key clients. We provide a range of security solutions from firewalls to centralised anti virus management.

Backup solutions/Disaster Recovery

With the importance of your data, backing up is a critical process but one that is often overlooked. If you've ever had a major data loss incident, you will be aware of how disruptive this can be to your business. We offer various backup solutions depending on your business needs.

Cloud Technologies

As many businesses consider the move to a hosted (cloud) based environment, we are well placed to offer independent advice on the potential benefits and risks associated with adopting cloud technologies.

Maintenance

Your business IT systems are the engine of your company and like any other engine, needs maintenance and updating to keep them working at peak performance. You need reliable servers, secure firewalls, and robust remote solutions.

Day to Day issues

Whether it be printer errors, crashed computers, password access or configuration issues those day to day niggles can sap hours from your important day. Having IT support with experience of these niggling issues just a phone call away can be a godsend, helping you to be more effective in your job, and knowing how to find the quickest possible solutions

General Health Check

Does your system run slow? Do you have recurring issues? Could your business benefit from an IT health check? For more information contact Richard Bell on 0161 767 1200 or email rbell@dtegroup.com

If you wish to discuss any of the issues outlined in this update please call Lesley Haresnape on 0161 767 1200 or email lharesnape@dtegroup.com