

# INSIDER

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## MPS CALL FOR BREAK-UP OF BIG FOUR'S ACCOUNTANCY SERVICES

**The UK's largest accountancy firms should be split into audit and non-audit businesses, according to recommendations from a Government committee.**

The Big Four accountancy giants conduct 97% of large company audits, while also supplying those firms with other services.

The Business, Energy and Industrial Strategy (BEIS) Committee published a report highlighting a potential conflict of interest between the audit and consultancy services offered.

It said an operational division between audit and non-audit services should be put in place, claiming a full structural split would help detect fraud by increasing professional scepticism.

Rachel Reeves, chair of the BEIS Committee, said:

"The client relationship and the conflicts of interest which abound undermine the professional scepticism needed to deliver reliable, high-quality audits.

"Splitting audit from non-audit business would be a big step towards delivering high-quality audits."

Josh Hardie, deputy director-general of the Confederation of British Industry, said:

"Businesses are aware there are problems with the audit market and it is a tough challenge to fix them.

"But the UK's position as a stable, evidence-based country is under threat and rushing to simplistic measures, rather than following a clear, considered long-term approach, will damage our reputation further."

**📞 Contact us to discuss your business.**

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## HMRC ANNOUNCES DELAY TO PROBATE FEE INCREASE

**Changes to probate fees – due to take effect last month – have been delayed as Parliament wrangles to resolve the ongoing Brexit stalemate.**

Bereaved families currently pay a flat fee of up to £215 to obtain the grant of probate needed in England and Wales to administer estates worth more than £5,000.

That system was due to be replaced on 1 April 2019 by a new regime, which would set fees on a sliding scale based on the value of an estate.

The changes will eventually abolish probate fees for estates worth less than £50,000 in England and Wales, although estates worth more than this face paying increased fees of up to £6,000.

The new probate fees system will kick in 21 days after the motion is passed, although the new fees will not alter the probate process in Scotland.

Usually, to get probate in England and Wales, whoever is dealing with the estate must first submit an inheritance tax account to HMRC, which provides an inheritance tax reference number.

Probate registries usually do not accept a probate application for until the Revenue has confirmed it has received that account.

However, as an interim measure, probate registries will accept applications before HMRC processes them as long as assurance is given that the inheritance tax forms will follow shortly.

Despite receiving approval from peers, a separate House of Lords committee described the increased fees as a "stealth tax".

**📞 Talk to us about probate.**

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## LANDLORDS FEELING THE PINCH AS TAX MEASURES BEGIN TO BITE

**Most buy-to-let landlords saw their tax bills increase in 2017/18, suggesting the effects of tax changes were beginning to be felt one year after they were introduced.**

In a survey by Paragon, 58% of landlords said their 2017/18 tax bill was higher than a year before, with an average annual increase of £3,039.

The report said this was a result of changes to mortgage interest tax relief, which is being phased out over a four-year period and replaced with a basic-rate tax credit by April 2020.

A third of landlords said the tax they owed was either a little or a lot more than they expected.

Nearly half (49%) of landlords who reported a higher than expected increase said they would make changes to their portfolio as a result.

The most popular measures included selling property (24%), increasing rent (20%) and reducing borrowing (19%).

John Heron, director of mortgages at Paragon, said:

“The January tax [returns] deadline was the first real data point for measuring change and it’s clear that landlords are continuing to adapt their approach as the transition progresses.”

One way that buy-to-let landlords are adapting is to change their business structure, with research from Precise Mortgages showing an increasing amount of landlords are moving to limited company status.

Some 64% of landlords with more than four residential properties and plans to buy more in 2019/20 will do so as a limited company, compared to 21% who will buy as individuals.

Switching to limited company status enables landlords to continue to offset their mortgage interest against their profits.

Alan Cleary, managing director of Precise Mortgages, said:

“The buy-to-let market is changing and the switch to greater use of limited company status is one aspect of the development underlining the increasing maturity of the sector.

“There are good reasons why limited company buy-to-let is dominating the purchase market and we expect that will continue to be the case this year and next.

“Customers, however, need expert specialist support when buying as a limited company or considering switching to limited company status as there are considerable costs involved.”

**🔗 Get in touch to discuss your business structure.**

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## FIRST VAT-REGISTERED BUSINESSES ENTER INTO MAKING TAX DIGITAL

**More than a million VAT-registered businesses have now been mandated into the Government’s Making Tax Digital (MTD) programme, which came into force on 1 April 2019.**

Under the scheme, businesses that are registered for VAT with an annual taxable turnover of more than £85,000 are required to keep digital records and submit their VAT returns using MTD-compatible software.

According to HMRC, only around 100,000 VAT-registered businesses had signed up to the new regime by 1 April 2019.

Since then, businesses with VAT reporting obligations have been signing up at a rate of 4,000 a day.

Theresa Middleton, director of the Making Tax Digital for business programme, said:

“Now is the time for those businesses affected by MTD who haven’t done so already to begin preparing to switch over and start experiencing the benefits MTD has to offer.

“You don’t necessarily need to sign up from day one, but you do need to make sure you’re keeping your records digitally for your next VAT period which starts on or after 1 April.”

With Government estimates claiming more than one million businesses in the UK had yet to sign up for MTD before the start of last month, the Revenue reminded firms that 1 April 2019 was not a “cliff-edge” deadline.

For the majority of businesses, which file VAT returns quarterly, the first returns under MTD will not be due until 7 August 2019 at the earliest.

HMRC also said it will take a “light-touch approach” to penalties in the first year, and will not issue fines where businesses are doing their best to comply with MTD.

Mel Stride, financial secretary to the Treasury, said:

“Delivering MTD for VAT is the first step toward our ambition to create one of the most digitally-advanced tax authorities in the world.

“The rules will give businesses more control over their finances, allowing them to spend their time focusing on innovation, growth and the creation of jobs.”

**🔗 We’re happy to help with Making Tax Digital.**

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**🔗 Get in touch to discuss your business structure.**