THE ICAEW TAX FACULTY CONFERENCE 2017

The second of two reports from this year's event, compiled by the Tax Faculty team

The theme of this year's one-day Tax Faculty conference was 'Challenges facing your tax practice today and tomorrow'. The event was run on two dates: 21 April in London and 10 May in Manchester.

Chaired by Carl Bayley, Tax Faculty chairman, the event had a line-up of well-known speakers on a wide range of topics. Exhibitors and sponsors included capital allowances experts Catax, publishers Croner taxwise and software providers Sage.

An article in June's *TAXline* reported on four of the speakers' session. This article rounds up some highlights from the remaining sessions.

JOURNEY TO THE CLOUD

Archna Tharani
Oculus Accountancy

We were expecting a gentle start to the day as Archna Tharani took to the platform in one of the breakfast sessions to describe how she had made her practice digital. Were we in for a treat!

Archna was truly inspirational as she described how she bought a small paper-based accounting practice in central London a few years ago and, taking the clients with her on that journey, set about turning it into the thriving digital practice it is today. She did this while also retaining the same five members of staff who were already employed by the previous owner, and retraining them too.

It was interesting to see how often she returned to the need for training during her presentation. Archna herself had not previously worked in a small practice, so this was really a textbook example of change management.

Archna selected Xero and Receiptbank for her basic bookkeeping tools and set about training herself and all her staff in how to use them. By allocating training days, she made this happen and found that staff actually liked having these at the weekend and then taking time off in lieu to suit their lifestyles. Indeed, this flexibility seems to be part of her success and her employees can now work equally efficiently from home or at a client's premises since all their files are stored in the cloud.

She then divided her clients into those where her practice did the bookkeeping and those who did their own. She moved the former group to Xero at their next quarter-end and then set about visiting the others one-by-one to help them adapt. Using direct bank feeds, Archna found that a business's data could be imported directly into Xero and the easiest way to set these feeds up was by the client completing a form at their bank. The software 'learns' what the financial entries are and classifies them automatically. It does take some getting used to, but has enabled a more efficient service for her clients.

The old file server in the office seemed to be an early figure of hate and a key objective was to get rid of it. Much of what followed was driven by this. Having made the bookkeeping digital and cloud-based, Archna then tackled file storage and email. She chose Refractive and Google Apps for Business as her cloud solution and, after parallel running alongside the old office file server for a month, could soon claim that her entire practice was now on the cloud.

Following this, Archna found more time to spend with her clients and began to discover new add-on services to offer them. One such example came from her use of ReceiptBank which she uses to scan and store invoices before processing. For a client whose business involved a lot of travelling, this was an efficient way to record travel expenses. This has allowed that business to become completely paper-free, and she has since implemented the same process for two other clients, generating a new stream of consultancy income.

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Archna is now taking steps to become Cyber Essentials accredited. Managing IT risks becomes very important when your software is cloud-based and she has strict rules about staff use of company laptops; these are for work use only. Laptops are taken out and used in clients' offices, which is very convenient. However, as everything is in the cloud, it does mean that any client file can also be accessed when visiting any other client's office. So everyone must be very careful.

Archna was truly inspirational. While her approach might not suit everyone and every practice, she certainly gave us food for thought. So much so, that we asked her to give her presentation again in the format of a webinar on 26 June 2017 (Tax Faculty members can listen to the recording). We hope you enjoy it as much as we did at the conference.

CAPITAL ALLOWANCES: UNCOVERING THE VALUE

Mark Tighe
Catax

Catax are experts in tax reliefs, and in the second of our two optional breakfast sessions, Mark Tighe discussed capital allowances for qualifying fittings and fixtures in commercial buildings.

He said an estimated £2.2bn of relief has gone unclaimed - and is now lost - since the tax rules changed in April 2014, so there is plenty of opportunity to help clients claim their full entitlement.

The April 2014 changes related to how capital allowances are claimed when a building changes hands. Rather than wait until your client decides to sell a commercial building, it may be a good idea to propose an audit of such property now, to identify expenditure on which relief could be claimed and be prepared for a possible future sale.

For the purchaser, capital allowances can only be claimed on the seller's purchase price (not the value at the date of sale) and this should be borne in mind when negotiating.

Mark highlighted the most common areas which can yield unsuspected qualifying expenditure:

- heating installations, eg, a gas central heating system;
- electrical installations, eg, the electrical mains, lighting;
- water installations, eg, hot and cold water;
- fixed internal fittings, eg, sanitary fittings, kitchens, carpets;
- air conditioning - where it is worth noting that environmentally friendly systems can attract 100% enhanced capital allowances; and
- communication installations, eg, fire alarms, nurse call systems, IT data points.

He also noted the business sectors or building types which Catax find yield the highest claims:

- furnished holiday lets;
- nurseries;
- distribution warehouses;
- nursing homes;
- hotels; and
- offices.

Case studies illustrated these points.

Case study 1: A care home was bought for £500,000. Capital allowances of £93,028 were identified on foul water disposal and drainage systems, and water and electrical installations.

Case study 2: A hotel was bought for £15.5m. Allowances of £5.8m identified on installations for foul water disposal and drainage, communication and security, and lifts.

Case study 3: An office building was bought for £1.4m. Allowances of £168,954 were identified on installations for water, heating and air conditioning, and ventilation.

Case study 4: A retail unit was bought for £1.3m. Allowances of £102,376 were identified on installations for water, electricity, security and communications, and on fixed internal fittings.

Catax is an ICAEW business support partner, and in addition to capital allowances it specialises in R&D tax relief. For more information go to tinyurl.com/TX-Catax

PHOTOGRAPHY BY MATTHEW ANDREWS

THE 2017 COMPLIANCE LANDSCAPE

John Cassidy
Crowe Clark Whitehill

Tax investigations expert John Cassidy provided a round-up of the latest compliance developments, from tips on 'ordinary' enquiries to HMRC's drive to tackle offshore evasion. As well as an expanding range of powers and sanctions, it is clear HMRC's approach to compliance is now much tougher. John had two messages for practitioners:

- Clients do not always tell professionals everything (they may not realise what is relevant to their UK tax), so make sure you know your clients and review their affairs, especially recently-acquired ones or those with offshore interests.
- Even if HMRC has an aggressive or entrenched attitude - stick with it, and know the rules.

OPENING ENQUIRIES

When you get a letter opening an enquiry into a client's affairs, always look at the date. HMRC has a strict time limit within which it can open an enquiry. The date the letter was received - not when it was issued - is the date on which notice of the enquiry is served. Legislation and case law have established that the date of service is the date the letter would be delivered in "the ordinary course of post", and for second class post this means four working days.

This is particularly relevant to accelerated payment notices (APNs): for an APN to be valid, there must be an underlying valid enquiry. John has seen at least one case where notice of the original enquiry was served late, thus invalidating the APN - but no one had spotted that.

REQUIREMENT TO CORRECT

Legislation is in the pipeline for a new requirement to correct offshore tax non-compliance. The clauses were in the 2017 Finance Bill but were among those dropped from the Bill before it was enacted. The aim of the new requirement is to drive taxpayers with offshore interests to review their tax affairs. Assuming the legislation is enacted as planned, errors must be corrected by September 2018 and there are severe penalties for failing to do so.

John gave some examples of how taxpayers can quite innocently fail to pay the correct tax on offshore arrangements - it is not just deliberate tax evaders who could be caught by the new requirement. One non-domiciled client was meticulous and kept excellent records. He travelled regularly for business and had a credit card which he used exclusively overseas. However, it turned out he was paying the credit card bill to the Barclays clearing centre in Southend, thus unwittingly making a remittance to the UK equal to the entire credit card bill.

Another example was a very wealthy client who purchased two expensive London properties in order to develop them. The purchase was financed by an overseas loan, so that no income or capital would be remitted. However, foreign income was used to service the loan, which created a remittance even though no foreign income was physically remitted to the UK.

WORLDWIDE DISCLOSURE FACILITY

To enable taxpayers to bring their affairs up to date, HMRC has launched a Worldwide Disclosure Facility (WDF) which runs until 30 September 2018. This can be used for all disclosures, not just those with an offshore element.

The WDF uses the familiar two-stage process of first notifying HMRC and then making a disclosure and paying the arrears, which must be done within 90 days. The WDF does not offer any special terms and does not provide immunity from prosecution for fraud. It is a digital service and users are required to self-assess their tax and penalties.

John's view is that the WDF does not cater well for complex cases or those where assumptions are made in preparing the figures, which need to be explained and agreed with HMRC.

If fraud is in point it is usually better to ask HMRC to deal with the case under the Contractual Disclosure Facility (Code of Practice 9) which provides immunity from prosecution and also the benefit of a specialist case-worker at HMRC.

For those not at the conference, John is presenting a compliance update webinar on 4 July, covering many of these topics. Tax Faculty members can listen to the recording.

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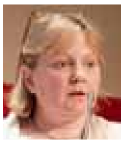

WORKING WITH HMRC: WHAT'S NEW FOR AGENTS

Caroline Miskin
ICAEW Tax Faculty

Caroline Miskin is the faculty's practitioner support manager. She provided an update on HMRC's tax agent strategy, of which there are four elements:

- agent enrolment;
- agent services;
- agent segmentation (which used to be called 'agent view'); and
- dealing with dishonest agents.

HMRC began its agent strategy project with a consultation in May 2011, *Establishing the future relationship between the tax agent community and HMRC*. There is a Joint Initiative Steering Group, and ICAEW has been closely involved throughout. A particular concern is that digital and other services for agents should not lag behind what is being provided for taxpayers - something we regularly raise with HMRC.

AGENT ENROLMENT

HMRC does not know a great deal about the agents on its databases. As well as paid agents there are voluntary sector advisers and 'trusted helpers'. The picture for paid agents can be confusing, as some firms have multiple identities due to different departments or offices registering separately.

There is to be a new enrolment process for paid agents, so that each firm will be a recognisable entity to HMRC, based on its own self assessment or corporation tax UTR. But given that this process is fundamental to other agent services, why is it taking so long to implement? The difficulty lies in the part of the enrolment process outside HMRC's control. The government gateway does not have high enough security standards, and the Verify identity assurance process is clumsy and not suitable for agents. To overcome this, agent enrolment will be via commercial software - which ties in with how Making Tax Digital will work.

It is important to note that HMRC's strategy is for all new agent services to be through commercial software. This includes MTD - there will be no free MTD software for agents.

The enrolment system is being tested now. The first step in the process is the registration of a new agent services account. It will then be possible to copy across existing agent client lists - it won't be necessary for the agent to set up each client individually or obtain new client authorities. There will be a new authorisation process for new clients, through their business tax accounts or MTD software, though paper forms 64-8 will still be available for digitally excluded clients.

AGENT SEGMENTATION

In its agent strategy, HMRC is seeking to use data to segment the agent population. With this it aims to deliver digital services to agents, develop more targeted support (and more targeted sanctions) and strengthen the role of professional bodies (for example, recognising those who have signed up to *Professional Conduct in Relation to Taxation*).

This part of the strategy has been under discussion since 2011; progress has been slow, but in Caroline's view this is no bad thing, as it needs to be done carefully. Enrolment and data-gathering are a precursor to segmentation. Data HMRC is expected to gather includes the agent's name, address, etc, UTR, number of clients and professional body membership. HMRC will look at performance factors such as the agent's own compliance history and also clients' compliance and payment history. The indicators used to segment agents are still under discussion and we think caution is needed because clients' compliance history is not necessarily an indicator of their agent's performance. HMRC needs agents who are able to act for difficult, incompetent or hitherto non-compliant clients, and they should not be deterred by the risk of the clients' behaviour reflecting on their own competence.

In segmenting agents, HMRC is proposing the following categories: assured agents, good/acceptable agents, poor agents and unacceptable agents. The professional bodies do not support the idea of assured agents; it is not clear what HMRC would offer to agents with this status, or what the obligations or public perception of it might be.

Agent segmentation is still under discussion and no specific implementation plans or dates have been set. ●

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