

# BLUE FLAG ALERT

## December 2018

Rowleys  
CHARTERED ACCOUNTANTS

## Making Tax Digital

Making Tax Digital (MTD) is fast approaching with the first tranche of businesses being affected by the legislation from April 2019.

If you are a VAT registered business with a turnover above the £85,000 VAT registration threshold you will have to keep your accounting records in a digital form. The first VAT return starting on or after 1 April 2019 will then need to be submitted directly from your accounting software.

For those VAT registered businesses with turnover below the £85,000 threshold MTD will apply one year later from 1 April 2020. With less than 18 months to go for the second tranche, planning for this change is essential. Considering how you are going to maintain your accounting records to be compliant and the best time to change, at your business year end or at a VAT period end, are important decisions to make.

Whilst the legislation is currently focussing and starting with VAT, plans are in place to progress on to income and corporate tax from as early as 2020. So even if you are not a VAT registered business MTD is likely to affect you at some time in the near future.

After the success of the two Making Tax Digital seminars we ran in November, we will be holding a third, for those who were unable to make the previous ones. This will be held at 3pm on Wednesday 6 February 2019 at Big Shed Conferencing, Leicester. This seminar will give you an insight in to what Making Tax Digital is and how it will affect you. There will also be an opportunity to see and discuss the options available to you for maintaining your accounting records digitally.

To book please contact Jo Sharp on 0116 282 7000 or email [post@rowleys.biz](mailto:post@rowleys.biz).

## Payrolling Benefits 2019/20

Since April 2016 employers have been able to utilise a new (voluntary) HMRC online service “**Payrolling employees: taxable benefits and expenses**”. Using this online service for payrolling benefits and expenses by adding a notional value to your employees taxable pay you will not need to report this separately on a P11D.

You can payroll all benefits except:

- Employer provided living accommodation
- Interest free and low interest (beneficial) loans

You must still report these benefits on a P11D, even if you’re payrolling other benefits for the same employees.

If you are intending to payroll benefits and expenses, you need to register with HMRC using the payrolling employee’s taxable benefits and expenses service. You must do this **before 5 April 2019**, letting HMRC know which benefits you want to payroll during the registration process.

Please contact our payroll department for more information.

## Charities – SORP (FRS 102) Changes

All Statements of Recommended Practice (SORPs) are developed within the context of law and accounting standards.

Please note the following when applying SORP in conjunction with FRS 102:

“This SORP provides guidance on how to apply FRS 102 to charity accounts and it should be noted that in the hierarchy established in accounting standards, FRS 102 requirements and legal requirements take precedence over the SORP. Therefore, should an update to FRS 102 or a change in relevant legislation be made after the publication of this SORP, any of the provisions of this SORP that conflict with the updated FRS 102 or relevant legislation cease to have effect.”

The purpose of the updated bulletin is to amend the underlying SORP for changes in Accounting Standard and legislation subsequent to the SORP's issue. The changes apply to all charities in the United Kingdom and Republic of Ireland that follow the SORP for the period beginning on or after 1 January 2019, except where early application is permitted or required.

### Key amendments are as follows:

Charities SORP (FRS 102) is amended to clarify the existing requirement for comparative information. FRS 102 requires that unless an exception is permitted that comparative information must be provided for all amounts presented in the current period's financial statements, which includes notes.

Charities SORP (FRS 102) is amended to cover the recognition of payments by subsidiaries to their charitable parents that qualify for Gift aid. FRS 102 requires that such a gift aid payment to be accounted as follows:

- Consistently with dividends;
- Dividends to be recognised when shareholder's right to receive payment is established;
- The parent charity's right to receive payment is established when the subsidiary has a legal obligation to distribute its profits to its owners at the reporting date;
- The gift aid payment shall not be accrued in the individual accounts of the parent charity unless a legal obligation for the subsidiary to make the payment exists at the reportable date.

Recognition of income including legacies, grants and contract income:

- Dividends are accrued when the shareholder's right to receive payment is established.
- Gift aid payment made within a charitable group income is accrued when the Gift Aid payment is payable to the parent charity under a legal obligation. Measurement is at fair value receivable.

Events after the end of the reporting period

- Payments made by subsidiaries to their charitable parent that qualify for gift aid are adjusting events which occur after the end of the reporting period. FRS 102 does not allow these payments to be recognised as a liability at the end of reporting period unless a legal obligation for the subsidiary to make a payment exists at the reporting date. FRS 102 requires a legal obligation for the subsidiary to make a payment to the parent exists, e.g. by entering into a deed of covenant, in order for the expected gift aid payment to be recognised at the year-end date.
- Other examples of events occurring after the end of the reporting period that require adjustment include:
  - Court case settlement that confirm that the charity had a liability at the end of the reporting period and not a contingent liability;
  - Legacy notification from an estate is no longer probable as a result of the will being contested.

**For more information about any of the topics covered in this month's Blue Flag, please call 0116 282 7000 to speak to one of our experts.**

The Rowleys Partnership Limited  
Charnwood House, Harcourt Way, Meridian Business Park, Leicester, LE19 1WP  
T: +44 (0)116 282 7000 E: [post@rowleys.biz](mailto:post@rowleys.biz) W: [www.rowleys.biz](http://www.rowleys.biz)

This paper is intended as a guide. For more information on the subjects covered in this update or to arrange a consultation, please contact a member of our

