



**Banbury:** +44(0)1295 250401 **London:** +44(0)203 693 7315 **Wellingborough:** +44(0)1933 427333

# WELCOME TO OUR AUTUMN NEWSLETTER

## IN THIS ISSUE:

**Auto Enrolment: Are you in?**

**Keep an Eye on Cashflow**

**A Time for Growth**

**2015 Summer Budget**

**Events Review**

## Auto Enrolment for Farmers: Are you In?

One of the biggest changes in the law for workplace pensions is now well established. Automatic enrolment affects every employer. There are severe penalties if you do not meet your obligations at the right time.

Every employer with at least one worker must:

- Assess its workforce to see if they meet certain criteria for enrolment. The definition of 'worker' might be difficult in some cases but Ellacotts Wealth Planning can help you decide.
- Automatically enrol them into a pension plan.
- Both employer and employee must contribute minimum contributions of 1% each initially, with future increases already set for October 2017 and then further again in October 2018.
- Employees can opt out if they choose too, but only after they have been enrolled.
- The employer must not influence the employee to opt out.
- Employers not meeting their obligations will be fined.

Each employer has a date by which they need to comply with the law, called the 'Staging Date'. The Pensions Regulator has sent letters to all employers confirming their Staging Date and reminding them of their obligations. If you have received yours you must take action. If you do not

know your Staging Date it can be found here: [www.thepensionsregulator.gov.uk/employers/know-your-staging-date.aspx](http://www.thepensionsregulator.gov.uk/employers/know-your-staging-date.aspx)

The criteria for automatic eligibility:

- Aged 22 or over.
- Under State Pension Age.
- Earn more than the monthly (or weekly) equivalent of £10,000pa. (So £834 per month or £192 per week.)
- Works or ordinarily works in the UK.

It is important to note that all workers have the right to join a pension in all cases, whether or not they qualify for automatic enrolment.

As an employer it is your duty to select a pension provider, assess your workers, arrange to enrol your worker, make payments to their pension plans and certify that you have complied by reporting to the Pensions Regulator.

Ellacotts Wealth Planning and Ellacotts Payroll Team have first hand experience of helping clients with the process and can take the burden off your shoulders.

For further information contact Malcolm Smith or Bal Kaur at Ellacotts Wealth Planning or Chantel Marshall in our Payroll Team.

## Keep an eye on farm cashflow

We are now seeing the results of the 2015 Harvest and it would appear that yields have in general been very good. However, the low commodity prices that we are seeing across all sectors mean that profits will be down and cash flow squeezed.

The reduction in profitability will not necessarily flow through into smaller tax bills in January due to the reasonable results from the 2014 harvest. Timing of machinery purchases will also have a bearing on this. Our final results from the 2014 harvest show that arable gross margins held up well despite the fall in prices, as can be seen from our figures (right), largely due to significant yield improvements.

Now is a good time to sit down and review your cashflow for the coming months. As already mentioned, there could be significant tax liabilities to settle in January 2016. This could be further compounded by a delay in receipt of the Basic Payment Scheme, which would normally provide the funds out of which to pay the tax. The timing of machinery purchases also need to be factored in, as these will have a significant effect on your tax liability, due to Annual Investment Allowance being set at £200,000 from 1 January 2016.

Your January 2016 tax payment will include your first payment on account of next year's tax bill. Where profits are down, claims can be made to reduce tax payments on account accordingly. This will ease the pressure on cashflow.

Typical arable client per acre	2014 £/acre	2013 £/acre
Gross Output	444	413
Variable Costs	218	204
Gross Margin	226	209
<b>Fixed Costs</b>		
Labour and Contract	76	70
Machinery and Power	112	106
Rent	27	31
Property	52	40
Administration	38	39
Finance	13	17
Total fixed Costs	318	303
Other income incl Single Payment	219	246
<b>Management Profit</b>		
	<b>127</b>	<b>152</b>



If you need any help in putting together a cashflow budget or wish us to review your tax payments on account, please speak to your usual Ellacotts' contact. If you would like to benchmark yourself or you would like more information about our 2014 or 2015 harvest results, please contact Steve Gardner.

## A Time for Growth

Ellacotts recent trainee intake has been the largest in its fifty year history with twelve trainees (some of whom are pictured right) joining the firm during July. They are now carrying out various roles within the expanding firm, from the expert Tax and Wealth management team and specialist Agricultural team through to the Corporate Audit department and entrepreneurial Business and Tax services team. We are proud to mention that Alice Finnie, Katie Morton, Kyle Moss and Isabelle Smith have all joined the agricultural team which is now 30 strong. We are certain they will go on to have successful and rewarding careers with Ellacotts.



We have always concentrated on tax planning as a key service to clients. We get tremendous satisfaction from delivering solutions to save tax for farmers and landowners – something that is even more important than ever given the

recent low commodity prices.

Do get in touch if there anything you would like us to look at for you.

# 2015 Summer Budget



On the 8th July 2015, Mr Osborne presented his Summer Budget to Parliament. Here's a summary of the key announcements which we believe will impact on the farming community:

## 1. Farmers' Averaging

Currently self – employed farmers have only been able to average their taxable profits over two years. In the March budget it was announced that from April 2016 farmers will be allowed to average their income over five years.

On 8 July 2015, a consultation document was published inviting discussions and comments on how the new measure could be implemented. The consultation closed on 7th September 2015. As soon as the details are announced we will be informing clients on how this will work for them.

## 2. Annual Investment Allowance (AIA)

AIA is currently at a temporary £500,000 but from January 2016 will be set permanently at £200,000. Where a business has a chargeable period that spans that date, transitional rules shall apply (do ask us what that means for your business).

The allowance means businesses can deduct the full value of certain items, including equipment and machinery, up to a total value of £200,000 from their profits before tax. This helps with cash flow because it means the full tax relief is given in the year items are purchased, rather than over several years.

## 3. Inheritance Tax

Currently, Inheritance Tax is charged at 40% on estates over the tax-free allowance of £325,000 per person. From April 2017, in addition each individual will be offered a family home allowance. This will be phased in from 2017-18 and by 2020-2021 reach £175,000, to help the family home pass to your children or grandchildren tax free.

Both allowances can be transferred to your spouse or partner, meaning the total tax-free allowance for a surviving spouse or partner will be up to £1 million in 2020-21.

However please note this additional allowance will be gradually withdrawn for estates worth more than £2m (before reliefs such as Business Property Relief and Agricultural Property Relief).

## 4. Restricting tax relief for wealthier landlords

Currently, those buying a property for the purposes of letting it out can deduct mortgage interest payments against rental income, no matter their rate of tax. This is the case whether or not the buyer has taken out an interest-only mortgage or a repayment mortgage.

However, under the new rules, which will be introduced over a four-year period from April 2017, the amount landlords can claim as relief will be capped at the basic rate of tax, which is 20%.

## 5. Minimum wage

A compulsory national living wage rate of £7.20/hour is to be introduced next April. The Chancellor said that the reductions in corporation tax would offset the rise, but as less than 10% of farming businesses use a company structure, farming businesses will be hit hard.

## 6. Dividends

Currently all UK dividends are paid with a notional 10% tax credit, so for every £1,000 of dividend income received it is assumed that £111 in basic rate tax has already been paid. This is why basic rate tax payers have no further tax liability on dividends received. This tax credit is being scrapped, so in future all dividend income will be treated as gross.

All taxpayers will now have a tax-free dividend allowance of £5,000 a year. Dividends above this level will be taxed at 7.5% (basic rate), 32.5% (higher rate), and 38.1% (additional rate).

Of course there were other important announcements made, which have not been mentioned above, which will also affect some businesses and individuals. If you want to discuss any matters arising from the budget please do not hesitate to contact us.

## Ellacotts Events

The past several months have been busy for the Agricultural & Property team. You can find a detailed round up of each event on our website as we continue to support our local agricultural communities.

This year was our first as exhibitors at Cereals. This proved a highly successful event with Ellacotts being very well received by show goers and we already look forward to next year. The Bucks County & Blakesley Shows were both very enjoyable days and definitely a highlight of Ellacotts' summer. We also celebrated at our annual Summer Drinks Party at Broughton Castle, a highly memorable evening.

Finally, we sponsored and attended the Upton House Horse Trials and the Moreton-In-Marsh Shows which as usual provided two extremely enjoyable days.

As we look forward to the coming months, we will keep you updated with our attendance at events. If you plan on coming along to any of our upcoming events, please do let us know by emailing [marketing@ellacotts.co.uk](mailto:marketing@ellacotts.co.uk).

- **Auto Enrolment:**  
Are you in? Regular ongoing events being held
- **Banbury Chamber of Commerce Live:**  
2nd October

## Wolf Run

Earlier this year we announced the Warwickshire & Northamptonshire Air Ambulance as our chosen charity for 2015/16.

On 5th September 40 Ellacotts staff & friends took part in the 'Wolf Run' endurance event to help raise funds for the service. Thanks to our clients, contacts and friends and families we raised almost £3000 towards this extremely important cause.

Each mission that the Air Ambulance is called out to costs the charity on average £1700. With an average of 3 callouts per day, we are doing all we can to help support this vital service, which is surprisingly yet to receive government funding.

The Air Ambulance work tirelessly to save lives and their highly skilled team work together to provide advanced clinical care to patients before flying them to the most suitable hospital – giving them the very best chances of survival and recovery.

John Thame, Agricultural Partner at Ellacotts said "At a personal level, I'm very proud for us to be partnering with such an inspiring group of individuals, a charity that we hold very close and have witnessed first hand some of the great work they do on a daily basis. We already have an array of fundraising events planned throughout the year and as a business, we will be doing everything we possibly can to help this heroic group of men and women."

Our next newsletter will be published in December 2015

## Some Key Team Members



**Jonathan Bullock**  
Senior  
[jbullock@ellacotts.co.uk](mailto:jbullock@ellacotts.co.uk)



**Mark Dickin**  
Partner  
[mdickin@ellacotts.co.uk](mailto:mdickin@ellacotts.co.uk)



**Steve Gardner**  
Manager  
[sgardner@ellacotts.co.uk](mailto:sgardner@ellacotts.co.uk)



**Louise Hosking**  
Director of Agriculture & Property  
[lhosking@ellacotts.co.uk](mailto:lhosking@ellacotts.co.uk)



**Helen King**  
Director of Agriculture & Property  
[hking@ellacotts.co.uk](mailto:hking@ellacotts.co.uk)



**Rachel Rahman**  
Manager  
[rrahman@ellacotts.co.uk](mailto:rrahman@ellacotts.co.uk)



**Claire Rigby**  
Manager  
[crigby@ellacotts.co.uk](mailto:crigby@ellacotts.co.uk)



**Karen Robinson**  
Accounts Senior  
[krobinson@ellacotts.co.uk](mailto:krobinson@ellacotts.co.uk)



**John Thame**  
Partner  
[jthame@ellacotts.co.uk](mailto:jthame@ellacotts.co.uk)



**Joanne Wright**  
Manager  
[jwright@ellacotts.co.uk](mailto:jwright@ellacotts.co.uk)

### For information of users

This material is published for the information of clients. It provides only an overview of the regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material can be accepted by the authors or the firm.

