

Key Issues regarding Accounting and Saving Tax, Mortgages and Financial Planning

For members of The Honourable Society of Lincoln's Inn

PLANNING FOR NOW AND THE FUTURE

Planning for now and the future



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Accounting and Saving Tax for Self Employed Barristers

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1 Introduction

- **Silver Levene Chartered Certified Accountants**
 - Based in Warren Street, London
 - Act for over 2,000 Barristers
 - Junior members to KC's
 - AccountancyAge Winner - Medium Size Firm of the Year
- **Accounting and Saving Tax for Self Employed Barristers**
 - Basis Period Reform
 - Change of Accounting Basis
 - Planning for tax payments
 - Saving Tax with Pension contributions
 - Making Tax Digital for VAT, Income Tax and Cloud Accounting
 - Qualifying for 30 hours of free childcare vouchers
 - Tax benefits of buying an Electric vehicle
 - Claiming for all of the allowable expenses incurred



2 Basis Period Reform

- Impacts Barristers who do not have a 31st March or 5th April accounting year end
- Under new rules from April 2024, Barristers will be taxed on profits for the tax year and not, as now, the profits for the accounting year ending in a tax year
- Tax year 23/24 is a 'transition year' – move to the new way of calculating profits for a tax year
- Declare profits from end date of last accounting period in 22/23 up to 5th April 2024.
 - E.g. 1st May 2022 – 30th April 2023 & 1st May 2023 – 5th April 2024
- In 23/24 can utilise overlap relief created when business first started – any additional remaining profit can be spread over 5 years.
- Increase tax saving from 1st May 2023 for increased tax payments from 31/01/25

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3 Change of Accounting Basis

- **Moving from the 'Cash' Basis to the 'Earnings' Basis**
 - Accelerates recognition of income
 - Move from Cash to Earnings Basis when fees received exceed
 - £300,000 excluding VAT
 - Calculation of the 'Catch up Charge'
 - Review of Aged debt
 - Profit spread over 6 years
 - Review of Aged debt at accounting year end
- **Moving from 'Earnings' Basis to 'Cash' Basis**
 - Fees received are less than £150,000 excluding VAT.
 - Potential Advantages
 - Cash flow advantage
 - Pay tax on cases received payment for
 - Disadvantage – Mortgaging / re-mortgaging



4 Planning for tax payments

- **Advantages of preparing accounts as soon as possible**
- Knowing what your future tax payments are
 - Saving the right amount of tax
 - Establishing whether tax savings are sufficient for profits generated
- More important after basis period change
 - Less time to know what future tax liabilities are
 - Earnings basis implications of an increase in aged debt
 - Increase in tax provisioning for Catch up charge and basis period change
- Mortgage and Re-mortgaging applications

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4 Saving tax with Pension Contributions

- **Tax Saving – how it works**
 - Basic rate – 20% topped up in Pension
 - Higher rate – 20% topped up in Pension, 20% deducted from subsequent Jan tax payment – reduces payments on account by half of tax saving
 - Higher, higher rate – 20% topped up in pension, 25% deducted from subsequent Jan tax payment – reduces payments on account by half of tax saving
- **Changes to annual limits for pension contributions**
 - Profit <£260k – max contribution £48,000 net
 - Profit £260k - £360k – annual allowance reduced by £1 for every £2 of profit over £260k
 - Profit >£360K – max contribution £8,000
- **Optimising Pension Contributions to save tax**
 - Clawing back tax free personal allowance
 - Reducing adjusted net income for 30 hours free childcare
 - Removing the requirement to repay child benefit
 - Mitigating additional tax on catch up charge and basis period reform
 - Change of basis rules – planning prior to accounting year end

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5 Making Tax Digital for VAT & Income Tax

- MTD is a flagship project for HMRC
- **Making Tax Digital for VAT (MTDfv)**
 - MTDfv introduced new digital filing and record keeping requirements for VAT.
 - From April 2022 it was compulsory for all entities that are VAT registered irrespective of turnover.
 - MTDfv introduces new record keeping rules
 - Business transactions must be stored digitally for VAT purposes
 - VAT return data must be **DIGITALLY LINKED** and uploaded to HMRC using **FUNCTIONAL COMPATIBLE SOFTWARE**
 - VAT return figures submitted to HMRC using **API software**
- **MTD for Income Tax (MTD for ITSA)**
 - Delayed from April 2024 to April 2026
 - Quarterly returns detailing Income and Expenses

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6 Cloud Accounting Software

- VAT is the first tax subject to MTD. HMRC are extending this to Income Tax from April 2026
- Main cloud accounting software providers are Xero, Quickbooks, Sage
- Bridging software is an alternative solution linking other software and / or excel spreadsheets to HMRC
- **Advantages of Cloud Accounting Software**
 - Ensures compliance with HMRC regulations
 - Collaboration – Barristers and their accountants can have access to the software anytime, anyplace and together
 - Real time - live bank feeds and photo's of invoices and receipts update the software on a real time basis. Enter data "on the go".
 - Integration – online systems offer seamless integration with other online software



7 Qualifying for 30 Hours of free Childcare Vouchers

- Eligible for 30 hours free childcare if both parents are in work and earn at least national minimum wage
- Lose eligibility if you or your Partner have an 'adjusted net income' over £100k
- What is 'adjusted net income'
 - Taxable income including
 - Self employment Barrister profits adjusted for Catch up charge, Basis period transitional profit spreading relief
 - Less tax relief e.g. pension contributions
- Planning opportunity to use pension contributions to reduce 'adjusted net income' to below £100k threshold



7 Tax Benefits of Buying an Electric Vehicle

- **Tax Incentives on buying a New Electric Vehicle**

- Full cost of car (pro-rated for business use) can be offset against your business profits in the accounting year the car is purchased.
- Purchase of car can be cash or via HP or Loan
 - E.g New Electric vehicle purchased for £45,000
 - Business use 65%
 - Profit reduced by £29,250
 - Assuming 45% tax rate payer – saving £13,163 tax in year of purchase
 - Tax saving is higher if claws back tax free PA
 - Part of tax deduction may reverse in year of sale depending on value.
 - Final saving will be based on loss of value of car during ownership

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8 Business Income and Expenses

- **Business Expenses**
- Allowable expenses
 - Chambers rent, clerks fees, chambers expenses
 - Travel from main base of operations to another place of work
 - Use of Home as Office
 - Subsistence
 - Motor Expenses – Business Use Apportioned
 - Mobile / Home Office Telephone & Internet – Business Use Apportioned
 - Writing materials
 - Computer running expenses
 - Research books and materials
 - Subscriptions
 - Indemnity Insurance
 - Accountancy fees
 - Training and CPD Courses
 - Court attire – Collars, cuffs and bands
 - Business bank account charges and interest
 - Interest on Business Development loans – from 2nd six onwards
 - Salary cost to Partner or spouse

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8 Business Expenses

- Allowable Expenses cont'd
- Capital Items
 - Wig and Gown
 - Computer, Laptop
 - Desk & Chair
 - Motor Vehicle
 - Books



11 Silver Levene's Offer to new pupil Barrister clients

- Accountancy packages include:
 - Making Tax Digital for VAT Bookkeeping, VAT preparation and submission
 - Preparation of annual self employed accounts and tax return
 - Annual face to face meeting with Partner to finalise year end accounts and tax return
- Initial meeting, no cost, no obligation
- Contacts

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Testimonials

“Silver Levene's advice and services over the past 23 years have been first-rate. They are genuine specialists for Barrister work. I have been looked after by Mason Bloom, who is always so approachable and most resourceful.”

Rodney Dixon QC – Temple Garden Chambers

“The service I have received from Silver Levene has been exceptional. As a young Barrister, I haven't had a lot of experience in financial matters and found the thought of preparing my first tax return a completely daunting prospect. However, my fear was quickly mitigated by the team at Silver Levene. Jackie Streat is at the end of a phone to answer any questions you may have, and I have found her assistance over the last few months to be incredibly reassuring. She takes the time to ensure that you understand everything, no matter how long it takes. Mason Bloom has also provided a first-class service. He is someone who I trust explicitly in the preparation of my financial accounts, and nothing is too much trouble for him to discuss with you. I would not hesitate to recommend Silver Levene to colleagues and friends alike. They have made a stressful period seem almost seamless.”

Laura Paisley – 9 King's Bench Walk

“I have entrusted my financial affairs to Silver Levene since Bar school. 13 years later and I continue to use them. I have always been very impressed by Silver Levene's professionalism and helpfulness. Their specific knowledge of the tax regime for Barristers is of huge value. I highly recommend them.”

Jacqueline Renton – 4 Paper Buildings

“Silver Levene provide a highly professional service, responding quickly and efficiently to client needs but with a re-assuring personal touch as well.”

Jamie Goldsmith - One Essex Court

“Peter and the team at Silver Levene have been an invaluable asset to me in developing my practice as a Barrister and also assisting my long-term financial planning. They have consistently put the achievement of my financial objectives at the heart of their service to me, which has invariably been of an excellent standard.”

Thomas O'Donohoe - 3 Paper Buildings

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HD HENRY DANNELL

Mortgage Advice

Courtney Flockhart
Mortgage Adviser

What happened to the mortgage market?



September 2022
“Mini-Budget”

Fallout

Recovery

Future outlook

What does this mean for purchasers?



Determine your maximum purchase price



Maximise lending with projections/aged debt/work done and payment summaries



Should I take an offset mortgage?



Moving to a new lender Vs Porting your existing mortgage

What does this mean for remortgages?



Plan ahead
and hedge
your bets



Utilise our AI
technology



Further
advances and
remortgaging
with additional
borrowing



Get advice to
help manage
your monthly
budget



Don't rush into
making a
decision on a
fixed rate

What does this mean for property investors?



Higher interest rates

=

increased stress tests

=

reduced affordability

Increased demand for Holiday Lets due to the pandemic

**Limited Company BTL vs
Owning in your personal name**

Boost borrowing capacity by utilising earned income



We are a Chartered, independent, fee-based wealth management firm focused on providing independent, well researched and bespoke advice to individuals, companies, trustees and charitable bodies.

We are a Bar Council partner and one of the largest providers of financial advice to the Bar, managing the affairs of several hundred barristers and members of the judiciary

Julian Morgan – *Managing Director*

PLANNING FOR NOW AND THE FUTURE

IN THE BEGINNING....

- A. Current situation
- B. Existing plans and investments
- C. Goals, objectives and dreams
- D. Likely future expenditure
- E. Likely future income
- F. Strategy document
- G. Review



DEBT v INVESTMENT

- Very different times now
- Risk versus reward
- Need to review the environment regularly
- Access to cash
- Don't forget Warren's wise words



BRACE YOURSELF!

Income

Mortgage

Family

Childcare

School
Fees

WHAT ARE THE MOST TAX EFFICIENT SAVINGS

- Pensions (consider changes from the 2023 Spring Budget)
- ISAs (including LISAs)
- Taxable Portfolios (CGT)
- Investment Bonds
- Esoteric Investments (VCT and EIS)
- Other (state pension, NS&I, rental properties and children investments)

Don't forget spousal allowances and planning together

SAVING FOR RETIREMENT

- Why pensions are so attractive
- The importance of calculating allowances accurately
- Contractual changes to pensions
- Impact of charges
- The benefits of starting early

Age	Annual Investment	Cessation of Contributions	Total Paid In	Pension Value at 65	Portfolio Growth
30	£32,000 net (£40,000 gross)	20 years	£672,000 net (£840,000 gross)	£4,865,126	£4,025,126
40				£1,914,689	£1,074,689

Figures (net of charges) are based upon investing into a pension with a medium to high attitude to risk using an annual growth rate of 5%.

IMPORTANCE OF DIVERSIFICATION

We are all aware of the risks of investing in one company and funds
BUT how much attention do you place on diversifying

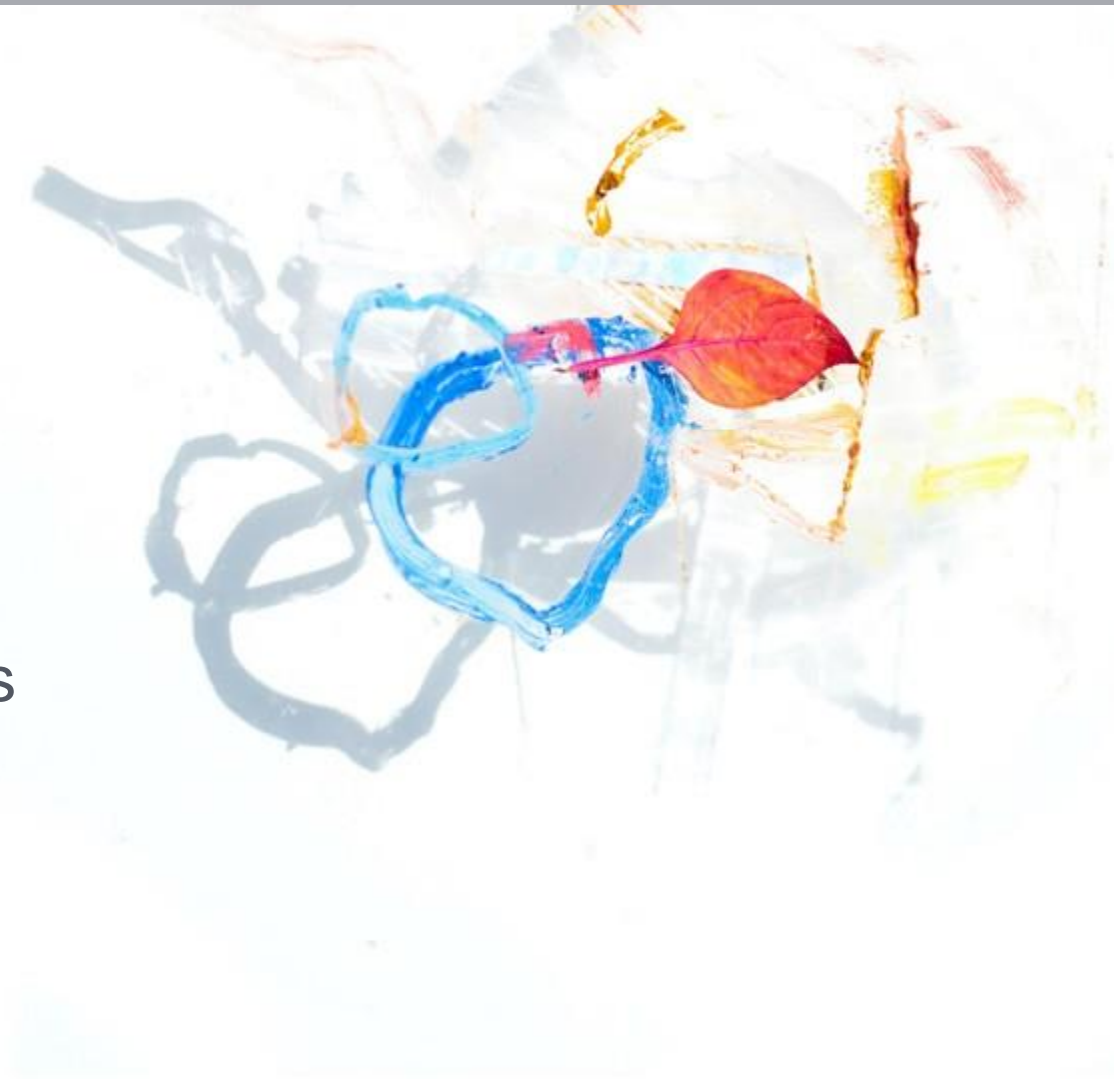
- Assets
- Geography
- Currency
- Contracts

THE JUDICIAL PENSION SCHEME 2022

- JPS 2022
 - Unregistered
 - Does not count towards your annual allowance from 2022/23 tax year onwards
 - No lifetime allowance considerations
 - Career average pension scheme (better accrual)
 - There is no downside to joining!
- Legacy pensions – JPS, FPFS, JPS 2015 Additional
- benefits – Life cover and Income Protection

WHY PAY FOR ADVICE

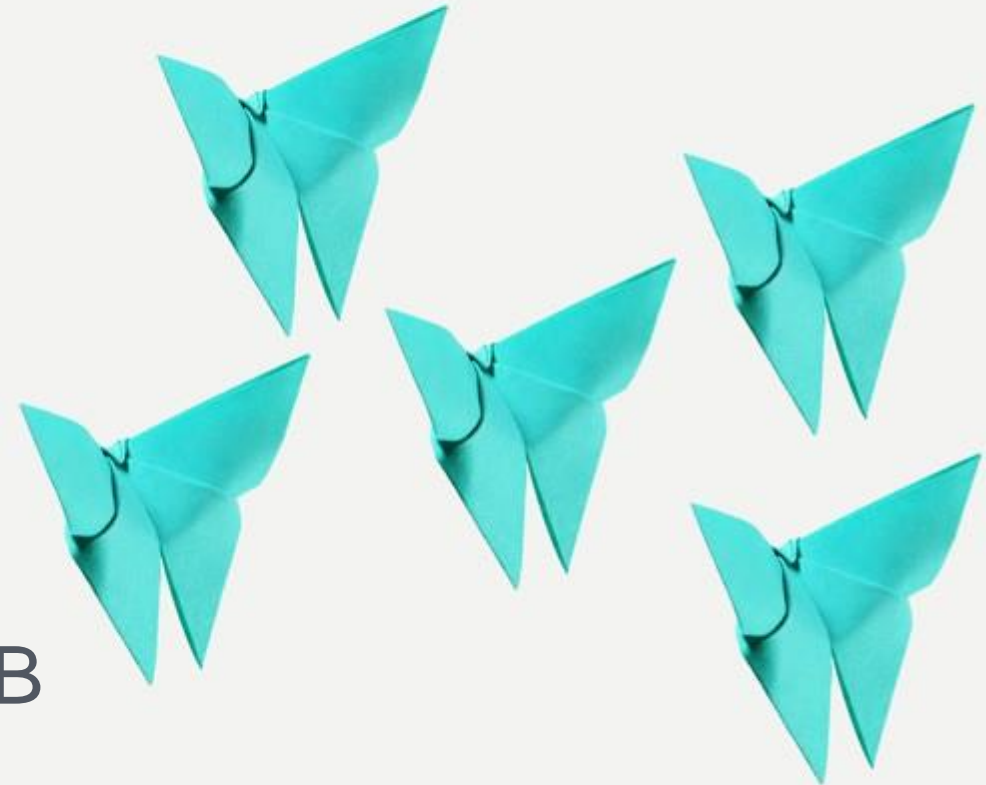
1. Objectivity and goal setting
2. Quantifying and mitigating risks
3. Product and market knowledge
4. Driving investment outperformance
5. Mitigating tax and advising on allowances and reliefs
6. Regular reviews of circumstances and accountability
7. Drive down product and fund cost
8. Saving time and cost



THANK YOU FOR YOUR ATTENTION

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The value of investments can go down as well as up and you may not get back the full amount you invested.
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Any questions?



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