MNA News Wire

MARSLAND NASH ASSOCIATES

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MARSLAND NASH ASSOCIATES JOIN FORCES WITH LOCAL TORBAY ACCOUNTANCY FIRM

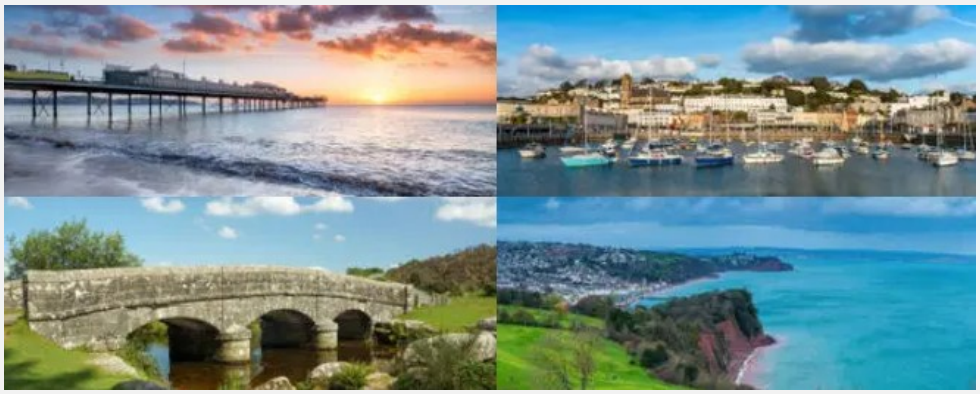
Marsland Nash Associates and Chillcotts Ltd have announced a merger - forming a larger, more powerful local practice under the Marsland Nash Associates banner.

Steve Marsland, one of the principals at Marsland Nash Associates said: "This is great news for our business community, because this merger means we can offer more services helping hundreds of local clients be more successful. Tax is always changing and becoming much more complex so it's now even more important that businesses and individuals pay the right amount of tax".

Nick Chillcott, Chillcotts boss, said: "The bringing together of our two specialist practices means clients and the wider business community will benefit from a wealth of knowledge and experience ".

The new enlarged practice will operate from the offices of Marsland Nash Associates in Paignton.

Steve said: "Anyone who wants to benefit from our fantastic detailed expertise should call us"



Marsland Nash Associates
7a Dartmouth Road
Paignton TQ4 5AA
Tele: 01803 527 599
enquiries@marslandnash.com

Registered in England number 4670160

NEW VAT PENALTY REGIME DELAYED TO JANUARY 2023

A new, and arguably fairer, system for determining penalties for late returns and late payment of VAT was due to be introduced from April 2022. However, it has been recently announced that the start has been delayed until January 2023. The same system will also apply to returns under MTD for income tax and those penalties will now start in April 2024.

Under the new regime taxpayers will accumulate points for late submissions, and only after reaching a certain threshold will an automatic penalty be imposed. The threshold will depend on how regularly the taxpayer is required to submit a return.

SUPER-DEDUCTION FOR EQUIPMENT RUNS FOR ONE MORE YEAR

The 130% super-deduction for companies that invest in new plant and machinery applies where the expenditure is incurred between 1 April 2021 and 31 March 2023. Many companies recovering from the coronavirus pandemic have not had the resources to commit thus far and the war in Ukraine may have made them reluctant to invest until the political and economic situation stabilises. Thankfully the special tax relief announced in the Spring 2021 Budget will be available for expenditure up until 31 March 2023 potentially saving £247 for every £1,000 invested in new equipment.

It is hoped that the current £1 million Annual Investment Allowance (AIA) will continue to be held at that level once the super-deduction ends. Note that the AIA is available to unincorporated businesses as well as limited companies and for second hand as well as new equipment.

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PLANNING TO SELL YOUR BUSINESS IN 2022?

Now that the economy is starting to recover, this could be a good time to think about selling your business. Remember that under the current capital gains rules, the first £1 million of an individual's gains potentially qualify for a 10% rate of tax, provided business asset disposal relief applies. We can check whether or not you and other business owners qualify for this generous relief. Note that the £1 million limit applies to all disposals during an individual's lifetime.

If your business is worth more than £1 million, you might want to consider the transfer of shares to other family members, although they will need to satisfy the conditions for business asset disposal relief for at least 2 years prior to any sale.

Passing on your business to the next generation

If you do not wish to sell your business but are looking to reduce your involvement, you may be considering passing on your business to the next generation, or maybe your management team.

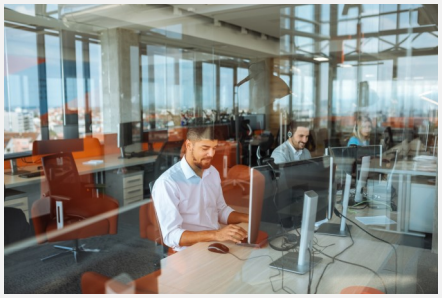
Where you are passing on the business or some of your shareholding, there are generous tax reliefs that facilitate the transfer of ownership without tax charges arising. These tax reliefs are currently available on the transfer of a trading business although it may also be possible to pass on an interest in an investment business with careful planning. We can of course discuss your plans with you to ensure that you are able to take advantage of all available tax reliefs.

What about a management buy-out?

If your family are not interested in taking over your business, have you considered selling the business to your management team?

In a typical management buy- out the existing management would set up a new company which would then raise finance to acquire your current business, so this is essentially the same as a sale to a third party, except the management team will know quite a bit about your business already. They would still nevertheless need to carry out due diligence and require you to provide warranties and indemnities as in a third party sale.

An increasingly popular alternative to the classic management buy-out referred to above would be to sell your company to an Employee Share Ownership Trust (ESOT).



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Sale of company to employee share ownership trust

This alternative to the classic management buy-out enables the shareholders of a trading company to sell their shares free of CGT to a trust set up for the benefit of the employees. This has become more popular as an exit route since the lifetime limit for CGT business asset disposal relief (formerly entrepreneurs relief) was reduced from £10 million to just £1 million.

This tax break has recently been used by the owners of a number of well-known companies including Richer Sounds and Riverford Organics, and is similar to the structure in place at John Lewis.

Like business asset disposal relief, the company must be a trading company. The outgoing shareholders are only allowed limited participation in the company following the disposal of their shares. There are a number of other conditions that need to be satisfied. If you are interested in going down this route, contact us to discuss whether it would be suitable for you or your company.

Company buy back of shares as an alternative exit

Another potential exit for shareholders would be for the company to buy back their shares. This would normally be taxed on the shareholder as a dividend unless certain conditions are satisfied resulting in the payment being taxed as a capital gain.

Clearly CGT treatment is preferable as the rate could be just 10% compared to up to 38.1% on dividends.

Consequently, HMRC need to be satisfied that the share buy-back benefits the company's trade, and a large cash payment may be difficult to justify if that depletes cash flow. With careful planning it may be possible to stage the buy back over a number of years, but it is recommended that you get advance clearance from HMRC to confirm capital treatment.

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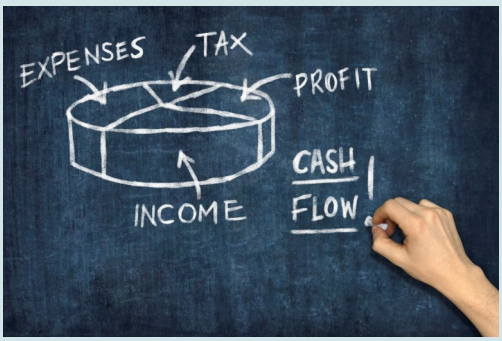
CASH FLOW MANAGEMENT IS KEY

Cash flow management is key in a turbulent economy……do you agree?



Most of our other clients do. In this economy cash is king and managing your cash flow is more important than ever.

If you are concerned about the future of your business, then take some time to reflect on where you are and what could happen in the next few months. It is now vitally important for all businesses to plan ahead for a range of scenarios. Cash flow and business planning in these uncertain times may appear difficult but there are some practical steps you can take to minimise potential disruption to your business.

- Review your Budgets and set realistic and achievable targets for the remainder of 2022.
- Get your employees involved in a discussion of likely trading conditions and get their input on reducing costs and maintaining revenues.
- Review and flow chart the main processes in your business (e.g. Sales processing, order fulfilment, shipping etc.) and challenge the need for each step.
- Put extra effort into making sure your relationships with your customers are solid.
- Review your list of products and services and eliminate those that are unprofitable or not core products/services.
- Pull everyone together and explain the business strategy and get their buy-in.

We specialise in helping our clients manage their cash flow. We do this by preparing and updating detailed cash flow forecasts, using the latest and most powerful software. We can also help you negotiate or renegotiate overdraft facilities and find specific funding to help you grow!

Please talk to us about cash flow planning for the next few months, we can help with a template so you can do this yourself or work together to produce estimates for a variety of scenarios.

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EMPLOYEE TRAVEL & SUBSISTENCE

With employees' and directors' P11d's for 2021/22 due by 6 July 2022 it is timely to remind employers of the rules for travel and subsistence, particularly as HMRC have recently issued some updated guidance and useful examples of their interpretation of the law.

Tax relief for employee travel costs is available provided the journey isn't ordinary commuting or private travel. Thus, amounts paid by the employer would not be taxable.

No relief is available for ordinary commuting, which is travel between home (or a place that is not a workplace) and a 'permanent workplace'.

There are a number of criteria for determining if a workplace is temporary or permanent, but in general a workplace will always be a permanent workplace if the worker:

- regularly goes to the same workplace in the course of a period of continuous work which lasts or is likely to last more than 24 months, or
- regularly goes to the same workplace for all or almost all of the time for which the worker is likely to hold (or continues to hold) the same employment.

Where the journey qualifies for tax relief then necessary and reasonable subsistence costs associated with that journey would also qualify for tax relief, and if paid or reimbursed by the employer would not be taxable employment income.

Note that where expenses (such as travel and subsistence) are incurred wholly, exclusively and necessarily in the performance of the duties of the employment they no longer need to be reported on form P11d. A dispensation from reporting is no longer required but HMRC would expect there to be controls in place within the organisation to review and approve the expenditure.

For details see: ESM5510 - Employment Status Manual - HMRC internal manual - GOV.UK (www.gov.uk)

Updated HMRC guidance on the scale of expenditure where accommodation and subsistence is paid for or reimbursed to employees

HMRC have recently updated their guidance and provided a number of examples setting out their interpretation of the law relating to reimbursed accommodation and subsistence costs and what they regard as reasonable. HMRC accept that under certain circumstances it is acceptable to rent a flat near the temporary workplace rather than stay in a hotel.

See: EIM31838 - Employment Income Manual - HMRC internal manual - GOV.UK (www.gov.uk)

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IMPORT CONTROLS DELAYED FOR THIS YEAR

The remaining import controls on EU goods will no longer be introduced this year, instead, traders will continue to move their goods from the European Union to Great Britain as they do now.

Russia's invasion of Ukraine, and the recent rise in global energy costs, have had a significant effect on supply chains that are still recovering from the pandemic.

The government has concluded that it would be wrong to impose new administrative requirements on businesses who may pass-on the associated costs to consumers already facing pressures on their finances. There will now be a review how to implement the remaining controls in an improved way. The new Target Operating Model will be based on a better assessment of risk and will use data analytics and technology. It will be published in the Autumn and the new controls regime will come into force at the end of 2023.

This process will build on existing work already taking place as part of the 2025 Border Strategy, including on the UK Single Trade Window – a new digital platform that will help traders to move goods more easily. The goal is to create a seamless new 'digital' border, where technologies and real-time data will cut queues and smooth trade.

The controls introduced in January 2021 on the highest risk imports of animals, animal products, plants and plant products will continue to apply alongside the customs controls which have already been introduced.

See: **New approach to import controls to help ease cost of living - GOV.UK (www.gov.uk)**

REIMBURSE PRIVATE FUEL FOR YOUR COMPANY CAR?

Unless there is full reimbursement of fuel provided for the private use of a company car there is a benefit in kind charge based on a fixed figure of £24,600 which is multiplied by the CO2 emissions percentage that is used to calculate the company car benefit for that vehicle. For a high emission car that percentage can be as high as 37%, resulting in a benefit in kind charge of £9,102 and an income tax bill of £3,640.80 for a higher rate taxpayer. Even with current fuel prices, that would be an awful lot of private mileage, so the employee should consider reimbursing the employer using the HMRC approved mileage rates by 5 July 2022 for 2021/22.

GIFT AID YOUR DONATIONS TO HELP UKRAINE

For individuals and businesses wanting to donate money to help to support those suffering in Ukraine, there are a number of charities providing humanitarian relief. Ideally this should be done via the Disasters Emergency Committee (DEC) Appeal at www.dec.org.uk/.

Individual UK taxpayers should make sure to tick the Gift Aid box as that will increase their donation by 25%. It should also be remembered that, like pension contributions, higher and additional rate taxpayers are able to obtain even more tax relief. For example, a £40 donation only costs £30 after higher rate tax

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MISSING OUT ON HELP WITH CHILDCARE COSTS?

The government are concerned about the lack of take up of tax-free childcare accounts, with HMRC estimating that only about 25% of families eligible for the scheme had joined.

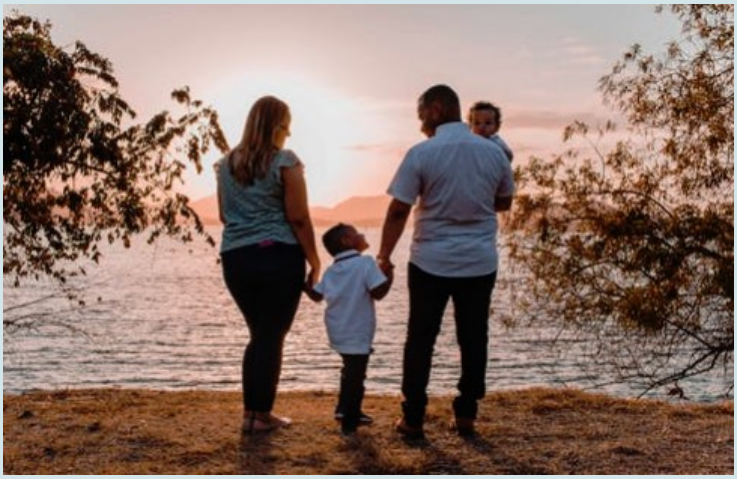
With many parents returning to work following the pandemic, they should be encouraged to set up a tax free childcare account to help with their childcare costs. For every £8 paid into an online account, the government will add an extra £2, **up to £2,000 per child per year** and that money must be used to pay eligible childcare costs.

Tax-free childcare is available for working families (including the self-employed) who are not receiving tax credits, universal credit or childcare vouchers.

It can also be used at the same time as the 15 or 30 hours of free childcare in England. The couple (or single parent) must earn **at least £142** per week each. Their children must be under 12 (or under16 if disabled).

The account can be used to pay for nursery fees, breakfast clubs, after school clubs, summer camps and OFSTED registered childminders.

Note that the tax-free childcare scheme is not available if either partner expects to individually earn more than £100,000 a year



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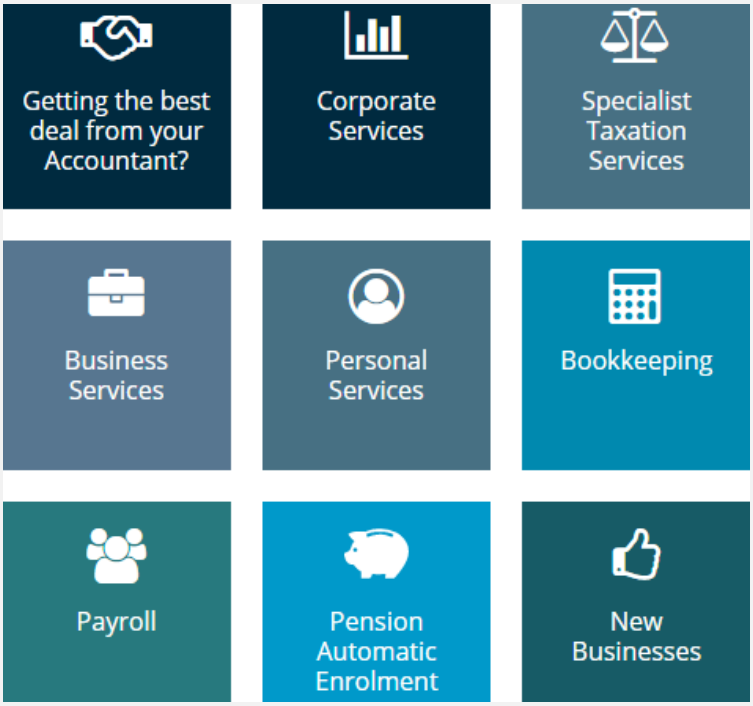
MNA WEBSITE



Remember we have a comprehensive website at **https://www.marslandnash.com** which contains full details of all of our services, as well as:

- ⇒ Latest accounts and tax news
- ⇒ Downloads section which includes all our newsletters
- ⇒ Filing deadlines pages
- ⇒ Current tax rates and information pages

Plus much more!

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NEW PAYROLL WEBSITE

In March of this year we launched a brand new dedicated website, Marsland Nash Payroll.

The payroll department has grown considerably over the past few years to the point where it made sense to re-brand and re-structure the Marsland Nash Associates payroll department.

We hope, that by doing this, we will be able to channel more resources into offering a service that is unrivalled in terms of its customer support and focus to ensure that you and your employees get the most out of the services we offer.

Please visit our new dedicated website at **www.mnpay.co.uk**

We have created this website with our payroll clients in mind so all your payroll resources are in one place.

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