MNA News Wire

MARSLAND NASH ASSOCIATES

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MAKING TAX DIGITAL DELAYED FURTHER, APART FROM VAT REPORTING

HMRC have confirmed that no further MTD for business changes will be brought in before 2020 at the earliest.

The Treasury set out its revised priorities for current digital transformation projects, to make room for the additional demands on its resources of work to upgrade customs systems in preparation for Brexit.

The HMRC statement notes that the convergence of business taxes from the current range of IT systems onto a single system will now happen at a slower pace. This will slow the creation of the single account for all business customers.

For individuals, the introduction of further digital services will be delayed, with progress on simple assessments and real time tax code changes put on hold for the time being.

Note that the introduction of VAT reporting under MTD is still scheduled to commence in April 2019 for those VAT registered businesses with turnover over the £85,000 VAT registration threshold.

Marsland Nash Associates
Unit 4, Brunel Buildings
Brunel Road, Newton Abbot TQ12 4PB
Tele: 01626 334 989
www.marslandnash.com

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

Registered in England number 4670160

CASH IS KING!

Manage your cash flow to grow your business

Cash is king when it comes to the financial management of a growing company. The delay between the time you need to pay your suppliers and employees and the time you collect from your customers is often a problem. The solution is cash flow management. This means delaying outlays of cash while encouraging anyone who owes you money to pay it as fast as possible. Our most profitable business owners prepare cash flow projections for the next year and often monthly. This allows them to see trouble spots before they happen and plan accordingly.

Improving cash receivable

Here are a few ideas to help you speed up cash collection:

- Offer discounts to customers who pay their bills quickly;
- Ask customers to make deposit payments at the time orders are taken;
- Require credit checks on all new noncash customers; and
- Issue invoices promptly and follow up immediately if payments are slow in coming

Managing your expenses

Here are a few ideas to help you manage your expenses:

- Take full advantage of creditor payment terms. If a payment is due in 30 days, don't pay it in 15 days;
- Use your Bank funds transfer to make payments on the last day they are due;
- Consider suppliers' offers of discounts for earlier payments; and
- Don't always focus on the lowest price when choosing suppliers. Sometimes more flexible payment terms can improve your cash flow more than a cheaper price!

How do you prepare a cash flow forecast?

This is best done on a spread-sheet but you can do one on a blank piece of paper! Start by taking your bank balance at the beginning of a month and add projections of cash to be received from customers and other sources such as bank interest. Then deduct a projection of upcoming cash outlays. Have a line on your projection for every significant business expense. Look closely at the closing balance you are predicting. Repeat this forward. Ask yourself "What's the trend is it positive or do we need to start examining how we can increase cash collected and reduce cash expenditure?"

We have helped many businesses prepare forecasts and can offer sensible and realistic advice on managing your cash, please talk to us about how we can help!

CASH AND DIGITAL PAYMENTS IN THE NEW ECONOMY

One of the announcements in the Spring Statement was the possible demise of the 1p and 2p coins and the £50 note, but for different reasons. It seems that more and more of us are paying for small transactions such as our morning coffee by using contactless payments.

Those who do pay in cash and where the cost is say £2.99 we put the penny change in the charity pot and many are thrown away! The £50 note has been linked to money laundering and other illegal cash-based payments.

The increase in contactless transactions and consequent reduction in the number of small coins in circulation will have a significant impact on the charity sector as many are reliant on peoples' small change being donated outside supermarkets and stations.

The consultation on the future of cash in the economy also considers the role of cash in tax evasion and illegal activities. The vast majority of traders and businesses accepting payments in cash will do so honestly. However, in some cases, the anonymous and untraceable nature of cash transactions is perceived to facilitate tax evasion, hidden economy activity, or money laundering. This harms the honest majority of businesses who find it harder to compete, and means less money goes towards our vital public services.

HMRC are aware that payments in cash can be a problem for tax compliance. In some cases, this is because taxpayers find it difficult to keep accurate records of all their transactions. HMRC have identified that cash is used by a small minority of people to hide or disguise their taxable income by not reporting, or under-reporting, what they owe.

The consultation paper suggests that the increasing use of digital payments and reduction in the use of cash could have a positive impact on increasing tax compliance and decreasing money laundering. However, the increase in digital payments may only have a limited impact, if the dishonest minority continue to use cash to hide or suppress their income. Could the next step be to make it mandatory to pay your window cleaner or gardener electronically? Not yet...

TAX EFFICIENT EXTRACTION OF PROFIT FROM COMPANIES FOR 2018/19

The new tax year means that many directors of family companies will be considering the most tax efficient method of paying themselves.

For many years accountants and tax advisors have suggested that director/shareholders should extract profit by paying themselves a low salary with the remainder of their income being extracted in the form of dividends.

Although dividends are not deductible in arriving at the company's taxable profits, they do not normally attract National Insurance Contributions (NICs). The starting point of NICs will rise to £162 a week from 6 April 2018. This is now significantly lower than the £11,850 personal income tax allowance. A salary just below £162 a week, £8,424 a year would mean no NIC would be due but would be sufficient to count as a qualifying year for State Pension purposes (if above £6,032 lower earnings limit).

Remember that employers other than those where the director is the only employee are entitled to a £3,000 employment allowance that can be set against employer's NICs. If this has not been utilised against NICs on staff wages then consider increasing the directors' salaries up to £11,850, as the additional salary would save corporation tax at 19% on the £3,426 extra salary which equals £651, whereas the employees NIC would be £411.

As far as the level of dividends is concerned, the rate of tax changes from 7.5% to 32.5% at £46,350 so ideally the dividends should not exceed £34,500 if a salary of £11,850 is paid. The first £2,000 would be taxed at 0% with £32,500 being taxed at 7.5%. Don't forget that this tax will then be due on 31 January 2020.

Please **contact us** to discuss other ways in which you can extract profits from your family company tax efficiently.

CHANGES TO TERMINATION OF EMPLOYMENT PAYMENTS

Care is always required when employees are made redundant or payments are made on the termination of employment. Not only are there employment law considerations, there are also important tax implications and this is an area where professional advice is strongly recommended to avoid unnecessary pitfalls. The tax treatment of these payments changed from 6 April 2018 and further changes come into effect in 2019.

Pay In Lieu of Notice

Employers now need to pay Income Tax and Class 1 National Insurance Contributions (NICs) on an element of all termination payments from 6 April 2018, whether or not they are contractual payments. The element that is now chargeable to Income Tax and NICs is the amount of the termination payment that represents payment in lieu of notice (PILON), sometimes referred to as "garden leave".

Ex-gratia Payments

The first £30,000 of genuine ex-gratia continues to be exempt from income tax and national insurance. The £30,000 limit includes statutory redundancy payments. Payments in excess of £30,000 are taxed as employment but there is currently no NIC on such payments. It was originally proposed that employers' NIC would be applied to such payments from 6 April 2018 but the delayed introduction of the National Insurance Contributions Bill means that employer NICs on termination payments above £30,000 will now take effect from 6 April 2019.

Periods of Foreign service

In addition, foreign service relief on termination payments was removed for all UK residents - apart from seafarers - from 6 April 2018. Previously, this provided a further exemption from income tax and NIC depending on the period of time working abroad.

UK residents whose employment ends after 6 April 2018 who receive a payment or benefit in connection with that termination made after 13 September 2017, will not now be eligible for tax relief for any period of foreign service as part of that job.

PREMISES STRATEGY

Office premises tend to be one of the biggest costs for any business. With the technology and connectivity of today's world, do you really need space (and desks) for every employee?

Technology has given rise to the remote worker. Agile approaches to work ensure that many firms now offer employees the opportunity to work from home or on the road, as appropriate.

Today's businesses tend to have a mix of traditional "full time staff" combined with those who work part time, compressed hours, flexible start / finish times, remotely or on a contract basis. This more flexible workforce means that businesses have an opportunity to adapt their premises strategy.

The premises strategy employed by your firm depends on the type of business that you operate and the expectations of your customers.

As the workforce becomes dominated by generation Y and generation Z employees, the demand for flexibility is only likely to increase. These generations demand new ways of working such as the opportunity for remote working and the option to work where and when suits their lifestyle.

As such, businesses will need to deploy more capital on technology and devices which allow agile working and less on premises and physical office infrastructure.

This gives firms an opportunity to take a fresh look at their premises strategy. You may no longer need a large office where everyone has a desk.

Perhaps you need a few meeting rooms for face-to-face meetings with clients and prospects but maybe that is all. This opens up a new world of opportunities for businesses.

If you are taking on more office space for your firm, it is worth keeping these recent trends in mind. Perhaps it is worth having a break clause which applies every 3 or 5 years in case your employees become increasingly agile / remote. In that case you would need less office space in the medium to long term and you may wish to move to a smaller premises.

CREATING A DISASTER RECOVERY PLAN FOR YOUR BUSINESS

A disaster recovery plan is a documented process designed to help recover and protect a business and its infrastructure in the event of a disaster. It provides a clear plan of action to be taken before, during and after a disaster.

A disaster could be man made or a natural occurrence. A disaster recovery plan is designed to allow your business to get back on its feet as quickly as possible. In terms of managing risks to your business, a disaster cannot be eliminated from your risk register. You cannot prevent a disaster from occurring but you can manage your business through it.

The first step in creating a disaster recovery plan is to make a list of all the office jobs / tasks that would have to be relocated to an alternate location so the business can continue to run. Identify the most critical roles and create a list of the areas that should be prioritized in order to ensure that the business can continue to run during a crisis.

The next step is to identify alternative office space. This could be a serviced office at a nearby location that can be up and running in a matter of hours. You don't need to rent this space right now. Instead, you should just identify a number of alternatives that could be up and running quickly, if needed.

You should ensure that your firm has sufficient insurance and budget available to handle a disaster situation. For example, if your office was wiped out due to a fire, you would need to have a budget available to purchase necessary office equipment, computers, etc. to get your business back up and running as quickly as possible.

Most businesses are highly dependent on I.T. You should have your servers and systems backed up at a secondary data site. This data site should be accessible in a disaster situation so that your business can continue to function.

Finally, you should document a list of key personnel and their contact details. In the event of a disaster, they should be contacted in order to make alternative arrangements for the firm.

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HEALTH & SAFETY

Employee health and safety is the responsibility of every employer

Regardless of the type of business you manage, health and safety is a fact of life. Aside from their devastating human cost, occupational accidents and ill-health bear a significant cost to businesses through higher insurance premiums and staff absence. Staying up to date when it comes to health and safety is therefore an essential part of running a business.

Keep it simple

Managing health and safety in your firm doesn't have to be complicated. If your firm takes reasonable steps to prevent workplace injuries or illness, you are unlikely to have any issues.

The approach you take should be proportionate to the size of your business and nature of your business activity.

Written health and safety policy

All businesses should have a written health and safety policy. Small businesses with less than five employees may not be obliged to write such a policy but it is advisable to have one in place, regardless of the size of your firm.

Lead by example

People tend to follow the lead of more senior managers in a safety-critical situation (even if the decision is flawed). In safety-critical situations, it is vital to establish a culture that allows everyone to raise concerns and challenge decisions in a constructive manner.

Carry out a risk assessment

In order to do this in a health and safety context, think about anything that could cause harm to your employees and ensure that you are taking reasonable steps to prevent that harm.

Don't be afraid to ask for help

If you don't have the expertise in house, you could consider hiring some external expertise to ensure that your business has someone with the necessary skills in order to manage health and safety properly.

HOW TO USE GOOGLE ANALYTICS EFFECTIVELY

Google Analytics is a free service which allows you to analyse visitors to your website. You could have thousands of visitors to your firm's website every month, but those visitors don't mean much if you don't know anything about them.

Google Analytics is one of the best of many tools available to analyse traffic to your website as it is designed to be easy to use and is free of charge. Used properly, it can help you to understand who is visiting your website and enable you to turn them into potential customers.

The system allows you to track everything from how much traffic your website is getting, to where that traffic is coming from, the behaviours of visitors, what they are clicking on, etc. In addition you can track mobile app traffic and identify trends to assist you in making decisions in relation to how you market your business.

To use Google Analytics you simply sign up for a free Google account, click on Google Analytics from your Google Account home page and go through the various steps. Then you must click on Get Tracking ID. You can install this tracking ID on your company's website and this will allow you to monitor traffic and start using Google Analytics.

The Traffic Sources section allows you to analyse where the visitors to your website are coming from. You can also set up custom reports in order to monitor metrics based on data specific to your business. For example, if you are an online retailer, you can monitor product codes in order to track which products are being purchased by your online visitors who are based in the EU.

You can also connect Google Analytics to your firm's social media accounts. This allows you to track the results of your social media marketing. For example, is the article you published on LinkedIn driving people to click through to your website, etc.

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TAKING A LODGER? DON'T FORGET TO CLAIM 'RENT A ROOM' RELIEF

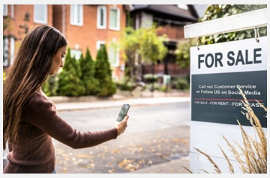
HMRC are carrying out a review of **rent a room relief** to discover whether the scheme, introduced back in 1992 provides the right incentives for the rental market. The current scheme exempts from tax, gross rents up to £7,500 where rooms within the taxpayer's main residence are rented out.

Most accountants that responded to the call for evidence were keen for the relief to continue as it encourages taxpayers to let out spare rooms and provides them with additional income.

Note that where the gross rental income exceeds £7,500, say £12,000, the excess of £4,500 would be taxable. Alternatively the taxpayer may deduct costs of providing the living accommodation such as a proportion of mortgage interest and light and heat. If these allowable expenses amounted to £9,000 then it would be more appropriate to be taxed on the net rental profit of £3,000.

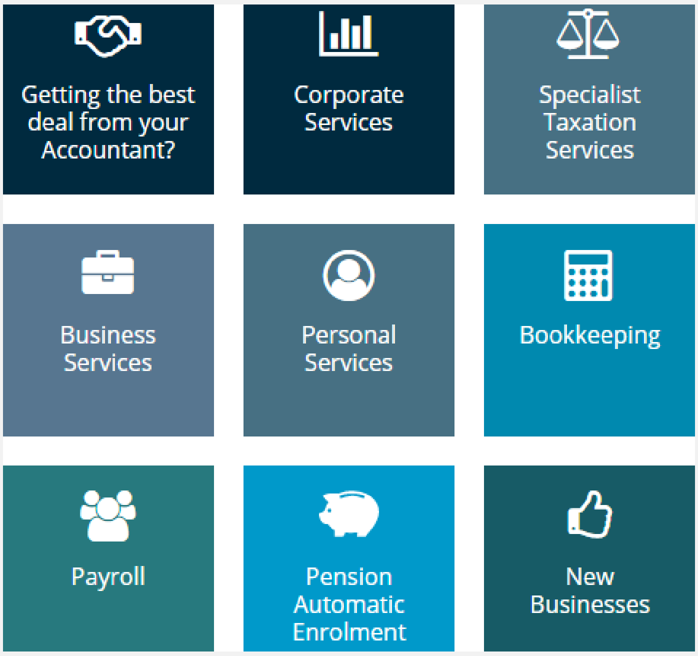
Note also that the current scheme only provides relief where the rooms let are in the taxpayer's main residence and if the property is jointly owned, the relief would be £3,750 each. Where the lettings are in another property, the new £1,000 property allowance could be set against the gross rental income, however this allowance applies to each taxpayer.

CGT TO BE PAID EARLIER ON PROPERTY DISPOSALS IN 2020



HMRC are consulting on the mechanism for collecting CGT on residential property disposals from April 2020, when the tax will be due within 30 days of completion. This will be instead of the normal payment date of 31 January following the end of the tax year and is yet another attack on buy to let landlords!

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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