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CUSTOMER RETENTION STRATEGIES

Without customers your business simply would not exist. Some businesses are so focused on winning new customers that they often neglect to put any effort into retaining the customers they already have! Winning new customers is often far more expensive than retaining existing ones. Winning a new contract may cost time in terms of developing a sales pitch and cash in terms of corporate entertainment in order to win over your target client. By contrast, retaining an existing customer might be as simple as sending them a thank you card with a voucher enclosed offering 10% off their next purchase!

Businesses constantly strive to grow their client base and to do this they must go out and put time and money into sales and advertising efforts. It's during these times that many businesses take their eyes off satisfying their current customers which can result in customers leaving. Customers of any business generally fall into three categories:

Loyal customers

Loyal customers won't leave for another product or service provider – even if a special offer is put to them. At the very minimum they will give their existing supplier the opportunity to meet or beat the offer. Maintaining loyal customers is an integral part of any business. Over time it has been proven that loyal customers will spend more with you and they will refer new clients to you.

Satisfied customers

Satisfied customers are customers who are open to a better offer from the competition. They feel that the product or service they are receiving is on a par with other offerings on the market but they are open to switching to something better given the right opportunity / special offer.

Dissatisfied customers

Dissatisfied customers are not happy with your product or service. Some will complain, giving you the opportunity to target the customer with client retention measures. However, for every complaint that is received from discontented customers, there will be several who will complain to their friends or publish their complaints online. These customers must be targeted pre-emptively with customer retention tools.

The goal of any business is to move the customers up along the customer chain. Dissatisfied customers move to the satisfied category, satisfied customers move to the loyal customer category and the business continues to look after the life-blood that is the loyal customer category. Identifying and categorising each customer will take time and effort (hours analysing sales data). However it will be worth the effort if it helps you retain some hard earned clients.

EFFECTIVE EMPLOYEE BENEFITS DON'T HAVE TO COST MUCH

Work life balance and flexible working benefits may be more valued than some of the more expensive employee benefits offered by some businesses.

Google is well known for providing everything from free food to onsite gyms, while Netflix has joined the bandwagon of firms offering unlimited holidays. What these employers demonstrate is that in the war for talent, large businesses are prepared to invest heavily in order to attract and retain the best people. Competitive pay and good benefits still factor into an employee's decision to join and stay at a firm. However, the market is starting to focus on offering some other key benefits. To truly enjoy their jobs, employees must feel that their employers want to provide them with what they need to be successful in both their professional and personal lives. A recent study by Mercer identified three factors that employees are looking for in a company.

Flexibility

The nine-to-five workday is outdated. Regardless of industry type, flexibility is incredibly important to employees who are trying to get their work-life balance right. Firms that offer employees flexibility in the form of remote working, flexible schedules and the technology to work from anywhere are attracting the best people. Flexible working has also been linked to reduced levels of workplace stress, better employee well-being and increased productivity. The best firms have created a culture of trust. They trust their employees to self-manage and get the job done.

Health and Well-Being

Workplace wellness initiatives show employees that their employers truly care about their health and well-being. To be successful, employee wellness programs need to be customised and include a wide variety of wellness initiatives such as fitness activities, onsite health screenings, providing standing desks and regular 'lunch and learn' sessions. To truly make a commitment to employee health and wellbeing, employers need to lead by example and create a culture of wellness across the whole firm.



Working With a Purpose

The next generation of talented employees are coming up through the ranks and they want to work for a firm with a purpose. They are willing to give up fancy offices and free coffee in exchange for getting to work on more fulfilling projects that make a difference. Modern employees want to feel their work is contributing to the greater good of society. In order to create a sense of purpose for your team, you should create a company vision, develop a reward and recognition system that encourages the right behaviour and educate your employees as to how their job impacts the firm, its customers and the wider community.

BUILDERS' VAT RULES DELAYED FOR A YEAR

The government have decided to delay the start of the proposed VAT reverse charge for supplies by sub-contractors in the construction sector.

The reason for the U-turn is the lack of awareness of the change that was originally due to start on 1 October 2019. Many sub-contractors, and some main contractors, were not prepared for the changes on top of getting to grips with Making Tax Digital for VAT and consequently the government have decided to delay the start of the new rules for 12 months.

It has also come to light that some of those sub-contractors using the VAT flat rate scheme would be worse off which will require a review of whether that scheme is still worthwhile for them.



APPLY FOR MORE TIME FOR MTD DIGITAL LINKS

For VAT periods starting on or after 1 April 2020 (or 1 October 2020 for deferred businesses) your accounting systems must use digital links for any transfer or exchange of data between software programs, products or applications used as functional compatible software. That is the end of the current 12 month "soft landing" extension.

Businesses with complex or legacy IT systems may require a longer period to put digital links in place. These businesses can apply to HMRC for additional time to put the required digital links in place. If your business qualifies then the additional time will be granted as a specific direction from HMRC.

If, for example, your company purchases another business it may take additional time to digitally link different software applications or packages to meet the MTD legal obligations. HMRC will consider an application to extend the digital link deadline longer than the "soft landing" period. That would mean the businesses would continue to be able to "cut and paste" during the extension period.

GET READY FOR THE “OFF-PAYROLL” WORKING RULES

Where large or medium-sized organisations are paying workers via personal service companies or agencies they will need to operate new procedures from 6 April 2020.

The new rules will apply to partnerships, LLPs and larger charities as well as limited companies. Only those organisations that would be classed as “small” under the Companies Act criteria will be outside of the new rules.

From **6 April 2020** the end user organisation will be required to determine whether or not the worker would be an employee of the organisation if directly engaged. That determination will need to be communicated to the agency supplying the worker so that income tax and national insurance is deducted from any payments.

The end user organisation should use the Check Employment Status for Tax (CEST) software on the HMRC website to carry out the determination. A copy of the determination should also be given directly to the worker.

WHAT IF THE WORKER DISAGREES?

Where the worker disagrees with the employment status determination they should contact the end user straight away setting out their grounds for disagreement.

The end user must provide a response within 45 days of receiving the disagreement. During this time they should continue to apply the rules in line with the original determination.

KEEP DETAILS OF YOUR DIRECTOR’S LOAN ACCOUNT AND KEEP IT IN CREDIT

In a recent Tax Tribunal case the judge agreed with HMRC that a detailed breakdown of directors loan account transactions is required, including dates.

The significance is that where the loan account is overdrawn (debit balance) there may be a possible P11d benefit on the director and also a tax charge on the company. A taxable benefit in kind would arise where the loan exceeds £10,000 and the interest paid is less than the HMRC official rate, currently 2.5%.

In addition, if the director is also a shareholder of a close company, there is a 32.5% tax charge payable by the company making the loan where the loan is still outstanding 9 months after the end of the accounting period.

Thus, you can see why HMRC may require a detailed analysis of transactions between the director and the company.

Note that where the loan is repaid to the company and a similar amount withdrawn within a 30 day period the tax legislation matches the repayment with the new “loan” and consequently the original loan would still be outstanding.

TIME FOR AN ELECTRIC COMPANY CAR?

The government has announced that there will be a zero P11d benefit for the drivers of electric cars from 2020/21. This is instead of the 2% scale charge that was originally included in Finance Act 2017 to apply for 2020/21.

The legislation for the change will be included in Finance Bill 2020 and it is proposed that the benefit will be 1% of list price in 2021/22 and then 2% in 2022/23.



The zero taxable benefit will also apply to hybrid cars emitting no more than 50 grams of CO2 per kilometre with a range using its electric motor of at least 130 miles, but only for cars first registered on or after 6 April 2020. For those registered before 6 April 2020 the scale charge will be 2%.

Rather confusingly there will be two different sets of scale charges from 2020/21, one set relating to those registered before 6 April 2020 and a new lower set of rates for those registered on or after 6 April 2020.

However businesses are advised to wait until 6 April 2020 as the P11d scale charge for electric cars is currently 16% of original list price for 2019/20

GET ON YOUR BIKE! USING THE CYCLE TO WORK SCHEME

The government has recently announced that the previous £1,000 limit on the cost of a bicycle provided under the cycle to work scheme has been removed. This will apply where the employer uses a firm authorized by the Financial Conduct Authority (FCA) to hire out cycles to employees who use them to commute to work.



Note that where the cycle is provided under a salary sacrifice arrangement there continues to be no taxable benefit if the amount paid by the employee is within HMRC approved limits. Note that where the bicycle is transferred to the employee after 6 years HMRC accept that value is negligible.

MANAGING A REDUNDANCY PROCESS



In the current economic climate, it is increasingly likely that at some stage, you could have to manage a redundancy process.

In today's uncertain business climate many firms face the possibility of having to reduce their operating costs. This means that many managers will have to run a redundancy process. Apart from being an unpleasant process to manage, it can also be a legal minefield. As such, it is important to follow the correct procedures. The redundancy process follows the stages outlined below:

Preparation

This includes assessing whether redundancy is actually necessary before starting the process. You should also identify your time frame and prepare the appropriate documentation.

Selection

This includes selecting the pool of people under consideration for redundancy. You will also need to determine the criteria to be used in selecting those individuals. It is important that the selection criteria is objective and can be applied equally and fairly across the workforce. For example, experience, capability, relevant skills and competence.

Individual Consultation

There are legal time frames regarding consultation depending upon the number of people being made redundant. In any case, it is important to explain why an individual has been selected and to consider alternative employment in the company.

Notice of Redundancy and Appeals

Always remember to write to your employee to inform them of the dismissal and allow them the right of appeal.

The Termination Process

All employees in the UK with more than two year's service qualify for a statutory redundancy payment. Remember to provide the employees with a written record of how the statutory redundancy payment has been calculated.

Throughout the redundancy process, communication is absolutely key. Having determined the need for redundancies and selected the criteria, it is good practice to ensure regular and open communication. This will help you and your firm to show that you've conducted the process in a fair and equitable manner in accordance with required legislation. If you are unsure about any legal aspects of a redundancy process, it is best to seek legal advice from a suitable law firm.

NO CAPITAL ALLOWANCES FOR EQUIPMENT IN A “DWELLING HOUSE”

As a general rule, there are no capital allowances available for expenditure on plant and machinery in a dwelling house.

In a recent Tax Tribunal case it was decided that only equipment installed in the “common parts” of a dwelling house qualifies for tax relief. This would typically comprise a common entrance lobby, corridors, stairs or lifts and those parts of the building which do not provide any living facilities.

A major exception to this rule is where the property qualifies as furnished holiday lettings where the business is treated as if it is a trade. Consequently, assets such as beds, sofas, televisions and white goods would qualify for capital allowances as plant and machinery in such a business.

Note also that the new Structures and Buildings Allowance is not available in respect of “dwellings” nor structures in the garden such as a garden office.

FURNISHED HOLIDAY LETTINGS BUSINESSES ALSO QUALIFY FOR CAPITAL GAINS TAX RELIEF

As mentioned above furnished holiday lettings businesses are eligible for capital allowances on equipment in the property. Where the business incurs finance costs such as mortgage interest the restriction that applies to other residential property businesses does not apply to furnished holiday lettings.

It should also be noted that qualifying furnished holiday lettings businesses are eligible for a number of important reliefs from capital gains tax. “Rollover” relief would apply where the proceeds of sale of a property are reinvested in another qualifying asset and it is also possible to claim holdover relief on the gift of the whole or part of property business. Note also that entrepreneurs’ relief would be available on the disposal of the furnished holiday lettings business.

As mentioned in a previous newsletter the Office of Tax Simplification have recommended that furnished holiday lettings businesses should qualify for inheritance tax (IHT) business property relief which, if legislated, should mean no IHT payable when the business is passed on during lifetime or on death.

GIFTS TO CHARITY



Where possible, higher rate taxpayers should "Gift Aid" any payments to charity to provide additional benefit to the charity and for the individual to obtain additional tax relief on the payment.

For example, where an individual makes a £20 cash donation to charity, the charity is able to reclaim a further £5 from HMRC, making a gross gift of £25. Where the individual is a 40% higher rate taxpayer he or she is able to claim a further £5 tax relief under self-assessment, reducing the net cost of their donation to £15.

Note that the donor is required to make a declaration that they are a UK taxpayer and those that have not suffered sufficient UK tax to support the Gift Aid amount will be taxed on the shortfall.

Remember that Gift Aid does not just apply to gifts of cash. Many charity shops will now sell the donated items on your behalf and are able to treat the sale proceeds as Gift Aided donations. It is also possible to gift quoted securities and land and buildings to charity and claim Gift Aid on the market value of those assets.

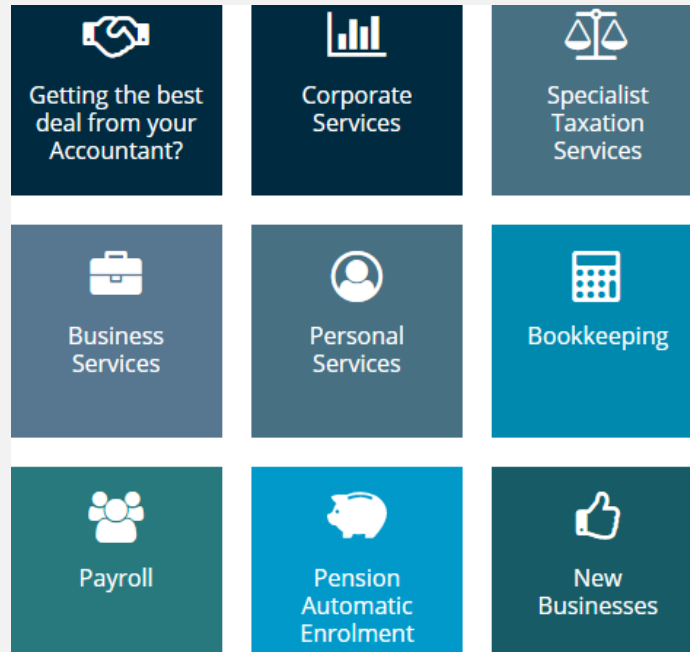
RADIO PRESENTER WINS IR35 PERSONAL SERVICE COMPANY CASE

The extension of the "off-payroll" working rules to the private sector mentioned above is planned for April 2020 but in the meantime tax tribunal decisions are still being decided against HMRC.

In a recent case involving a radio presenter working for TalkSport, it was decided that the presenter would not have been an employee if directly engaged. A key factor was that the level of control over the presenter fell far below the sufficient degree required to demonstrate a contract of service.

The accountancy bodies have been lobbying the government to take the decision of the judges in this and the recent case involving Lorraine Kelly into consideration when they update the CEST software used to determine employment status.

MNA WEBSITE



Remember we have a comprehensive website at <https://www.marstrandnash.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!