

CONTENTS

- [Key Business Trends for 2022](#)
- [Accepting Crypto Payments](#)
- [New Year Opportunities:](#)
 - ⇒ [Summary of Freeport tax advantages](#)
 - ⇒ [130% super deduction for investing in new plant](#)
 - ⇒ [£1m annual investment allowance still available](#)
 - ⇒ [New Year Tax Planning ideas](#)
 - ⇒ [Looking to get your tax bill down?](#)
 - ⇒ [Pension Planning](#)
 - ⇒ [Time to review your Will?](#)
- [Report CJRS Furlough Grants](#)
- [Selling your business?](#)
- [Gifting to avoid inheritance tax](#)
- [Regular gifts out of your income is tax efficient](#)
- [Trust planning opportunity still available](#)
- [Gifts to charity](#)
- [What the metaverse could mean for business](#)
- [Top Tips for building trust among your team](#)
- [Advisory fuel rate for company cars](#)
- [Website](#)

KEY BUSINESS TRENDS FOR 2022

The world is changing fast and businesses are having to adapt accordingly.

Businesses across the world have been grappling with rapid transformation because of changes to working practices, shifts in buyer behaviour and ongoing economic uncertainty.

The way we work is evolving

In the last 18 months, the shift to agile or flexible working has been accelerated by the pandemic. In 2022 the way we work will continue to evolve. Gig workers, remote workers and a move away from the traditional model of employment look set to be themes that will continue to evolve into 2022 and beyond.

Sustainability

All businesses must seek to reduce their environmental impact. Some businesses are trying to reduce the amount of waste that they produce, while others are setting lofty objectives to decarbonize their supply chains. Any business that ignores sustainability and the green agenda is unlikely to do well in the new age of conscious consumption.

Communication using apps

The pandemic has shifted commerce online and away from bricks and mortar / in-person meetings. In addition to telephone calls or emails, customers now expect businesses to be able to communicate using popular apps such as WhatsApp, Teams, Zoom or Skype. This trend is likely to continue post pandemic.

Virtual events

Meetings have moved online for many businesses and so have events. Whether it's launching a new product or service on a livestream video or hosting a webinar, virtual events are here to stay. Physical, in-person conferences and events may return after the pandemic, but virtual events eliminate the need to travel so are time efficient and less costly to attend or to run.

Social media marketing

When was the last time you looked at an advert on television or a billboard outside? Now that we spend more of our time online and connecting through social media, businesses have responded by focusing their marketing budgets on online campaigns. Social media marketing is not just for large, global businesses - small and medium sized businesses can use social media campaigns to create targeted, local campaigns with data-driven analytics which help to zone in on specific types of clients and prospects. Buyer behaviours have shifted - people now buy more online than ever before, so it makes sense that businesses are shifting their marketing focus to the online platforms that people are now using.

ACCEPTING CRYPTO PAYMENTS

With the growing popularity of crypto currencies, some businesses have started to accept crypto payments.

In simple terms, cryptocurrency is a form of digital money. It can be used for online transactions and is designed to be secure. The most common crypto currencies are Bitcoin and Ethereum, but there are many more available.

Crypto currencies are very secure. They use computer code that is almost un-crackable, which means that making transactions using crypto currency is attractive to customers (particularly when buying online).

Crypto currency merchant accounts are available in the UK and overseas. From a business's perspective, accepting crypto currencies for payments is appealing, in that transactions cannot be faked or reversed. This provides an element of security for both the customer and the merchant.

A growing number of small and medium-sized businesses are already accepting crypto-currency. If you want to start accepting crypto payments you will need a digital wallet, which allows you to accept, store and sell cryptocurrencies. These crypto wallets come with a private key which is your access code for your digital wallet.

If you already sell your products or services online on platforms such as Etsy or Shopify, these platforms often partner with payment processors like Coinbase and Bitpay, which allow users to accept payments in crypto currencies such as Bitcoin. Businesses can also sign up directly on payment processors such as Coinbase.

Accepting crypto payments is not without its risks. The value of crypto currencies fluctuates a lot and significant swings in value from one day to the next are not uncommon. Any business that is accepting crypto payments needs to track its value on the day it was received and the day it was sold. Crypto payments are still in the early stages of being adopted by the wider business community. As such, it's important to understand the challenges and risks inherent in accepting it as a form of payment.

NEW YEAR, NEW OPPORTUNITIES

In his Spring 2021 Budget the Chancellor announced that there would be 8 “Freeports” in England with generous tax breaks to encourage businesses to set up and invest in those areas. The devolved governments will also be announcing locations in Scotland, Wales and Northern Ireland in due course.



The proposed locations of the freeports can be found here: <https://www.gov.uk/guidance/freeports#where-are-they-located>

SUMMARY OF FREEPORT TAX ADVANTAGES

The main tax and customs duty advantages of locating in a designated freeport area are as follows:-

- SDLT exemption on the purchase of land and buildings in the area
- 10 year write off of the cost of constructing or renovating commercial property
- Enhanced capital allowances for investment in plant and machinery
- Exemption from employers NICs for certain staff working in the freeport area
- Special VAT and Customs Duty rules

7 of the 8 freeport areas are on the coast and thus ideal locations for businesses importing goods into the UK. There is however no restriction on the nature of business carried out within the designated freeport area.

The eighth English freeport is around East Midlands Airport which would be an ideal place to locate a distribution centre, being half way up the M1 motorway.

Please contact us for more details on the tax breaks for locating in one of the designated freeport areas.

130% SUPER DEDUCTION FOR INVESTING IN NEW PLANT CONTINUES

Many businesses may have been too short of cash to take advantage of the new super-deduction for investing in new plant in 2021 but may be more confident about investing in 2022.

This tax break, which started on 1 April 2021 continues until 31 March 2023, allows companies to deduct 130% of the cost of new plant and machinery from their profits where that plant would normally be included in the general capital allowances pool.

If a company buys a new commercial vehicle costing £50,000 that means they can deduct £65,000 from trading profit saving £12,350 in corporation tax. Note that there would be a clawback charge on disposal of the asset, which could be as much as 130% of the proceeds.

There is currently no financial limit on the amount that the company spends on new equipment qualifying for 130% tax relief.

NEW YEAR, NEW OPPORTUNITIES

£1 MILLION ANNUAL INVESTMENT ALLOWANCE STILL AVAILABLE

Second hand plant and machinery does not qualify for the 130% super-deduction but would still qualify for the 100% Annual Investment Allowance (AIA).

The amount of expenditure qualifying for 100% tax relief was originally scheduled to revert to just £200,000 from 1 January 2021 but will now continue at £1 million until 31 March 2023.

Although the 130% super-deduction only applies to limited companies the AIA is available to sole traders and partnerships as well.

Remember that there is currently a further 100% first year allowance for the cost of buying a new zero emission car for the business.

Previously 100% relief was available where the CO2 emissions of the car were no more than 50g per kilometre. However, that threshold changed in April 2021.

NEW YEAR TAX PLANNING IDEAS

At this time of year, we think about New Year's resolutions. It is also a good time to start planning your tax affairs before the end of the tax year on 5th April.

An obvious tax planning point would be to maximise your ISA allowances for the 2021/22 tax year (still £20,000 each).

You might also want to consider increasing your pension savings before 5 April 2022 as the unused annual pension allowance is lost after three years. For those looking to do some inheritance tax planning it would be a good time to review (or make) your Will.

LOOKING TO GET YOUR TAX BILL DOWN?

If your tax payment was due on 31 January and is more than you expected there is still time to reduce the liability if you are prepared to take a risk. An HMRC tax planning opportunity is to invest in a company that qualifies under the Enterprise Investment Scheme (EIS) or under Seed EIS.

These investments enable you to deduct 30% or 50% respectively of the amount invested from your income tax bill. For example, £10,000 invested in a qualifying EIS company will enable you to deduct £3,000 from your tax bill.

Normally the shares need to be issued in the tax year in question, but it is also possible to invest in the following tax year and carry back the relief to the previous year.

You will need to get independent financial advice as these tend to be risky companies, particularly Seed EIS companies which are smaller start-up companies.

NEW YEAR, NEW OPPORTUNITIES

PENSION PLANNING

In the run up to the Autumn Budget many were predicting that the chancellor might announce restrictions to pension tax relief. Thankfully nothing has changed -yet!

For most taxpayers the maximum pension contribution continues to be £40,000 each tax year. This limit covers both contributions by the individual and by their employer into their pension fund.

Note that the unused allowance for a particular tax year may be carried forward for three years and can be added to the relief for the current year, but then lapses if unused. Thus, the unused pension allowance for 2018/19 will lapse on 5 April 2022 if unused.

TIME TO REVIEW YOUR WILL?

Top of the new year to do list for many individuals is to make or update their will. Many think this is something to leave until later in life, but it is important to get things in place once property is acquired or when children come along.

In the absence of a will there are statutory rules which dictate how your assets are distributed on death. Those statutory intestacy rules may not be tax efficient, and you might want to make specific provision in your will for your unmarried partner or for the guardianship of your children.

Talk to us about the tax implications of your plans before you instruct a solicitor to get your will drafted or updated.

REPORT CJRS FURLOUGH GRANTS ON CORPORATION TAX RETURNS

The latest version of the CT600 Corporation Tax Return requires companies to report CJRS furlough payments received and the amounts that the company was entitled to during the period. Where any overpayments have already been disclosed to HMRC that amount should be reported.

The total amount overclaimed should then be entered in box 526. This amount will be assessed to income tax not corporation tax and HMRC will provide you with a payment reference.

SELLING YOUR BUSSINESS?

Are you thinking of selling your business? Remember as your accountant we can help value your business.

Essentially a business, as with any asset, is worth what somebody is willing to pay for it, and it is a matter of negotiation between a buyer and seller that ultimately determines the market value. However there are still times when a valuation is required, and this can sometimes be done by a specialist agent, perhaps an expert in your particular industry, or it can be done more generically by an Accountant.

An accountant's valuation can be used for many purposes:

- ⇒ selling
- ⇒ buying
- ⇒ raising finance
- ⇒ exit planning
- ⇒ tax planning
- ⇒ employee share options
- ⇒ valuation of goodwill on incorporation
- ⇒ performance measurement and many other reasons.

We offer a comprehensive and reliable service to facilitate all requirements.

We offer three types of business valuations, contact a member of the MNA team for a chat or request our Service Fact Sheet to find out more.

GIFTING TO AVOID INHERITANCE TAX

Many were expecting the chancellor to announce changes to inheritance tax (IHT) in his Autumn Budget. However, like capital gains tax (CGT), the rules have remained broadly the same as last year. That means that each tax year individuals may make gifts of up to £3,000 in total and that amount is not included in their cumulative total of gifts for IHT. Even if the £3,000 annual exempt amount is exceeded, provided it is an outright gift to an individual, there would be no inheritance tax payable provided the donor survives for 7 years.



Note that the gift of an asset other than cash may also give rise to a capital gain and CGT may be payable where the asset has increased in value. However if you give away a business asset such as shares in your trading company it is possible to make a claim to hold over the gain so that no CGT is payable. We can of course advise you on the procedure to follow.

REGULAR GIFTS OUT OF YOUR INCOME IS TAX EFFICIENT

One tax planning opportunity that many thought the chancellor might restrict was the exemption from inheritance tax for regular gifts out of an individual's income. Inheritance tax is designed to tax transfers of capital so if the donor can demonstrate that the gifts are made out of surplus income then the transfers are not taken into consideration for IHT. The exemption applies where there is a regularity to the payments, such as a standing order to pay school fees. HMRC will also require proof that the payments are paid out of post-tax income and do not limit the donor's normal lifestyle. Detailed records are required, and we can help you with a suitable spreadsheet.

TRUST PLANNING OPPORTUNITY STILL AVAILABLE

Another tax planning strategy that is still available despite rumours that it would be closed in the Budget was the CGT hold over relief when assets are transferred into or out of a trust.

This relief currently enables a non-business asset, such as an investment property, to be transferred without paying CGT. The relief applies where the transfer is subject to inheritance tax, but where the value transferred is no more than the £325,000 IHT nil rate band the transfer of the asset can take place without IHT or CGT being payable.

For example, Colin, a higher rate taxpayer, wants to gift his adult daughter Liz an investment property worth £300,000. The property cost him £100,000 a number of years ago. If he were to transfer the property to Liz directly there could be up to £56,000 CGT payable on the £200,000 gain.

If the property is transferred to a trust for the benefit of Liz then the transaction would be immediately chargeable to IHT but covered by the £325,000 nil rate band. The resulting gain could then be held over so that no CGT is payable.

At a later date the property could be transferred from the trustees to Liz providing another opportunity to hold over the capital gain. If this strategy may be of interest to you please get in touch. You will also need to instruct a competent trust lawyer to set up the trust.

GIFTS TO CHARITY

Where possible taxpayers should "Gift Aid" any payments to charity to provide a further benefit to the charity. Higher rate taxpayers obtain additional tax relief on the grossed-up amount donated.

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 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.

WHAT THE METAVERSE COULD MEAN FOR BUSINESS

What is the Metaverse and what do businesses need to know about it?

With the recent rebrand of Facebook's parent company to Meta, many are asking questions about the Metaverse and what it means for their firms. The concept of the Metaverse is quickly becoming a buzzword in technology and in business, but what does it actually mean?

Metaverse is a broad term. It generally refers to a shared virtual environment which people can access using the internet. The Metaverse is a digital reality that combines aspects of social media, virtual reality (VR), augmented reality (AR) and online gaming to allow users to interact online.

As the Metaverse grows and develops, it will create online spaces where user interactions are multi dimensional and will allow users to immerse themselves in a space where digital and physical worlds converge.

Microsoft is also investing in the Metaverse, with plans to bring immersive meetings to Microsoft Teams. Microsoft hopes its new tech will help people to feel like they are in the same room as each other, to communicate and collaborate more easily.

So what could this mean for businesses? As many firms accelerate their move to digital ways of doing business, the Metaverse can help people to collaborate, to host meetings and facilitate working on projects across the world.

This could be particularly helpful where some of your team are working from home and others are in the office - they can all collaborate online on a single platform.

The business media have been reporting that the Metaverse is going to be the next big thing. Some experts seem to think that the Metaverse will revolutionise the way we interact online, in much the same way as social media did in the last 15 years or so.

As such, it represents an opportunity for firms to innovate, to try new business models and experiment with new ways of interacting with customers. Only time will tell if the Metaverse is going to be the next big thing or not - but it should certainly be on your radar as it develops over the next few years.

TOP TIPS FOR BUILDING TRUST AMONG YOUR TEAM

To build a high performing business, managers need to cultivate trust among the whole team.

Trust is the glue that sticks the team together in any business. Trust is built through transparent and authentic leadership. For example, if things don't go to plan, authentic managers are the ones who raise their hand and admit they got something wrong.

They can build further trust by communicating how they intend to fix the situation and by asking others to lend a hand on implementing an appropriate solution.

Trust starts with communication. If everyone is informed and feedback is welcomed, you will build trust among your team. Everyone in your team wants to feel included and that their opinion counts. Good communication is key in managing any team and where some or all of your team members are working remotely, it's even more important.

Employee trust levels are closely correlated to proximity. Proximity bias is where employees with close proximity to their team and managers will be perceived as better workers. They are front of mind because they are in everyone's line of sight and tend to find more success in the workplace than their less visible colleagues.

Now that many people are working remotely, at least some of the time, managers need to try harder to avoid proximity bias. Remote team members can experience feelings of isolation and this can push good employees to go elsewhere in search of new jobs where they feel they will be more included.

You can build trust by creating an engaging virtual work culture with a focus on proactive diversity and inclusion, and that doesn't suffer from proximity bias. For example, project teams should include remote workers as well as those in the office, feedback should be sought from a variety of team members across the business, not just the ones who happen to be sitting nearby on any given day, etc.

To build trust among your team, everyone must invest in trust-based values. As a leader, you can make it clear that you're all in it together and you expect everyone to be an open, authentic team-player.

ADVISORY FUEL RATE FOR COMPANY CARS

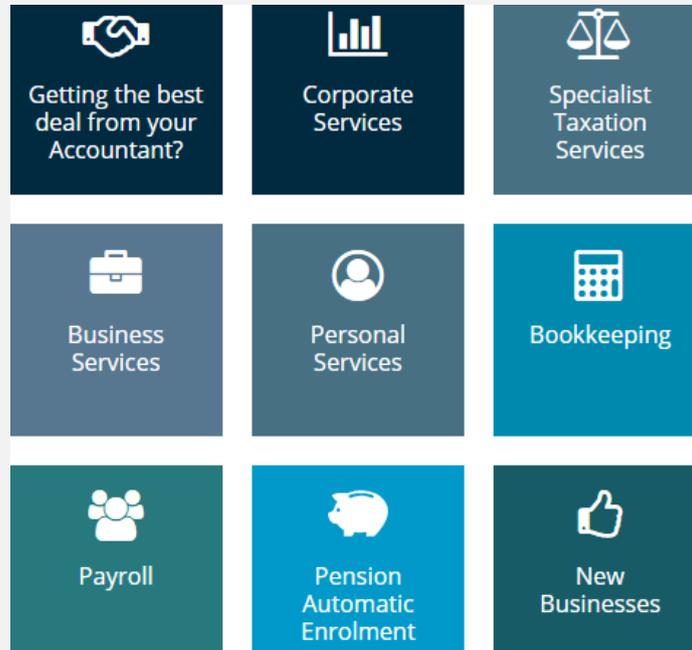
HMRC have again increased the advisory fuel rates that apply for the reimbursement of employees' private fuel for their company cars.

The new rates apply from 1 December 2021, but you can continue to use the previous rates for up to 1 month from the date the new rates apply. Where there has been a change the previous rate is shown in brackets:-

Engine Size	Petrol	Diesel	LPG
1400cc or less	13p (12p)		9p (7p)
1600cc or less		11p (10p)	
1401cc to 2000cc	15p (14p)		10p (8p)
1601 to 2000cc		13p (12p)	
Over 2000cc	22p (20p)	16p (15p)	15p (12p)

You can continue to use the previous rates for up to 1 month from the date the new rates apply. For wholly electric cars there is a 5p (was 4p) advisory rate. Note that for hybrid cars use the equivalent petrol or diesel rate.

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!