



ACROSS THE DESK 25

MARCH 2020

 A banner featuring a close-up photograph of a field of yellow and pink daffodils. The text 'Spring 2020' is overlaid in a large, white, sans-serif font.

Spring 2020

A.K.A - THE CRAZY WORLD OF BUSINESS AND TAX THROUGH THE EYES OF GEOFFREY ROGERS, CHARTERED ACCOUNTANTS, ACROSS THE DESK.

WELCOME TO ACROSS THE DESK

A sideways look at a selection of business and tax issues through the eyes of Geoffrey Rogers, Chartered Accountants in Plymouth. This B***** free e-newsletter is sent to about 450 clients and colleagues – please feel free to share because business is great and we're looking for more. There is an 'unsubscribe' at the end if you wish to be taken off the list.

There are plenty of serious matters in here this time, so the 2019 Christmas crackers jokes make more than one appearance to lighten the mood. We also have a guest contribution from Ryan May of Sound Financial.

QUIZ!!

Who said "If you can dream it, you can do it"?

(Find the answer at the end!)

THIS IS A PLUG FOR YOUR CHAMBER OF COMMERCE}

For years we have been told by Westminster and Whitehall that there are too many representative voices in the South West – at one time there was over 300. Thank goodness therefore that the South West Chambers have formed an Alliance and created a joint Manifesto. It's a great reason to join any Chamber affiliated to the BCC. This membership package is excellent value for money – check and see what you think

www.devonchamber.co.uk



CONNECT | GROW | SUCCEED

In Europe, the Chambers of Commerce are large organisations and a tremendously powerful voice in their local and regional economies. We could do the same but it needs you to sign up, support and contribute. The Chamber is a great resource and conduit for all in the business community.

Which day does an Easter egg hate most ?

Frydays

THE BUDGET

We still don't have a Budget to talk about at the time of going to press. 11th March is Budget Day. It is difficult to remember back to the last Budget in October 2018 which became law on 17th February 2019. Many consultations were promised and a number of reliefs were due to end in April 2020, so those will be mentioned again no doubt.

However, this Budget has to say more about Government borrowing and the end of austerity. We can second guess that any major personal tax changes will not take place until 2021. Forget the headlines – the Budget Papers are released online at the same time as the Chancellor steps down, so you can find the devil in the detail.



The end of any transitional period is well away yet (very much w-i-p if you read the Withdrawal Agreement) but the Government has already said that apart from some minor technical amendments, UK tax law will continue to operate as it does now if the UK leaves the ** without a deal. Much more to come on all that, probably for 2021/22.

CEST

There's been a lot of worry over the IR35 regulations and it's set to change again in April. There is a tool on the Gov.UK website called CEST " Check employment status for tax ".

<https://www.gov.uk/guidance/check-employment-status-for-tax>

This is used by HMRC PAYE inspectors and it's also free for you to use, so if you are in any doubt, ask CEST for an opinion (or GRCA obviously).

VAT REGISTRATION

This VAT cliff edge is crazy right enough. One minute there you are happily trading under the £85,000, but trip over that in one month and you are challenged firstly to have that sales information to hand, secondly to be aware you are in the red zone, and thirdly know that you only have one month to advise HMRC.

There is an immediate impact on your gross profit – do you absorb the 20% (impossible), pass it on to customers (unlikely) or do a bit of both until you come out the other side which is about £120,000 – not that easy.

So remember this if nothing else, if your sales in one month go over £7,000 you need to ask for VAT



help. Ignorance is no excuse. Of course there are seasonal businesses which go in and out of monthly overs and there are provisions to accommodate this. Also be aware of the VAT flat rate scheme.

We have complained to Number 11 (and various MPs) many times about the VAT cliff edge but it falls on deaf ears. There should be a sliding scale calculation which recognises the first £85,000 is VAT free and in these days of Digital VAT, it should be easy enough to do. Rant over.

Government response so far is that any smoothing mechanism would result in a reduction of the £85,000 threshold which is set until 31st March 2022.

MARINE AND MARITIME BUSINESS NETWORKS

It's all going on but you have to network! In terms of social networks, LinkedIn quite often comes out as the better option for B2B while Facebook does have more users. Network groups offer the chance to meet up, from events to network meetings - it's important to go and share. There are so many marine and maritime initiatives now from the South Coast Cluster to Cornwall Marine, Oceansgate and Plymouth Marine Network. Do not expect miracles nor quick results – build slowly and sometimes it's more about how much you contribute.

Watch out for the Marine Tech Expo
30th June-3rd July at Turnchapel Wharf

www.marinetechexpo.co.uk



ASSET DISPOSALS BY A LIMITED COMPANY

This question comes up now and then. To keep a long story short – rollover relief (i.e. re-investment) is available but not for non-trading (i.e. investment companies). You will probably remember the old indexation and taper relief for individuals which stopped many years ago but limited companies were still entitled to claim indexation to 31st December 2017. This is a complicated area of tax so you should check with your adviser BEFORE making the sale especially as tax values are not always the same as balance sheet values.

ONE DECENT TAX PLAN

Might be to limit your drawings from your limited company and recycle profits after 19% corporation tax. Use the company as a savings bank and when you retire, you can wind up the company and pay 10% tax on this distribution if the voluntary winding up is done correctly (as always, not if the law changes !). Lisa Thomas at Neville and Co or Tim Close at Milstead Langdon are the people to do this – other LIP are available, as they say.



What happened to the Hyena who eat an oxo cube ?
He made a laughing stock of himself.

ALLOCATION OF PAYE PAYMENTS

Not all employers pay their PAYE on time. One of the resultant problems is the way in which the HMRC computer allocates the receipt. So, for example, if you pay January's PAYE and NIC in March, the HMRC computer will allocate it to February and leave January unpaid, accruing interest and the subject of a late payment demand. It all washes out at the 5th April (hopefully) but in the meantime you can help by adding the PAYE month to the end of your payment reference number, 01, 02 and so on.

GUEST CONTRIBUTION FROM RYAN MAY OF SOUND FINANCIAL MANAGEMENT

The What & Why of Business Protection

When it comes to business insurance most businesses will cover their tangible assets such as computers, vans, and buildings, yet overlook insuring the real source of profit - their people!



According to Legal & General, 53% of businesses think they would cease trading in under a year after the death or critical illness of a key person. However, what most business owners don't know is that they can protect their key people, business debts and shareholders.

For example, if your business partner was to suddenly pass away such protection can help you repay any of their business debts, recruit a replacement and provide the monies to allow your business to purchase shares from your partner's estate. This would make what would be a difficult and emotional situation slightly easier for you as it could alleviate any major financial burdens.

Without such protection business owners run the risk of:

- Having to quickly sell assets at a lower value to repay business loans
- Lenders seeking the repayment of debts from the deceased's estate or their guarantors
- Funding the cost of finding and training replacements
- Losing customers and suppliers, if a key staff member was their main contact
- Loss of profit or sales
- Having to work with the spouse or child of a deceased partner who has no experience
- The deceased's shares being sold to a competitor

More than half of UK small businesses have no form of business protection in place and this is either because they have not considered the effects of a key person falling critically ill or dying, or if they have, they assume that there is little they can do about it.

A common misconception is that such protection is too expensive, but often enough the perceived cost is far higher than in reality, and it can at times be set up in a tax-efficient manner.

It can be difficult to consider one's own mortality, however this is a must for every business owner - if not for themselves, for their staff, their families, customers and anyone else who depends on their business continuing to trade.

If you wish to discuss your business protection needs, feel free to contact Ryan May at Sound Financial Management on **01752 207070 to arrange a free no obligation consultation.**

What did the fish say when it swam into a wall ?

Dam !

STOCKS AND SHARES

Obviously for those who have the time and interest in using maths and graphs instead of a visit to Acora , *google Fibonacci Retracement*.

Not sure if it works but the pro analysts and traders use it.

OVERDRAWN DLAs

Overdrawn DLAs – boy o boy does this cause some problems. It applies to Limited Companies and if the Directors Loan Account (i.e. the way of accounting for transactions between a director personally and the limited company) shows a debit balance, it means the director owes the company that amount of money.

HMRC deem this to be a form of remuneration or benefit, and if there is such a debit balance at the financial year end, the company has to 'lend ' HMRC 32.5% of it on account, in addition to the corporation tax on profits. It can lead to serious cash flow problems when the taxes are due, 9 months after the year end.



This tax loan can be repaid in part or in whole when the DLA goes back into a credit position, usually by the director introducing capital or by a dividend. In the meantime it is a benefit. It is a complicated subject and you will need a tax accountant to explain it.

In the meantime – don't get caught out. Keep an eye on your DLA (how about using Xero to do this on a real time basis ?)

INHERITANCE TAX PLANNING

Have a look at this through your IFA, accountant or solicitor, because Inheritance tax rates in the UK are more than double the average EU rate, according to new research. Remember it's a whopping 40% when you get above the nil rate band and people in the UK pay an average of 23.9% overall compared to 10.3% in the EU.

Make a Will if you haven't done so already and check out your IHT exposure at the same time. You can cover IHT with insurance but write the policy into trust.

No Will ? – in England, if you die without making a Will, the intestacy rules kick in. You can find some great information on the citizens advice webpages. The following people cannot inherit if there is no Will : -



- unmarried partners (sometimes wrongly called 'common-law' partners)
- lesbian or gay partners not in a civil partnership
- relations by marriage
- close friends
- carers

People who cannot inherit under the rules of intestacy may be able to **apply to court for financial provision** from the estate but it is a long, stressful and very expensive process.

Different countries have different intestacy rules, so for example even where there are married spouses but one does not make a Will, a % of the estate automatically falls to other relatives, by law. **Ouch.**

GIFT AID – WHAT A GREAT IDEA THIS IS!

Donating through Gift Aid means charities and community amateur sports clubs (CASCs) can claim an extra 25p for every £1 you give. It will not cost you any extra.

You need to make a Gift Aid declaration for the charity to claim. You usually do this by filling in a form - contact the charity if you have not got one.



You must give a declaration to each charity you want to donate to through Gift Aid. You can include all donations from the last 4 years.

Your donations will qualify so long as they are not more than 4 times what you have paid in tax in that tax year (6 April to 5 April). The tax could have been paid on income or capital gains.

If you pay tax above the basic rate, you can claim the difference between the rate you pay and basic rate on your donation either through your annual self assessment income tax return or asking HMRC to amend your PAYE code.

Plan to make your annual gift aid payments before the 5th April, please.

MORE TAX PLANNING

We say it every year but worth repeating – how do you earn £35,000 in a year without paying any tax – answer, through annual allowances. Annual tax allowances are called annual because they are annual. Use it or lose it type of idea, so try and make use of yours before 5th April : -

Personal income tax *	£12,500
Capital gains tax	£12,000
Rent a room relief	£ 7,500
Savings income (interest etc)	£ 1,000
Dividend income	£ 2,000
IHT gifts	£ 3,000
Small multiple IHT gifts	£ 250
* The personal allowance reduces by £1 for every £2 of income over £100,000	

Also pension contributions. Seriously folks, you need to save more for your retirement so use the tax regime whilst it lasts – maximum £40,000 this tax year although you may use your previous 3 years allowance if you are able to do so. You need a good IFA.

What do you call a row of men waiting for a haircut ?
A barbercue !

MINIMUM PAY FROM 1ST APRIL –

- The National Living Wage for ages 25 and above - up 6.2% to £8.72
- The National Minimum Wage for 21 to 24-year-olds - up 6.5% to £8.20
- For 18 to 20-year-olds - up 4.9% to £6.45
- For under-18s - up 4.6% to £4.55
- For apprentices - up 6.4% to £4.15

KPIs

We have spoken about Key Performance Indicators before. Fixed administration costs can kill a business, so don't make your business life consumed by administration. First plan is to make better use of technology to measure and save time, second plan is to have two or three KPIs for you to keep an eye on. If you have high fixed costs, it might be monthly sales, lower fixed costs it might be monthly gross profit, and because cash is king, the bank movement. Don't look at the bank balance in isolation, add the amount owed to you and deduct what you owe and track the movement from month to month.



You can run out of money by expanding too fast. You can also run out of money by making losses, so make sure you know the difference. Many years ago we had a new security client set up by an accountant from industry. He kept borrowing money because he thought he was expanding quickly. In reality, he hadn't done his costings properly and was losing more and more with every new contact and went out of business within 9 months. The same fate befell an electronics client who was monitoring sales but not their gross profit – it not only cost jobs but long-term relationships. Lessons here – know your KPIs and which ones matter to you and your business. We can help you set up budgets and cash flow management on Xero. You know it makes sense.

How do you keep cool at a football match ?
Stand next to a fan.

BITS N BOBS

- Your marketing budget should be 3% of your turnover
- Back up your computer before you go to bed tonight
- Will reminder – nag nag nag.
- You should be getting 4% from your investments (growth or income)
- We are open for business and looking for recommendations please
- What's important to you right now
- If you sell a residential property after 5th April 2020 you will have to pay any capital gains tax within 30 days (except on your principal private residence)

- Xero can
- www.inspirebiz.co.uk
- D2B network. If you are interested in joining this very active Plymouth network, please e-mail paul@grca.net

ANSWER TO QUIZ!!

Walt Disney

Thank you to everyone who supports GRCA, our wonderful employees, clients, colleagues, friends and business networkers alike. Thank you also to Link and Bloom and Viewhear Communications who edit and publish this newsletter.

LINK &
BLOOM



That's all folks. www.grca.net



If you wish to unsubscribe, please e-mail ann@grca.net

We find our imagery from the fantastic resource that is Pixabay – pixabay.com – 1 million plus images to download and use for free – they just ask you to consider donating a digital coffee in their direction and crediting where you can.

In this edition the images have been brought to you by the following creators:

Bruno /Germany , Andrew Martin, PublicDomainPictures, Steve Buissinne, Nattanan Kanchanaprat, Igor Drondin, David Schwarzenberg