



CLIENT NEWSLETTER March 2019

MAKING TAX DIGITAL FOR VAT

HMRC are changing how businesses need to keep their VAT records and submit their VAT returns. This new service is known as Making Tax Digital (MTD).

All VAT registered businesses must use the service this year if they have a taxable turnover of, or above, the UK VAT registration threshold (currently £85,000). Taxable turnover is the total value of everything you sell that is not exempt from VAT. If this is the case, you will need to keep your VAT records digitally and submit VAT Returns using software that works with Making Tax Digital. You will need to do this for your first VAT return for the period starting on or after 1 April 2019.

MTD does not require you to keep additional records for VAT, but to record them digitally. Your digital records should include, for each supply, the time of supply (tax point), the value of the supply (net excluding VAT) and the rate of VAT charged. They should also include information about the business, including business name and principle business address as well as your VAT Registration Number and details of any VAT accounting schemes you use.

Customers who currently record daily totals can continue to do so, but they have to be captured digitally. If you use spreadsheets to keep business records you'll need MTD-compatible software so that you can send HMRC your quarterly VAT returns and receive information back from HMRC. Bridging software may be required to make spreadsheets MTD-compatible.

HMRC have issued letters to VAT registered business whereby their records show that in the last 12 months your taxable turnover was above the UK VAT registration threshold.

Please ensure you check what date your business is required to register for MTD, and complete the registration process.

We recommend speaking to us prior to registering for MTD to discuss the options available and the best time for you to sign up for MTD.

How we can help you

For our existing VAT clients, we will handle the digitisation of your VAT records and filing of your VAT returns with HMRC using MTD compatible software.

If you currently manage your own VAT affairs, we can offer a number of different suitable options;

1. Forward all your purchase and sales invoices to us, we will handle the digitisation of your records and filing of your VAT Returns with HMRC using MTD compatible software.
2. Keep your own digital records on an excel spreadsheet, which we can provide. This is then electronically forwarded to us (email, memory pen etc). We will import your records into our software and file your VAT Returns with HMRC. If you wish to avail of this option, please be aware we will only take responsibility for ensuring the return is digitally filed with HMRC, not for the accuracy of the return itself.
3. Purchase your own MTD compatible software, maintain your own digital records and complete the filing of your VAT returns with HMRC.

If you are managing your MTD VAT obligations yourself under option 3, you will need to register for MTD VAT services with HMRC as noted above.

Please note we can provide a list of MTD compatible software providers. However we use and recommend VT Software, VT Transaction (VT+). This software costs £250 plus VAT for the installation and training, which can be completed at your premises or in our office. VT+ will charge an annual license key fee of £75 plus VAT, to include support and enable filing of MTD VAT returns.

We have already issued letters regarding the next steps involved and the information that will be required from you to complete the registration process.

If you would like to discuss MTD for VAT further please do not hesitate to contact our office.

New Payslip Legislation

From 6th April 2019 new legislation around providing payslips comes into effect, under which:

- All employers will be required to provide payslips to all 'workers' and
- Show hours worked on payslips where the pay varies by the number of hours worked

Who is entitled to a payslip?

The statutory right to receive an itemised payslip will extend to all 'workers' from 6th April 2019. Currently, only employees are entitled to payslips. The status 'worker' is an individual who:

"has entered into work under a contract of employment or any other contract, whether express or implied and whether oral or in writing, whereby the individual undertakes to do or perform personally any work or services for another party to the contract whose status is not by virtue of the contract that of a client or custom of any profession or business undertaking carried on by the individual."

Workers could include:

- Casual work
- Agency workers
- Freelance work
- Seasonal work
- Zero hours work

A payslip may be provided in either a physical format or an electronic format that the worker can print.

When do I need to show hours on payslips?

You need to show the number of hours on payslips where pay varies by the number of hours worked. The hours can be shown as a single total or can be broken down into separate figures for different types of work or different rates of pay.

Client Spotlight



Cleantec was first established in February 1999 when the founder, Ben Monaghan, saw a gap in the market for pressure washers within Omagh, County Tyrone. Having gained five years of experience in the industrial cleaning equipment business, working for companies based in Belfast and Cork, Ben Monaghan decided to set up his own company. In September 2002, John Brogan also saw the potential that Cleantec had to offer and joined the business. It ran as a partnership until 10/04/14, at which point Cleantec became a limited company and is now known as Cleantec Equipment Ltd.

Cleantec first started selling its products online on the 15th of November 2011 through eBay. The eBay shop is extremely successful due to the wide range of innovative products and impeccable customer service. To date, they have over 28,000 feedbacks with a 100% positive feedback rating! With online sales continuing to show impressive growth, the decision was taken to develop Cleantec's own ecommerce website. www.cleantec.biz was launched in December 2014. Since this important development, Cleantec now have a platform to offer its wide range of equipment, accessories and spare parts to a worldwide market. On 15/10/15, it won "Best Medium E-Commerce Website" at the Realex Payments Irish Web Awards. Rapid year on year growth has meant that, since late 2015, turnover for online sales has overtaken in-store sales. On 29/03/17, they won the "Online Business of the Year" award in Northern Ireland for the FSB & Worldpay UK Business Awards 2017. Despite this, Cleantec are very aware of the importance of their local market in sales, service and repair of their products.

Today, Cleantec provides a vast range of innovative cleaning equipment and all the related parts and accessories. They have three service vans on the road that cover everywhere in the North and South of Ireland. They sell their products globally with the top five biggest markets being UK, Ireland, France, Germany and Australia.

Cleantec are very proud to currently employ twelve dedicated and hardworking staff, up from just five in 2011. They are also extremely grateful for the loyalty that their customers have shown them through the years.

"Now entering our 20th year, we aim to continue growing the business both online and locally by offering high quality equipment and services at fair prices. Most importantly, we believe that only by excelling in customer service can we hope to see continued success for Cleantec over the next 20 years."

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Pre Year end Planning

The new tax year starting 6 April brings a number of important changes, making it a good time to review your tax affairs to make sure that you are taking advantage of all available reliefs and allowances.

Main rates (2018/19)

Tax free personal allowance £11,850

Next £34,500 is taxed at 20%

Income above £46,350 is taxed at 40%

Income above £150,000 is taxed at 45%

Personal savings allowance £1,000 (HR tax payers £500)

Dividend tax allowance £2,000

Capital gain annual exemption £11,700

Corporation tax is currently 19% (scheduled to drop to 17% from April 2020)

Spouses and civil partners who cannot claim the married couples allowance can transfer some of their personal allowance to each other to save tax. The transfer is not available where either spouse/partner pays income tax at higher rates. The limit for 2018-19 has increased to £1,185.

When considering profit extraction from your personal company remember tax free personal allowance is reduced where total income exceeds £100,000, by £1 for every £2 of income above this limit.

If you receive Child Benefit, care should be taken where possible to keep individual taxable income below £50,000 to avoid high income child benefit charge claw back.

You can contribute £40,000 (gross) a year into a pension scheme. This can be increased if you did not use up your allowances in the preceding 3 years and were a member of a qualifying pension scheme.

The amount that can be put into an Individual Savings Account (ISA) throughout the course of the year has been retained at £20,000. Where there are children aged 16 or over who would like to buy a home, funds could be gifted to enable investment in a Help to Buy ISA, these are available for 4 years from autumn 2015 to assist first time buyers.

For the 2018/19 tax year the main residence nil rate allowance for Inheritance tax is £125,000, this is in addition to the existing nil rate band of £325,000.

Annual investment allowance is increasing from £200,000 to £1M from 1 January 2019. This means that the first £1M of qualifying expenditure is available for 100% relief in the year it is incurred. However the allowance must be pro-rated depending upon your year end, for instance, if you have a 31 March year end, then you would be entitled to:

$9/12 \times £200,000 = £150,000$

$3/12 \times £1,000,000 = £250,000$

Giving a total AIA available of £400,000 rather than the £1m headline figure.

It was announced in the 2018 Budget that a new tax relief will be available for businesses (including property rental businesses) that incur capital expenditure on the construction or improvement of non-residential buildings and structures. The relief known as Structure and Buildings Allowances (SBA) will apply at an annual rate of 2% on a straight-line basis once the property has been brought into use. The guidance issued in the 2018 Budget states that the relief will generally not be given for construction projects which began before 29 October 2018 and, in contrast to the tax relief which applies for fixtures in buildings (which will continue unchanged), there will be no balancing allowance or charge when the property is transferred (the new owner will claim the remaining relief) and the relief will reduce the base cost of the property for capital gains purposes.

There are several ways in which a business can maximise deductions for expenses in an accounting period. Planned expenditure, for example on repairs, could be brought forward, or a provision could be made in the accounts for work completed but not yet invoiced. We recommend keeping an accurate record of your stock at your year end, review for damaged/obsolete and slow moving goods. You should also review your debtors ledger in detail so that any required provisions for bad debt can be considered.

Companies may also be entitled to tax relief for qualifying Research and Development (R&D) activities. Please contact our office if your business has incurred any expenditure in research or developing costs on any of your business products/services.

National Minimum wage issues

The new rates for National Minimum Wage (NMW) and National Living Wage apply from April 2019.

Apprentices £3.90 Under 18s £4.35 Aged 18-20 £6.15 Aged 21 to 24 £7.70 Aged 25+ £8.21

In some circumstances, those on work experience may qualify for minimum wage. The position is complex and professional guidance can be needed in this area.

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Managing in Uncertain Times

Due to Brexit, 2019 looks set to be a year filled with uncertainty for businesses.

The future is always unknown but this year managers will need to navigate some particularly choppy waters due to market uncertainty and global political turmoil.

Focus on what you can control

As a manager you can always control your response, attitude, behavior, actions and words. You can choose to be proactive and inquisitive rather than paralysed. In times of uncertainty, the best managers step up and embrace their authority. When times are uncertain, your team wants you to lead the way. Bring your team with you on the journey, ask them for their opinion, include them in your planning conversations and challenge them to come up with new solutions.

Cash is king

In uncertain times, the old adage that "cash is king" carries even more weight. Cash is the lifeblood of your business and poor cash flow management kills businesses during tough economic times. Market volatility also creates opportunities. If you have cash or credit available to take advantage of these opportunities when they present themselves, you may be able to move quickly and move your business forward. As such, good cash flow management can allow you to cash in.

Embrace change and adapt

As your particular market changes, there will be opportunities for you to adapt. For example, if your customers have less budget to spend on buying products and services in your sector, it might be an opportunity for you to introduce a lower priced "value offering." You could even go one step further and change your pricing model. For example, you could move clients to monthly retainers rather than charging a once-off annual fee.

Diversify

If you depend on one big client to keep your business going, you should consider how to diversify your client base. Sometimes even giant businesses fail during tough times. If your biggest client goes out of business, you don't want to be collateral damage. Just like in investing, the key is to have a diversified portfolio. Now could be a good time to look at trying to win some new clients in order to make your business more resilient.

FUN STUFF

I met a good friend while taking my morning walk. "Hey Paul, why do you look so dejected today?" "Oh Henry, I'm in trouble I need cash for the business and have no idea where to get it from!!" "Oh I'm sure glad to hear that" I replied. "I was afraid you might think you could borrow it from me!"

A quote from an interview with the head of a growing company.

Journalist asks:

- So how many employees are working in your company?
- Approximately half of them...

When a guy's printer type began to grow faint, he called a local repair shop where a friendly man informed him that the printer probably needed only to be cleaned. Because the store charged £50 for such cleanings, he told him he might be better off reading the printer's manual and trying the job himself. Pleasantly surprised by his honesty, he asked, "Does your boss know that you discourage business?" "Actually, it's my boss's idea," the employee replied sheepishly. "We usually make more money on repairs if we let people try to fix things themselves first."

Fresh out of business school, the young man answered a want ad for an accountant. Now he was being interviewed by a very nervous man who ran a small business that he had started himself. "I need someone with an accounting degree," the man said. "But mainly, I'm looking for someone to do my worrying for me." "Excuse me?" the accountant said. "I worry about a lot of things," the man said. "But I don't want to have to worry about money. Your job will be to take all the money worries off my back." "I see," the accountant said. "And how much does the job pay?" "I'll start you at eighty thousand." "Eighty thousand!" the accountant exclaimed. "How can such a small business afford a sum like that?" "That," the owner said, "is your first worry."

DUE DATES

| Date | What's Due |
|----------|---|
| 1 March | Corporation tax for year to 30/5/18 (unless quarterly instalments apply) |
| 2 March | 5% penalty imposed on 2017/18 income tax, CGT, class 2 and 4 NIC still unpaid at this date |
| 19 March | PAYE & NIC deductions, and CIS return and tax, for month to 5/2/19 (due 22 March if you pay electronically) |
| 1 April | Corporation tax for year to 30/6/18 (unless quarterly instalments apply) |
| 19 April | PAYE & NIC deductions, and CIS return and tax, for month to 5/3/19 (due 22 April if you pay electronically) |