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BEANS TALK

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The 'B' word

Try as we might, it's hard to avoid it. Brexit is dominating headlines and the business climate. Nissan is the latest of a number of high profile businesses who have announced that their investment plans have been adversely affected by uncertainty over Brexit.

As I write, with seven weeks to go until we leave the EU, we don't know if we will leave with a deal, leave with no deal or whether the leaving date will be postponed. It makes planning difficult, especially for those businesses who import or export.

In the small business community however, the attitude seems to be 'Keep calm and carry on'. We are seeing lots of activity with

start-ups, businesses expanding and others just getting on with things.

Undoubtedly, the uncertainty has affected the housing, construction and retail sectors and trading conditions are more difficult. The next few months will probably see more of the same so businesses will need to continue to be flexible with their plans and adapt to the changing conditions.

Most of you will now be familiar with the Beans Talk format. I hope you enjoy this edition and find the tips and articles helpful.

**Fred
McBreen**



Head in the clouds?

Find out more about how cloud-based software can simplify your accounting routines and ensure you comply with HMRC's new 'Making Tax Digital' regulations.

Simon Johnson is presenting Knowledge Bites on 21 March at Base52.



To book your place visit
www.base52.co.uk/events

Find out more about our services at base52.co.uk

MTD for VAT - are you ready?

by Fred McBreen

If you are in business you have probably heard about HMRC's Making Tax Digital (MTD) initiative. You may have filed it away in the 'I may need to do something about that one day' part of your brain. For most business owners it will not be the highest thing on their list.

If your business is VAT registered, however, and your annual sales are above the VAT threshold of £85,000, or have ever exceeded the VAT threshold in the past, **the time to think about this is now!**

From 1 April 2019, VAT registered businesses with turnover above the VAT threshold will need to file VAT returns in a different way. You may have been used to logging into HMRC's portal and keying in six or seven numbers for your VAT return, pressing send and 'Hey Presto!', that's it for another VAT quarter. From 1 April this will not be possible.

VAT returns will need to be submitted directly from HMRC approved accounting software. All the major providers such as Sage, Xero, Quickbooks, Kashflow etc have been working closely with HMRC to ensure their systems are compliant. In the longer run, this should make things easier for businesses. It takes out a step in the process and makes things more efficient. But you must be ready for the change.

If you are already using accounting software, it would be a good idea to talk

to your provider before you file your next VAT return and ensure that you understand what is required. Allow yourself a little more time for the first VAT return using the new process so you have some contingency to deal with any issues arising. You will also need to register for MTD with HMRC.

If you have not yet thought about this and are not using accounting software, please contact Base52. We have some special VAT filer software we can use to file any return. This is a stop-gap measure to help businesses with the transition.

All larger businesses should really be looking to ditch the manual cash books and Excel spreadsheets and move to using accounting software as soon as they can. It is probably better to move now and be on the front foot rather than be dragged along 'kicking and screaming' by HMRC.



Getting paid by your company

by Fred McBreen

If you are a director and shareholder of your own limited company, how you draw income from the company will have a major impact on the tax you pay. The tax benefits of being paid through your own limited company (in comparison to being employed or self employed) are not as good as they were a few years ago. They are significant, however, if managed in the right way.

So how should you draw your income? Well, in simple terms, low salary, high dividend.

For tax year ending 5 April 2019 the most tax efficient salary is normally £8,424. This is at the NI threshold where entitlement to state pension and other contribution based benefits (like statutory sick pay) are retained but no NI is actually paid.

"Hold on," I hear you say. "I work hard for a living, I'm not taking home just £700 per month!"

This is where the dividends come in. Dividends are paid from profits after corporation tax. So a business needs to be

trading profitably in order to pay dividends. It makes good sense to leave a little bit in the business for investment and contingency. Dividends need to be affordable. With this caveat, a tax efficient dividend would be £37,926. This uses up the remainder of the basic rate band. Tax on dividends are 7.5% at the basic rate with the first £2,000 tax free.

So, the director/shareholder can draw a gross income of £46,350 and pay income tax of only £2,437, an overall rate of just over 5%. Bear in mind, though, that the company will have paid corporation tax at 19% on profits from which the dividends are paid.

Still, this is not bad and compares very favourably with tax on employment or self employment income.



Ask us about Kashflow accounting software

Personal service companies and the tax man

by Fred McBreen

A personal service company (PSC) is a company where the director and shareholder of the company is also the person providing the service to the PSC's client.

It is typical set up for management, IT and HR consultants and, until recently, TV presenters. You may have seen in the press that many TV presenters, some of whom were actively encouraged by the BBC and others to trade through PSCs, have been roundly clobbered by HMRC for arrears of tax. Some have ended up with tax bills running into the hundreds of thousands of pounds and have suffered many months of stress and anguish while court cases have been running.

So what's it all about? Well you can see from my article, 'Getting paid by your company' on page 2 that trading through a company rather than being employed works out very well for the company director and shareholder. It is also a good arrangement for the customer. They save on employer's National Insurance. At 13.8% that can be a very significant saving on high professional salaries. They also have more flexibility. No need to pay sick pay, no unfair dismissal claims, easy to change things. So it works for both the PSC and the customer. It doesn't work for the taxman however and HMRC have been trying for many years to close this loophole.

IR35 legislation has been in place for many years. Essentially this legislation means that where a PSC is operating like an employee, HMRC can tax the PSC as if it is an employee and negate the benefits of trading as a PSC. HMRC have had only limited success

with enforcing this so from 5 April 2017 they got a little bit tougher with PSCs working in the public sector.

What HMRC did was shift the onus for compliance with IR35 from the PSC to the customer (in this case the public sector body engaging the PSC). So if the customer assessed the status of the engagement incorrectly they could find themselves liable for any tax arrears. Naturally, most public sector bodies took the route of minimum risk and almost all contracts with PSCs from the implementation date were deemed to be within IR35 rules. So the PSCs were taxed in a similar manner to being an employee.

Business groups were up in arms, they said contractors were unlikely to work with the public sector and prices would go up to cover the tax lost. Then after a period of time, calm descended. PSCs seemed to accept the new rules and the higher tax, HMRC has had something of a tax bonanza and were soon thinking, 'Where next?'

Where next is the private sector. After a period of consultation, the changes in the private sector will be introduced from April 2020 and will apply to



medium and larger companies. So PSCs working with larger private sector customers will need to adapt and prepare.

After the initial 'low risk' approach by customers in the public sector, gradually more 'non IR35' contracts were introduced. This pattern can follow in the private sector. PSCs will need to be proactive in looking at the terms of their engagement to see if they can work outside IR35 and ensure they have robust contracts and working practices in place.

As the saying goes, 'Don't let the tax tail wag the business dog'. If changes can be made to enable contracts to stay outside of IR35, however, these are worth looking at carefully.

Businesses for sale



If you're looking for a new business opportunity, we might have just what you're looking for.

Find out more online at base52.co.uk/services/businessesforsale

Fridays with Fred - weekly, informal advice sessions

Business Extra

As part of *Beans Talk*, we've asked a group of experts for their advice. They're here to provide regular tips for you and your business. Let us know what you think: email beanstalk@base52.co.uk

Set goals - and keep checking them

Marketing Matters
by Hilary Robertson



Every business should have clear goals, but do you revisit them regularly?

Your business has probably established clear goals for where you want to be in 12 months, or five years. But do you know how to get there? Are you putting steps in place that will ensure your success?

Marketing is an important area where goal setting and To Do lists can really reap rewards.

Take a look at the goals you've set your business - or yourself - and ask whether what you did yesterday will help you get closer to it. What about today's tasks? If you're getting side-tracked, make a different To Do list for tomorrow.

Look at social media for example. Do you know which of your channels actually helps you reach the customers you want to reach? Use the various analytical tools available online to see who is reading your posts, blogs or updates. If it's family and friends, that's great, but will they help expand your business and reach your goal?

Goal setting isn't just about New Year resolutions.

Be prepared for bad weather

So far, this winter has been fairly mild, but we can still expect low temperatures and the possibility of ice and snow. Indeed, bad weather such as flooding or severe winds can disrupt work at any time of the year. It pays to be prepared.

If the workplace is able to open, staff are expected to try to make it in unless otherwise informed by their employer. If they do not arrive at work they are not entitled to pay.

Employees who do arrive ready to work have the right to be paid. However, there may be no work available or there may be a need to temporarily shut down.

An individual's ability to get to work may depend on factors beyond their control. Perhaps there is travel disruption, safety concerns or there are issues with dependants such as school closures.

Employers need to consider:

- * how all staff can be treated fairly
- * an incident or emergency communications plan
- * what plans can ensure business continuity.

Some employers offer:

- * home working
- * short notice annual leave
- * using banked time-in-lieu
- * opportunities to make up the lost time

We advise that you include a 'Bad Weather Policy' in your Employment Handbook so that management and staff are clear on your company's protocol should severe weather strike. Consider how you can communicate with your workforce in the event of adverse weather.

HR Hints

by Rob Bryan



Keep your password strong and unique

Tech Talk

by James Hodge



There's a lot of strategies available for setting hard to crack passwords. The key things are to make passwords strong and unique; while promoting good password hygiene.

Password complexity requirements are key to making sure that your password is strong - minimum number of characters, range of characters (uppercase, lowercase, number, special) and password history. Additionally, don't use personal details or dictionary words

Although it's considered easier to remember, don't use the same password for every account. Using unique passwords is highly recommended to reduce risk. If a password is compromised, damage is minimised and controlled.

Use your own secret method of creating passwords to determine passwords without writing them down.

In addition to making sure passwords are strong and unique, practicing good password hygiene is essential to maintaining security of your accounts.

Never share your password with friends, family or colleagues and don't write it down on a sticky note or in plain text.

Your password is private and belongs to you.

Practicing good password hygiene is fundamental to a secure password and reducing the threat of compromise of your accounts.

Volatility and your finances

Your Finance

by Gianni Campopiano



In my last piece for *Beans Talk*, I mentioned the prospect of investment market upheaval, which has since happened. Most markets are down, the investment market may not show any gains at all in the year ending 2018. So will markets fall further or is this a good time to go bargain hunting?

There therefore exist good opportunities to generate a really good income from consistent, well established UK companies. The yields on the All-Share and the more widely known FTSE 100 are around 4.5% pa plus with the prospect of capital growth as well.

In spite of these positive and encouraging words, there are economic signs to be wary of as a recession may be on the horizon. It is worth mentioning recession and market upheaval can be mutually exclusive. One of the economic signals referred to is the inversion of the 2/10 year yield curve known as yield inversion. This is where longer term interest rates are forecast to be lower than shorter term interest rates. Meaning investors think a recession is coming and interest rates will have to reduce to stimulate the economy.

The other economic signal is rather ominously known as the Death Cross. This is where short term moving averages drop below long term moving averages. Overall, the Death Cross is supposed to reflect dwindling momentum and maybe a bear market in stocks.

Average weekly earnings rose by 3.5% year on year to October, the fastest pace since November 2008. Unemployment is at its lowest level since the 1970s. A recovery in real pay is taking root i.e. after inflation is taken into account.

Politics has made an impolite assault on the investment markets, President Trump and trade wars, Brexit and the prospect of a general election. So these are volatile times and investing in volatile times as counterintuitive as it sounds can, over time, deliver very good investment performance.

Ask our experts about your Wealth Plan - book online now

Client spotlight



We asked Andy and Steve Packenas from ASP Carpentry what makes them successful.



“Our main foundation is based on customer satisfaction and reliability,” said Steve (left). “We

just want to make ASP Carpentry a cut above the rest.”

Andy (right) agreed, and explained how the business works. “We’re not a massive company, but we’ve grown from working as subcontractors ourselves. In a business this size, we’re still close enough to our customers to know what they want. We also get our hands dirty from time to time – we’re not afraid to get the tools in our hands.”

ASP Carpentry has three employees, including an accounts specialist, as well as anywhere from seven to 21 subcontractors. Sister company ASP Building Solutions is used when a customer wants a complete job. “We’re working on one project at the moment where we’re taking

care of everything from demolition to handing over the keys at the end,” said Andy. “That’s where we needed the building business to be under a different business.”

The brothers started in business together in 2003, with lots of experience between them. Steve’s background is in kitchens and joinery, whereas Andy did more of the site work. Now they work well together, with a good understanding of carpentry in particular and building in general.



Progression in the business has meant a new move to the recently-refurbished Cedarwood House on Blackhorse Road in Letchworth. “It feels more professional, although we’re not always here,” said Steve. “Eventually, we’d like to move to premises with warehousing, storage etc. This is definitely a step in the journey and we’re planning to create work in the future, developing our own projects for both the carpentry and the building sides of the business.”

Wise words

“If we apply knowledge to tasks that we already know how to do, we call it productivity. If we apply knowledge to tasks that are new and different we call it innovation. Only knowledge allows us to achieve these two goals.”

Peter Drucker

Practice manager news and views

by Delyth Richards

Already, 2019 is promising to be another interesting year.

In our increasingly connected society, news from around the globe follows us wherever we go – whether it’s yet another funny cat video on Facebook or perhaps a more serious report on the BBC.

As Fred mentions on page 1, Brexit is creating some uncertainty and making trading conditions more difficult for some of our clients.

Thankfully, here at Base52 we’re working around the clock to provide the best possible service for our existing customers, all the while taking on new clients.

Regardless of what deal the UK ends up with, we will strive to protect and inform you and your companies on all the possible impacts so you have yet another successful year.

Meanwhile, the personal tax deadline of 31 of January passed smoothly. Undeterred by the heavy workload, we began the year ahead of schedule and filed all the provided returns with time to spare!

Lastly, a special thanks must go out to those who provide their records early.

Business for sale - check online now

Meet the team: Hayley Moore



As the seventh in our series to introduce you to members of the team, we sat down with Hayley.

What's your role at Base52?

I am the Base52 Accountant. That means I do the accounts of the accountant!

How long have you been here?

I joined Base52 in January 2015.

When not here, what do you enjoy?

I like to keep fit by cycling, walking, playing tennis and running round after my two boys.

Tea or coffee?

Tea during the week and freshly ground black coffee at the weekend.

Favourite film?

That's tricky. It's between *Forrest Gump*, *The Shawshank Redemption* and *A Muppet Christmas Carol*!

Favourite holiday spot?

It has to be Southwold for the pier, putting green and Adnams.

Four fantasy dinner party guests?

I think an evening hearing about Tim Peake's adventures, listening

to Gary Barlow singing, finding out the royal gossip from Prince Harry and laughing at Claudia Winkleman would be tough to beat!

What does the future hold for you?

I tend to take each day at a time, although a new kitchen would be nice!

Growing pains - start with a plan



This is a new, regular feature where we will include tips, stories or book reviews on the theme of business growth.

Not every business wants to grow. Some lifestyle businesses want to get big enough to satisfy the owner's lifestyle and that's enough. Most businesses need growth though – to keep things interesting, to create opportunity for the best employees, to deliver increased returns for the owner.

Growth starts with a plan. By how much do you need to grow sales this year to meet your longer term goals?

And then measurement. Every week. Every month. Are we on track? If not, why not? What do we need to do differently? How do we get back to our planned growth levels?

Without measurement, the growth is invisible. It may happen, it probably won't.

Plan and measure and with commitment and focus and good management the growth will follow.

What's your plan?

Stay update with top tips - read our blog!

That was the quarter that was ...

The period from September to January is largely about tax for some of the team at Base52. With changes in the team it has been Danny Basford, Simon Johnson and myself doing the tax work this year.

It has been a bit more intense than normal as we have seen significant growth in personal tax work in the last year. In the last few months leading up to the January tax deadline we filed 50% more tax returns than in the previous year!

Personal tax aside, the more 'regular' work of payroll, annual accounts, VAT returns and management accounts continued as normal..

More of our clients are using 'cloud-based' accounting software and we have continued to expand our support in this growing area.

I did my 'Strictly' thing at Hitchin Town Hall in November. Mmm...I'll stick to jogging in future I think, but it was great fun. Thank you to everyone who

supported me in aid of Pancreatic Cancer Research. The event raised over £15,000 for this fantastic cause and well done to our client, Maggie Killingbeck who organised and ran this successful event.

We have our new events calendar planned for 2019. I think a challenge (or opportunity) for us this year is to make better use of technology and this features in some of our events.

Artificial Intelligence is reaching into many areas of business and accountancy is not immune from this. We want to be at the forefront of new developments and make sure we pass on efficiencies and improvements to our clients.

So with the January deadline passed we are not far away from the end of the current tax year and the cycle will start again.

From all of us here we wish you a good build up to Spring. If you need help from the team at Base52, please do get in touch.

Fred McBreen

Coming soon

Our 2019 Events Calendar is looking busy already - book now to join us.

21 March
Cloud-based
Accounting



18 April
Managing your
Business Finances

22 May
Managing your
Personal Finances



13 June
Property
Investment Tax Tips

11 July
Cloud-based
Accounting



There are more sessions booked for later in 2019, so watch this space and remember to check out the Events tab on our website. Book now by going online to base52.co.uk or calling one of the team

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