

Business Matters



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Top planning tips for the year end

With the end of the 2018/19 tax year fast approaching, now is a good time to review your finances to ensure you are making full use of the available allowances and minimising your tax liability.

Personal planning

Maximising the personal allowance

The basic income tax personal allowance (PA) for an individual is set at £11,850 for 2018/19 (although this allowance is restricted where an individual's adjusted net income exceeds £100,000). In order to make the most of allowances across the family, if one spouse has little or no income it may be worth transferring income to them. However, it is important to bear in mind the settlements legislation relating to income shifting, and to ensure that any transfer is an outright gift.

Considering the Marriage Allowance

The Marriage Allowance may benefit some married couples where one spouse earns less than the PA and the other spouse is not a higher or additional rate taxpayer. For 2018/19, up to £1,190 can be transferred to the lower earner, helping to reduce a couple's overall tax liability by up to £238.

Making the most of tax-free savings

The annual ISA allowance means that you can save up to £20,000 tax-free for 2018/19. There are a variety of different types of ISA to choose from.

Increasing contributions into your pension scheme will also provide tax relief – this is restricted to the higher of £3,600, or the amount of UK relevant earnings. Additionally, contributions in excess of the annual allowance of £40,000 will generally be taxable.

All payments must be made before 6 April 2019.

Business planning

Utilising capital allowances

Most businesses can claim an Annual Investment Allowance (AIA) on expenditure on most types of plant and machinery (except cars). In the 2018 Autumn Budget, Chancellor Philip Hammond announced an increase in the AIA from £200,000 to £1 million, applying to expenditure incurred from 1 January 2019 to 31 December 2020. Complex calculations may apply to accounting periods which straddle these dates. Please contact us for advice on making the most of the AIA.

Extracting profits

The Dividend Allowance reduced to £2,000 in April 2018, so the question of whether it is better to take a salary/bonus or a dividend requires consideration. Dividends are taken after corporation tax has been calculated, while a salary is taken before corporation tax is deducted.

On the other hand, national insurance is due on any salary taken, which can be up to 25.8% in combined employer and employee contributions.

Other ways to extract profit from your business might include considering incorporation if your business is currently unincorporated, and making the most of tax-free allowances, such as mileage payments.



For more year end planning tips, please contact us.



Expanding your business: are you ready?

From adapting to suit your clients' needs, to branching out into new markets, there are many reasons for growing your business. Here, we outline some areas to consider before deciding to expand.

Making an informed decision

Carrying out thorough research is crucial in helping you to make an informed decision. Conduct market research to establish the following: is there demand for your product? How big is your potential marketplace? Will you be able to hold your own against your competitors?

Only healthy firms should consider expanding. If your business is not profitable, expanding may only hinder you. Assessing your current business performance is key: doing so will help determine whether you have a solid base that can take the inevitable pressure and upheaval that comes hand-in-hand with expansion.

Business owners are advised to think about the cost implications of expansion. Choosing to expand often means businesses are obliged to take on additional members of staff, and require extra resources. It is important to determine whether the profits generated by the increased business would be able to sustain these additional costs.

Raising business finance

It is essential to identify a method of finance that works for you and your business. There are various funding options available to business owners seeking to expand.

Bank loans often prove to be the most popular source of funding for firms. These can be taken out for a fixed term, and business owners can agree interest rates in advance, which makes factoring in monthly repayments to your financial plan straightforward. However, keep in mind that every loan application you make will show up on your credit file. Before you apply, ensure that your business plan is watertight and that your reasons for borrowing are valid. We can carry out a financial assessment of your business before you seek to apply for a loan – simply get in touch with us for more information.

Alternatively, you may wish to make use of an overdraft. Overdrafts have a set amount of money, which is agreed between you and your bank. Limits are agreed in advance, and interest is typically charged on the money you receive from an overdraft facility. However, proceed with caution: an overdraft is not designed to be

a long-term source of finance, and continued use may cause your bank to question your business's profitability.

Some firms operating in specific sectors and working on specific projects may be offered a grant. These are typically provided by the government, local councils and charities, and are often non-repayable. Grants are highly sought-after, and competition for them is fierce.

Managing the expansion

Thorough planning is key to the effective management of a business expansion. It is impossible to plan for every eventuality, but the more detailed your plan is, the more likely your expansion will run without issue.

Our top tips for a smooth expansion include:

- ✓ **Creating a sound marketing plan:** as your business evolves, you will need to adapt your marketing plan. Ensure that your revised plan promotes your expanded business.
- ✓ **Expanding slowly, preferably in stages:** a staged expansion allows business owners to analyse the market in order to assess the demand for the increased business.
- ✓ **Managing client expectations:** inform your clients of your expansion if it risks adversely affecting them. It is important to highlight to your clients any changes and improvements you have made to the business.
- ✓ **Setting achievable goals and deadlines:** most importantly, set yourself realistic goals. Meeting these will provide you with a sense of achievement, and may help to boost enthusiasm amongst your employees.

For more information on growing your business, please contact us.

The new Structures and Buildings Allowance

In the 2018 Autumn Budget, Chancellor Philip Hammond announced a new capital allowance, the Structures and Buildings Allowance (SBA).

The new SBA gives relief for expenditure on certain structures and buildings. Since the abolition of the Industrial and Agricultural Buildings Allowances, no relief has been available for most structures and buildings. The SBA addresses the gap, and is intended to encourage investment in construction for commercial activity.

Relief is given on eligible construction costs incurred on or after 29 October 2018. Where a contract for the physical construction work was entered into before this date, relief is not available. The rules are subject to consultation, but the broad proposals are outlined below.

An overview of the rules

The SBA will be available for new structures and buildings intended for commercial use, and the improvement of existing structures and buildings, including the cost of converting or renovating existing premises to qualifying use.

Relief will be available for businesses chargeable to income tax and companies chargeable to corporation tax. It will be limited to the original cost of construction or renovation, and will be spread over a fixed 50-year period at an annual flat rate of 2%, regardless of changes in ownership.

On disposal of a relevant asset, the purchaser will continue to claim the annual allowance of 2% of the original cost, provided the asset continues to be used for a qualifying activity. There will be no balancing adjustments on sale for the vendor. For chargeable gains purposes, the allowable cost of the asset will be reduced by the total amount of relief claimed.

Relief for the SBA will be available from the date the structure or building is brought into use for the first time for a qualifying activity. UK and overseas structures and buildings will be eligible where the business is within the charge to UK tax.

Special provisions will apply for leasing transactions. Where an asset is leased, both lessor and lessee may be able to claim the SBA for qualifying expenditure that they themselves incur on construction works. However, special rules will apply where the grant of a lease is substantially no different from the sale of the property interest. These rules may result in the lessee becoming entitled to the attributable SBA.



Qualifying activities

Only certain expenditure will qualify. The structures or buildings must be brought into use for qualifying activities. These include trades, professions or vocations, and certain UK or overseas properties businesses – essentially commercial property lettings as residential property is excluded. The types of structures and buildings covered awaits final clarification, but is expected to include: offices; retail and wholesale premises; walls; hotels and care homes; and factories and warehouses.

Exclusions and apportionment

Expenditure on land or residential property or other buildings functioning as dwellings will not be eligible. What constitutes a dwelling is to be clarified. Work spaces forming an integral part of a dwelling, such as a home office, will not be eligible. With mixed use, such as between commercial and residential units in a development, relief will be apportioned.

Please contact us for further guidance.

Retaining staff: key areas to consider

Retaining staff can sometimes prove to be challenging. One recent report found that UK workers change job, on average, every five years – and that millennials could have been through four different jobs by the time they reach the age of 31. Here, we take a look at ways in which you can help ensure your employees are as fulfilled as possible in their roles.

Offering attractive incentives

It can be helpful to segment your workforce when recruiting employees and designing incentives. Be aware of the differences between generations. Research suggests that different generations look for different incentives when it comes to seeking employment. Whereas earlier generations have favoured medical and dental insurance as workplace incentives, this appears to be less attractive to millennials.

As far as millennials are concerned, the possibility of taking extra paid leave carries more weight. The difference in generations is also obvious when it comes to the factors pulling millennials towards employers. Here they appear to favour the more tech-savvy employer – those with a more digital operation.

Boosting employees' quality of life

Experts are increasingly linking the ease with which staff can be retained to overall feelings of wellbeing. There is evidence that, right across the board, quality of life incentives offered by employers can have a disproportionate impact on staff perceptions.

Quality of life incentives can be radical and don't always need to cost the employer money. Offering staff the opportunity to bring a dog to work, for instance, could transform an employee's

experience. Allowing staff to listen to music on headphones, or personalise their work space with personal effects, are other low-cost, but potentially high-impact, suggestions.

Giving feedback

Establishing a two-way flow of communication, so that employers know what works for staff, and where change might be beneficial, is another key recommendation. Carrying out regular staff satisfaction surveys is one way to do this. An employer can do this formally or informally.

Helping to minimise financial stress

Research shows that possibly as many as 40% of employees are under financial stress. This can lead to lower productivity, absence, poor relationships with colleagues, and can impact mental health. A new, and increasingly popular, move to help here is staff financial education. Providing advice on budgeting, savings and planning for retirement can make a valuable staff incentive package. We would be delighted to assist in regard to this important area.

Ensuring your employees are satisfied in their job roles is vital in creating a happy and productive working environment.



Business Round-up

Government urged to take 'tough action' on late payments

A report published by the Business, Energy and Industrial Strategy (BEIS) Committee recently highlighted how 'bad payment practices' have led to the 'failure' of many small and medium-sized enterprises (SMEs).

The government's Prompt Payment Code, which was created to address poor payment practices, has 'too often' been 'ineffective', according to the Committee. A 'statutory requirement' for companies to pay within 30 days should be introduced, the Committee stated.

It also recommended giving the Small Business Commissioner the power to fine large businesses who pay their suppliers late.

Commenting on the report, Mike Cherry, National Chairman of the Federation of Small Businesses (FSB), said: 'Eliminating the scourge of late payments would see 50,000 businesses saved each year, [and]

add £2.5 billion to GDP, which would be a real boost to UK productivity.

'The government must respond to this report with tough action on late payments, supporting smaller businesses to further develop their leadership and management capability, and to improve the adoption of basic digital technologies that small businesses need to grow and become more productive.'

UK SMEs 'unmindful of risks posed by cyber-attacks', poll suggests

A poll commissioned by insurance firm Aon recently suggested that UK small and medium-sized enterprises (SMEs) are 'unmindful of the risks' that cyber-attacks and data breaches pose to their business.

The poll found that eight out of ten small firms don't regard cyber-attacks or data breaches to be significant risks to their business.

A survey carried out by the National Cyber Security Centre (NCSC) in 2018 revealed that almost half of UK firms fell victim to a cyber-attack or data breach in 2017. 66% of SMEs were affected by a loss of data, according to the survey.

Aon's poll also revealed that 31% of SMEs don't currently insure against cyber and data risks. An additional 68% were unaware that data breaches must be reported to the Information Commissioner's Office (ICO).

Commenting on the poll, Chris Mallett, Broking Manager at Aon, said: 'What's more, it revealed one in three don't see personal information stolen as a result of a cyber-attack or fraud as a data breach.'

'There is a lot of misunderstanding of risks, and still a worry among SMEs that it must be complicated,' said Dr Emma Philpott, Founder of the UK Cyber Security Forum.

'It is not always about high end security. It's about having the basics in place to protect you from indiscriminate attacks. Educating staff takes time, but doesn't cost anything at all.'



Web Watch

Essential sites for business owners.

www.cybercalculator.co.uk

Online tool for determining your level of exposure to cybercrime.

smallbusiness.co.uk

Considers issues affecting small firms.

www.ftadviser.com/uk

Provides information on topical business and tax matters.

Reminders for your diary

March 2019

- 1 New Advisory Fuel Rates (AFR) for company car users apply from today.
- 3 5% late payment penalty on any 2017/18 outstanding tax which was due on 31 January 2019 and still remains unpaid.
- 19 PAYE, Student loan and CIS deductions are due for the month to 5 March 2019.
- 31 End of corporation tax financial year.
End of CT61 quarterly period.
Filing date for Company Tax Return Form CT600 for period ended 31 March 2018.
Last minute planning for tax year 2018/19 - please contact us for advice.

April 2019

- 1 Making Tax Digital for VAT is introduced. Most businesses must comply from their first VAT return period starting on or after 1 April 2019.
- 5 Last day of 2018/19 tax year.
Deadline for 2018/19 ISA investments and pension contributions.
Last day to make disposals using the 2018/19 CGT exemption.
- 14 Due date for income tax for the CT61 period to 31 March 2019.
- 19 Automatic interest is charged where PAYE tax, Student loan deductions, Class 1 NI or CIS deductions for 2018/19 are not paid by today. Penalties may also apply if any payments have been made late throughout the tax year.

PAYE quarterly payments are due for small employers for the pay periods 6 January 2019 to 5 April 2019.
PAYE, Student loan and CIS deductions are due for the month to 5 April 2019.
Deadline for employers' final PAYE return to be submitted online for 2018/19.

May 2019

- 3 Deadline for submitting P46(Car) for employees whose car/fuel benefits changed during the quarter to 5 April 2019.
- 19 PAYE, Student loan and CIS deductions are due for the month to 5 May 2019.
- 31 Deadline for forms P60 for 2018/19 to be issued to employees.