

## INVESTING IN A COMPANY

Cost of business borrowing varies widely, annual interest for an arranged overdraft starts at around 5% for low risk companies, but for small businesses the rate can easily be doubled to that, add to this arrangement fees and the Business Manager's charges and a facility of £10,000 can easily cost £1,000 a year and probably more.

On the other hand, if you have money that you can lend the company rather than go directly to the bank, then this is an opportunity to make money for you. If you can get interest on your savings of 1.5%, you are doing okay, but you could use your savings account as an overdraft facility and charge the company interest broadly equal to the total of the bank's charges. If you get £1,000 in interest from your company and it goes on your Tax Return, the tax on that £1,000 is zero. Also the £1,000 interest counts as a business expense, so it saves Corporation Tax as well. If you are interested in finding out if this can work for you, then please do contact us directly.

## SME'S SET TO BOOST UK ECONOMY

Small and medium sized firms in the UK are forecast to contribute £241BN to the economy by 2025. The research found that contributions made to the economy by UK's SME will grow by 19% between 2016 and 2025.

In the UK, SMEs currently contribute £202BN to the economy. Most of this value does originate from Companies in London, but firms in Leeds and Greater Manchester and other cities are set to boost their contribution the most with 26% gross expected by both Leeds and Greater Manchester.

### Other Interesting Statistics

<u>Greater Manchester</u>	<u>Leeds</u>	<u>Bristol</u>	<u>London</u>
2016 £13BN	2016 £5BN	2016 £4BN	2016 £152BN
2025 £17BN	2025 £7BN	2025 £5BN	2025 £181BN
26%	£26%	£23%	£19%

17% of Business Owners aged under 44 seek Crowd Funding when trying to raise money for their businesses.

69% of Self-Employed Contractors suffer stress through doing their own Accounts!

# Oakwood Reminder



The editorial is necessarily short this time as there is so much to pack into this edition. There should be something for everyone, from employment issues, VAT on discounts, to the essential article on GDPR. If you need any further help on working out if and what you need to do as a business with GDPR, then please do call us. Please sign the form in both places and return to us in the stamped address enclosed.

In the meantime, enjoy the break at Easter and we'll see you soon hopefully!

## March 2018 Volume 18 - Issue 1

Business is great but we are always looking for more.  
Please pass on this newsletter to anyone you feel may benefit.  
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## IMPORTANT CHANGES TO THE GENERAL DATA PROTECTION REGULATIONS

As of 25th May 2018, the new General Data Protection Regulations will be introduced and relevant to all businesses. In preparation for this, we feel it is necessary for us to inform you of how we hold and distribute your information.

Information on our clients is held both electronically and manually. The information which we hold is stored on our databases and client folders, and archived into storage every year. We hold two years' worth of information relating to communications with clients on our electronic database. Accounts and Tax information is held for 7 years, which is in line with current legislation, this also applies if a client terminates their engagement with us. Email correspondence is stored in electronic client folders and kept for two years.

Our data is sometimes manual, i.e. on paper and sometimes contained on our computers in various programmes and a database. We had a new independent server installed, at great expense, last August and everything on the computers is encrypted, backed up locally, manually and remotely so your information is always protected and secure. Each workstation has individual and unique passwords.

With regard to sharing information, we send a list of clients' names, addresses and email addresses to PFP Tax Investigation Services on a yearly basis. PFP acts on behalf of us in offering our clients a Tax Investigation Fee Protection Insurance, which can be renewed each year. This allows our clients to be protected against the costs of a Tax Investigation from HMRC. Personal information is not shared with any other third party unless legally required and agreed to by you i.e. with Companies House and HMRC.

We enclose a form with this Reminder in order to seek acknowledgment and approval with how we share information and the issue of our Quarterly newsletter. Please complete and return the form in the enclosed stamped address envelope provided.

Further guidance on services and responsibilities can be found in your Engagement Letter.

## THE COMPUTER SWALLOWED GRANDMA

Yes, honestly it's true  
She pressed 'Control' and 'Enter'  
And disappeared from view.

It devoured her completely,  
The thought just makes me squirm  
She must have caught a virus  
Or been eaten by a worm.

I've searched through the recycle bin  
And files of every kind  
I've even used the internet,  
But nothing did I find.

In my desperation, I asked Jeeves,  
My searches to refine,  
The reply from him was negative  
Not a thing was found 'Online'

So if inside your 'Inbox'  
My Grandma you should see,  
Please 'Copy', 'Scan' and 'Paste'  
And send her back to me!

## MATERNITY PAY: PLANNING AHEAD



In a limited company, if the director or an employee becomes pregnant, you might want to consider increasing their salary prior to 'the relevant period'. The 'relevant period' is defined as the 8 weeks prior to the 15th week before the week in which the baby is due.

The first 6 weeks of maternity pay is based on the salary during 'the relevant period'; it is currently calculated at 90% of the earnings during this time. We recommend you talk to us as soon as the welcoming news is known, in order to reap the benefits of statutory maternity pay.

Maternity pay is fully recoverable from HMRC for small employers and therefore why not use this avenue to increase the Government's contribution to the baby pot!

## PARENTS

HMRC has produced a new parent communications toolkit, to provide further information to parents about the 30 hours and Tax-Free Childcare. The toolkit includes:

- customer journey infographics for both 30 hours and Tax-Free Childcare
- FAQs for parents
- a factsheet for parents on how they can use their 30 hours entitlement
- a glossary for parents and providers to help explain key words associated with 30 hours and Tax-Free Childcare. The toolkit can be downloaded from the Childcare Choices website.

## STAY IN CONTROL OF YOUR BOOKS

- Manage your cash flow. Make sure that more money comes into your business than leaves it. Understand credit control and sales forecasting and tackle early any un-needed costs including excess stock.
- Stay on top of late payments. Know your customers, understand their payment terms, avoid cheques and start chasing late payments straight away.
- Use us to manage your bookkeeping! Get it done regularly and ask for a monthly or quarterly report on the Profit and Loss of your business.
- Get to grips with financial information. The three most important statements you need to understand are the balance sheet, the income statement and the cash flow statement. All these you can do with our help, so that you are in a position to know exactly what situation your business is in.
- In addition to managing your incomings and outgoings, make sure you are on top of your taxes, Self-Assessment, VAT and Corporation Tax, and again contact us to discuss what you should be putting on one side for these bills.

## ABOLITION OF CLASS 2 NICS DELAYED

HM Treasury has confirmed that the abolition of Class 2 National Insurance Contributions (NICs) has been delayed for 12 months and will now take effect in April 2019. The delay is to ensure the Treasury has sufficient time to identify and avoid any 'unintended consequences' of abolishing Class 2 NICs for the self-employed with low earnings.

Once Class 2 NICs are abolished, self-employed people with annual profits below the small profits threshold will have to pay Class 3 NICs in order to build up an entitlement to state benefits such as the state pension.

## SALARY SACRIFICE AND CARS

**H**MRC has changed its view on how you work out the taxable amount where an employee sacrifices pay for a company car. First of all are you an employee with a company car, for which you have already sacrificed pay? If you have, then if there is an element of that pay that has been sacrificed that is relevant for a contribution towards Insurance, Vehicle Excise Duty and maintenance, then that element is not taxable.

If you are an employer looking to take on a new employee and you are thinking of providing a company car where an employee sacrifices pay, then perhaps you need to contact us to discuss it further.

## VAT ON PROMPT PAYMENTS

**S**ometimes you may offer customers a discount for early payment of an invoice e.g. a 5% reduction in exchange for payment within a certain number of days. The rules regarding the VAT treatment change with effect from 1st April 2015.

Now VAT must be paid to HMRC according to the amount paid by the customer in cases where a prompt payment discount is offered by a supplier. A major concern when these rules were introduced was that a business could need to issue a lot of credit notes to customers taking advantage of the discounts, but it has now been confirmed that this is not necessary as long as the supplier gives a clear instruction on their sales invoice that a customer must reduce their input tax if they take advantage of the discount. The supplier can then reduce their output tax as well, without extra administration.

It is suggesting that the wording to be included on your sales invoices where a

## TIPS ON MAKING A FIRST EMPLOYEE WORK

- Don't delay: If you leave hiring until you actually need someone, you've left it too late
- Consider taking out a business loan: Most people try to finance their first employee from their cash flow, but this can put strain on the business. A business loan used to pay a year's salary keeps things neater
- Consider an apprentice: There are National Insurance holidays and generous incentives for firms to hire apprentices. Plus there's the ability to help shape them to your own requirements.

### Legal Requirements

**A**nyone taking on an employee has a number of legal obligations. The main ones are:-

**Payment:** You must pay the minimum wage – currently £7.50 per hour for workers aged over 25, £7.05 per hour for workers aged 21 to 24 and £5.60 per hour for workers aged 18 to 20 – and have a process for paying people.

**Pensions:** It is now law that employers pay a workplace pension – currently set at 1% of salary for both employee and employer contributions. This will rise between now and 2019, when the total contribution will reach 8% of wages.

**Employment Law:** You will need a whole range of policies written up, including contracts of employment and terms and conditions. Employment law changes all the time and it is up to you to be aware of it. For instance, all employees now have the right to request flexible working, so you need to ensure that if you decline it, you are doing so within the correct legal framework.

We specialise in all aspects of employment, recruitment, remuneration packages, payroll, workplace pensions and contracts – call Jane to progress.



## WHO ARE YOU WORKING WITH?

Changes to employment legislation expected later this year give an opportunity for business owners to consider carrying out an audit of everyone who currently provides labour and services to their business with a view to identifying who is an employee, worker or self-employed. Unfortunately, there is no precise test to follow to determine an individual's employment status, but the following questions should help.

1. What is the economic reality of the situation you are looking at?
2. Is there a contract for service (Employment Contract)? Does the contract accurately reflect the facts?
3. What is the true agreement between the parties (are you calling an individual self-employed but treating them like an employee)?
4. Does the business retain control of the individual?

Additionally the following may also point towards a determination of self-employment

- Freedom on how to choose, how to perform the work and hours of work.
- Freedom to accept or decline work.
- Freedom to set the fee or price and putting mistakes right at own cost.
- Freedom to market services to third parties.
- Freedom to provide a substitute to carry out the work.
- Freedom to use their own equipment.

If at any stage you are considering working with someone or for someone, either as a sub-contractor or as an employee, or taking someone on, then please do talk to us first. We can help you decide whether they should be an employee or self-employed and we can help with an Employment Contract or a Contract for Services.

prompt payment discount is offered should be along the lines of the following:

‘discount of X% of the full price applies if payment is made within Y days of the invoice date, no credit note will be issued. Following payment you must ensure you have only recovered the VAT actually paid.’

If in doubt, on the giving or the receiving end of this situation, please do contact us!

The present threshold for compulsory registration is £85,000 and the threshold for voluntary deregistration is £83,000. As a rule, if at the end of any month, the value of taxable supplies for the last 12 months has gone over the registration threshold, the business is required to register. However, if it can satisfy HMRC that the value of taxable supplies will not exceed the deregistration threshold in the next 12 months, then the business may not have to register. If the business owner believes that he can satisfy HMRC that his future turnover will not exceed £83,000, he could apply for an exception from registration. A VAT1 form need not be done; the request should be made in writing to the Registration Unit setting out his turnover figures and the reasons supporting the request.

It is worth mentioning here that where a business exceeds the registration threshold on the forward look, where it is expected that it will exceed the threshold in the next 30 days alone rather than on the cumulative backward look, then the exception is not allowed.

Whether registering or applying for an exception, the normal 30-day time limit applies for notifying HMRC that he has exceeded the threshold.

Once granted the exception from registration, a person does not become

immune from a liability to register in respect of the supplies they continue to make, and neither does the granting of exception from registration form a cut-off date for monitoring turnover. If the exception is granted, the business owner should continue to monitor the value of his taxable supplies on a monthly basis to determine if a further liability arises by exceeding the registration threshold. However, HMRC will not require him to re-apply for the exception where the liability arises because of the earlier one-off contract.

The conditions for applying this concession are that:

- The turnover in any subsequent month is less than one-twelfth of the deregistration threshold at that time, and
- The trader has no reason to believe that they will exceed the deregistration threshold in the then following 12 months.

If a further liability arises and those conditions are not met, the trader will have to either register or re-apply for the exception.

## NLW RISES CONFIRMED IN BUDGET

Effective from 1st April 2018, the National Living Wage for workers aged 25 and over will increase from £7.50 to £7.83. The National Minimum Wage (NMW) for workers aged 21 to 24 will increase from £7.05 to £7.38; for those aged 18 to 20, from £5.60 to £5.90; and for those aged 16 and 17, from £4.05 to £4.20. The NMW for apprentices will increase from £3.50 to £3.70.

## ARE YOU READY FOR WORKPLACE PENSION CONTRIBUTION INCREASES?

From 6th April 2018, pension contribution increases are set to increase to 2% employer contribution and 3% employee contribution. This is part of the Government's initiative to help people save for their retirement.

If we run a workplace pension scheme for you, these increases will be implemented automatically by us. If you run your own workplace pension scheme, you must ensure you are ready for these increases by checking you have the software facilities to implement these changes successfully.

If you need any advice, do call Camilla.

The table below highlights the dates by which the contributions are set to rise.

Date	Employer Contribution	Employee Contribution	Total Minimum Contribution
Up to 5 April 2018	1%	1%	2%
6 April 2018 to 5 April 2019	2%	3%	5%
6 April 2019 Onwards	3%	5%	8%

From 13 January 2018, retailers will no longer be able to charge extra fees for using your credit card to pay.

This means no more additional fees from the retailer when booking that dream holiday, buying a new car, buying cinema or theatre tickets, or buying your Friday night takeaway.

Plus, using your credit card instead of your debit card to make purchases over £100, gives you more protection.<sup>1</sup> For example, if your goods are faulty, don't arrive or if the company has ceased trading.

What great news to start the New Year with!