

Charlotte Lewis

We are proud to welcome Charlotte Lewis as a new member of our talented team. Charlotte is joining us in March, when she will be starting her business administration apprenticeship. Charlotte lives at home in Godalming with her parents and brothers, as well as pets, Scooby the dog and Luna, a pygmy hedgehog. Charlotte loves music and creating art. We are sure that she will enjoy coming and learning with us.



Oakwood Reminder



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Business is great but we are always looking for more.
Please pass on this newsletter to any one you feel may benefit.

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EDITORIAL



We are nearing the end of the tax year already and doesn't time fly?

This publication has lots of information on all sorts of subjects some of which I hope you will gloss over- 'worried about insolvency'- as we are always here for our clients in good times and in bad and others that are important and clarify legal changes- national minimum wages and construction industry reverse charges for VAT. It could also be a fresh start in our businesses. Stand back and review where you are, where you want to be and how to get there. Please do include us in your plans for expansion or change as we can help.

We have planned changes as well; you will read about Charlotte our new apprentice and we are aiming to be paper free in a couple of years' time. In addition to that, we would like our Reminder to go electronic, so if you would like to help us save paper, ink, postage etc., please let us know if we can send it to you by email in future please.

There is a really interesting article on state pensions which I would encourage you to read and come back to us if you think you need some help. We are here in the office Monday to Friday 8am to 4pm.

Jane Briggs FCPA



VAT Domestic reverse charge

The reverse charge rules often cause confusion. In brief the customer accounts for output tax in box 1 of their VAT return, based on a VAT exclusive invoice received from a supplier. If the supplier does not charge VAT in the first place, and is not therefore paid VAT, he cannot pocket the VAT money and disappear without paying it to HMRC.

In the case of builders supplying services, there are five key questions to ask. If the answer to the first four questions is 'yes' and 'no' to the final question, the reverse charge will apply and no VAT will be charged on sales invoices raised for the job in question, and the customer should account for VAT instead.

1. **Is the customer registered for the Construction Industry Scheme (CIS)?**

If the answer to this question is 'no' the builder doesn't need to worry about the reverse charge rules any further for this customer and can just adopt normal VAT accounting from 1 March – job done!

2. **Is the customer registered for VAT?**

This can be confirmed using HMRC's new VAT number checker service. We recommend it is used by builders as a matter of course.

The worst-case scenario is for a builder not to charge VAT on a job that should have been subject to normal VAT rules, and HMRC raises an assessment for underpaid output tax.

3. **Is the work within the scope of the CIS?**

Traditional building services are obviously all included under the CIS, such as electricians, plumbers, bricklayers, decorators, carpenters etc. If in doubt, refer to the useful HMRC guidance on the CIS.

4. **Is the work subject to either 5% or 20% VAT?**

Any zero-rated sales are excluded from the new DRC regime, eg construction work on new dwellings.

5. **Is the customer an end user or intermediary supplier for the work?**

The DRC only applies if the customer makes an onward supply of construction services to their own customer: ie the typical subcontractor, contractor and customer arrangement. In cases where the contractor is not supplying on the construction services, the work is excluded from the reverse charge

EMPLOYERS!

ARE YOU READY FOR THE NATIONAL MINIMUM WAGE INCREASES?

On **1st April 2021**, the National Minimum and Living Wage rates will be increasing. The new and current rates can be seen in the table below. Please note that the age categories for each wage rate are also changing.

Age Category	Current Rate	Age Category	Rates from April 2021
25 and above	£8.72	23 and above	£8.91
21 to 24	£8.20	21 to 22	£8.36
18 to 20	£6.45	18 to 20	£6.56
Under 18	£4.55	Under 18	£4.62
Apprentice	£4.15	Apprentice	£4.30

If we do your payroll here at Oakwood, we will check to make sure your employees are on the correct rates, where applicable. If you outsource your payroll, or process the payroll yourself, you will need to make sure your employees' wages meet the minimum rates as above.

More information can be found at gov.uk/national-minimum-wage-rates.

Please feel free to contact us here at Oakwood, if you need to check your employees' wage rates, or need any guidance.

**MINIMUM
WAGE**

State Pension Age

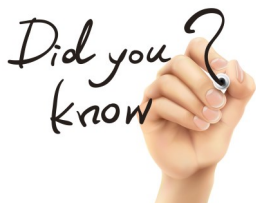
State pension age has been gradually increasing over the last few years, due to increasing average life expectancy and a shrinking workforce having to support a growing number of retirees. Unfortunately for women, they've been particularly disadvantaged, by having their State Pension Age brought in line with that of men's, losing a 5 year advantage. Current State Pension Age is 66, rising to 67 between 2026 and 2028 and to 68 between 2044 and 2046. It would be reasonable to expect pension age to be 70, for young people currently entering work for the first time.



The Basic State Pension

You can claim The Basic State Pension if you were born before 6th April 1951 or 6th April 1953 for men and women respectively. To get the full Basic State Pension you must have 30 qualifying years of National Insurance contributions or credits. For 2020/21 the most you can get is £134.25 per week. A widow or widower may be able to increase their Basic State Pension by using their deceased spouses qualifying years for themselves, if they do not already receive the full amount.

If you are not eligible for a Basic State Pension or you are not getting the full amount, you might qualify for a 'top up' through your spouse's or civil partner's National Insurance contributions.



A divorcee can use their former spouse or civil partner's qualifying years of National Insurance contributions to increase their basic State Pension. However this is something that has to be claimed and recent analysis shows that **around 100,000 divorced women are not claiming this**. You lose these rights if you remarry or enter into another civil partnership.

The New State Pension

If you will have reached State Pension Age on or after 6 April 2016 you will be entitled to the New State Pension.

In order to qualify for The New State Pension you will usually need at least 10 qualifying years on your National Insurance record. Qualifying years do not have to be in a row. For 2020/21 The New State Pension is £175.20 per week, with 35 qualifying years needed to receive the full amount. It does not get paid out automatically, you have to claim it.

Unlike the previous Basic State Pension the New State Pension is based on your own National Insurance record and a widow or widower cannot benefit from their deceased spouse's National Insurance record.

Investing for Retirement

As is apparent from the information above, it would be difficult to get by in retirement, receiving only state pensions. For this reason, it is imperative to recognise the importance of building up a portfolio of workplace contribution pensions, investments, private pensions and rental income (if necessary/applicable) to subsidise you through life in retirement. Although state pensions can represent a healthy income of around £700 a month, it would be good to view this as a welcome top-up to other pension and investment income being received.



RED- stop trading or take immediate professional advice

You are on stop with most of your suppliers and cannot get more credit from anywhere.

You are receiving final demands for payment and county court writs.

The worry is giving you sleepless nights.

If my business is insolvent, should it stop trading immediately?

If you act in the best interests of creditors and take professional advice without delay, don't cease. Ceasing to trade is a big decision and should not be taken lightly. You are entitled to consider all your options, not least because jobs and livelihoods depend on your decision. On one hand, it could be the end of the road for your limited company, but with a bit of forward planning it may well be possible to make a fresh start and continue.

Where should I go for advice?

You could go direct to a Licensed Insolvency Practitioner who specialises in advising businesses under pressure. They are all highly regulated, but not all specialise in smaller businesses. You can consult us and we can help you to understand and assess the situation and point you in the right direction.

Worried about insolvency? Don't put off taking advice.

When is the right time to take insolvency advice for my business?

Covid-19 is taking its toll on people and businesses alike, and many small businesses will be touched by insolvency issues for the first time. In normal times, most business owners think insolvency is something that only happens to other businesses – but that might all be about to change. Did you know that your business is defined as insolvent by law if the value of its assets is less than the amount of its liabilities, or it cannot pay its debts as they fall due? If either apply, you should take insolvency advice.

Are there any warning signs?

GREEN- carry on trading, but keep under review

Unable to pay creditors on normal terms but they are happy to extend further credit.

Cannot pay the taxman on time but HMRC has agreed a payment schedule for the arrears.

Exceeded your credit limits with your key suppliers and are on stop but are able to get credit elsewhere and overall keep your creditors level.

AMBER- proceed with caution, but if you are unsure consider taking initial advice

You can only get credit from new sources and are using this to fend off existing creditors.

Creditors are threatening legal action and tax arrears are mounting.

You cannot accept new orders because you cannot buy essential materials or pay the overtime to satisfy it.

Fresh Start

Give your business a boost with 6 ways to freshen up.

Organise your paperwork

Invoices, receipts, bills, contracts – the paperwork can pile up quickly so check through all your documents to ensure you're up-to-date and don't miss any important dates or deadlines. Having a filing system in place means you'll always be able to find what you need if you have to make a claim or review contract terms.

Dust off your policies

You should check your policies regularly to ensure you stay compliant and protect your business – especially if you've made changes to how you operate. Don't forget to check your risk assessments, too – not only is this a legal requirement to keep everyone safe, but it can also help to minimise or mitigate any claims brought against you.

Deep clean your Inbox

Emails can get overwhelming, but it can be easy to miss an important email if there's too much clutter. Set up a rule that organises emails into a folder for you to sort through when you have time and organise your folders by labelling them.

Polish your online presence

We've seen how much of an impact digital has had on business during the past year, whether it's sharing on social media, upgrading your ecommerce offering or dipping your toes into new advertising channels.

Think about how you can build your social media following with engaging content or make it easy for customers to stop online with you via secure payment options.

Tidy up your plans

Whether it's your marketing strategy for the next quarter, how many sales you want to make in the next year or where you want your business to be in five years, there's no time like the present to get your plans in order. Keep track of your performance and update your calendar regularly so you know where you're at. Don't forget to plan for the unexpected too.

Declutter your processes

Are you spending too much time on admin and less time doing what you love? Streamlining your processes can help you save time and be more efficient.



DAVIDE ZECCA - Everything will be tidied up.. eventually.

How can I protect myself against non-payment in the current climate?

Knowing how to deal with customers and what to do if things go wrong, is crucial in managing your cashflow and reputation. Here are some steps you should consider:-

Do your homework.

Carry out credit checks, and get bank or trade references.

Know who your contract is with.

Is it a limited company or an individual? You need to know who your claim is against in the event of a dispute, and have an address for them.

Set a maximum credit limit

Require personal guarantees where relevant.

Provide written terms and conditions.

Ensure these are agreed before goods/services are provided. Do not just put terms and conditions on the back of your invoice.

Send out an invoice.

Request payment, setting out what you have done, the amount owed and date.

If the customer is late paying, find out why straightaway.

Do not ignore complaints and hope they will go away.

Investigate, address them quickly and take advice in a timely manner to avoid disputes. Any court claim is only ever as good as your customer's financial resources. If they have little or no capital or income, you might not get anything.