



The Bottom Line

TOPICAL INFORMATION FROM MAGEE GAMMON

May 2018 inside this issue...

- ▶ Running your business as a company
- ▶ New rules on capital allowances and cars
- ▶ Combating cybercrime and online fraud: are your finances protected?
- ▶ Business Round-up
- ▶ Web Watch
- ▶ Reminders for your diary



Introducing new additions to the Magee Gammon family

They say everybody gets their 15 minutes of fame and for these three lucky individuals the time has come! So please join us in welcoming Andy, Saffron and Debi to the Magee Gammon family.

All three are great additions and complement the practice by adding their skills and knowledge to the already experienced and specialist in-house team, ensuring that Magee Gammon is one of the most prominent independent firms of Chartered Accountants in Kent.

So without further ado we'd like to firstly welcome Andy Vanburen who joined us as a Senior Manager, to assist with client development. Andy has a background in general practice and industry spanning more than 25 years, most recently from the manufacturing and engineering sector. He joins the practice from a large, privately owned company where he was Financial Controller within a group employing more than 500 staff.



He brings with him a wealth of knowledge, as well as strong commercial experience developed from his challenging role overseeing a diverse portfolio of business activities, which include accounting, tax, cash flow forecasting and capital investment funding.

Interesting fact about Andy – he enjoys cycling and is a self-confessed MAMIL (middle aged man in lycra), having recently completed a three-day London to Paris ride.

We'd also like to welcome Saffron Waghorn who joined as a Trainee Accountant. Saffron is providing general accountancy support to the team in her role.

Saffron has a degree in Accounts and Finance from the University of Kent and her next goal is to complete the ICAEW's qualification. Whilst in her role at the practice, she will be benefitting from our full support and assistance in her development,



delivered by a mix of our experienced in-house specialists and supported by professional accreditation bodies.

Interesting fact about Saffron – she enjoys nothing more than spending the day at the zoo with her niece and nephew.

And last but by no means least is our most recent addition, Debi Faulds (pictured right) who joined as Payroll Senior. Debi's role includes providing payroll administration, company secretarial, business services and client liaison support for the payroll team.



Debi started her payroll career 19 years ago, returning this year after having managed a public house for a few years. She is IPPM qualified and holds a CIPD Certificate in Human Resources Practice.

Interesting fact about Debi – she loves going on adventures with her family and this summer has plans to complete the first 50 miles of the Camino de Santiago, a 500 mile walk through the Pyrenees, across Spain.

Having just celebrated our 25th anniversary in 2017, the practice is well established and respected in the local and surrounding areas, as well as much further afield.

This can and has only been achieved by consistently providing exceptional service and by building long lasting business relationships within the local community, combined with the dedication and commitment from the partners and staff throughout the practice.

Principals: Jon Gammon, Antony Tutt, Mark Britland, Abhi Jain, Roland Parry, Andy Childs

Managers: Julie Devine, Linda Hayward, Peter Horton, Barry Spokes, Andy Vanburen, Steven Wanstall

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Running your business as a company

The question of whether to run a business as a limited company is a major decision. Here we look at some of the key areas to consider.

Tax implications

Income tax vs corporation tax

For limited companies, it is the company and not the director-shareholder that pays tax. The current rate for corporation tax is 19%, meaning that the tax due on profits made within a company will be less than the income tax paid by a sole trader or partner with the same profit figure. However, the profits of a company may be subject to income tax and national insurance contributions (NICs) when they are extracted by the director-shareholder.

Extracting profits

Many director-shareholders take a basic salary from the company, and extract profits by way of dividends. If they receive any form of cash remuneration, these are taxed as employment income. Such income is liable to income tax in the normal way.

Director-shareholder salary is tax deductible for corporation tax purposes. Uneven patterns of earnings, which could mean a spike in a tax bill for a sole trader, can be evened out by adjusting director remuneration.

National insurance contributions

Employment income attracts Class 1 NICs, for which both the director-shareholder and the company may be liable. Though employees are not liable to NICs on most benefits, Class 1A is generally due from the employer at 13.8%.

Director-shareholders have considerable flexibility when it comes to NICs. It may be possible to take a small salary of up to the threshold at which NICs are payable (£8,424 in 2018/19), and take the balance of post-tax profits as dividends. Earnings above the Lower Earnings Limit (£6,032 in 2018/19) are deemed subject to NICs at 0%, so paying a salary above this level will accrue entitlement to certain state benefits, even though no NICs are actually paid.

Dividends

Dividends have their own distinct tax treatment and are not liable to NICs. When combined with the

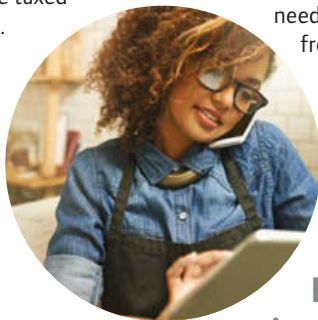
Dividend Allowance, which taxes the first £2,000 of dividends at 0% (for 2018/19), dividends can produce a favourable outcome for the taxpayer. But remember that dividends are paid out of taxed profits, meaning that corporation tax also needs to be factored in.

Pension provision

A company may be able to make contributions into a registered pension scheme, subject to certain limits. Appropriate care is needed, and pension contributions must be paid 'wholly and exclusively' for the purposes of the trade in order to be deductible. For sole traders and partners, pension contributions would be considered a private expense.

Leaving profits in the company

Where director-shareholders do not need to extract all the profits from the company to meet current expenditure, profits can be left in the company, opening up further future planning possibilities.



Additional benefits of incorporation

Some other benefits of incorporation might include obtaining limited liability, as well as additional credibility. A company is a separate legal entity from its shareholders. It can own property, sue and be sued. In terms of borrowing, limited company status can allow a bank to take additional security by means of a 'floating charge' over the assets of the company.

Additional responsibilities

Incorporation brings additional administrative responsibilities, which can lead to higher annual compliance costs. Company directors also have certain statutory responsibilities, and as such, they may be at risk of criminal or civil penalty proceedings for non-compliance. Business owners should consider the legal and administrative implications, together with their associated costs, before making any decisions.

We can advise on all aspects of running a limited company – contact us for assistance.

New rules on capital allowances and cars

The tax treatment of cars under the capital allowances system changed with effect from 1 April 2018. The new rules are likely to have a significant impact on many businesses. Here we consider the changes in more detail.

'Capital allowances' is the term used to describe the deduction we are able to claim on your behalf for expenditure on business equipment, in lieu of depreciation. The allowances available depend on what you are purchasing, and there are special rules for cars. Unlike expenditure on most plant and machinery, expenditure on cars does not qualify for the £200,000 Annual Investment Allowance (AIA) and instead only benefits from the writing down allowance (WDA). Any expenditure not covered by the AIA (or enhanced capital allowances) enters either the main rate pool or the special rate pool, attracting WDA at the appropriate rate.

What's changed?

Whether the expenditure enters the main rate pool or the special rate pool depends on the vehicle's CO₂ emissions. Prior to 1 April 2018, expenditure on cars with CO₂ emissions not exceeding 130 g/km was allocated to the main pool, which attracts a WDA rate of 18%. Meanwhile, expenditure on cars with emissions over 130 g/km entered the special rate pool, which attracts an 8% WDA.

However, the government has now lowered the CO₂ emissions thresholds for capital allowances, thus restricting the available tax relief. The changes apply to business expenditure on cars which is incurred on or after 1 April 2018. From this date, expenditure on cars with CO₂ emissions not exceeding 110 g/km enters the main pool, while those with emissions over 110 g/km now enter the special rate pool.

It should be noted that the reduction in the emissions threshold from 130 g/km to 110 g/km will not apply to expenditure incurred under car hire contracts entered into before 1 April 2018 (corporation tax) or 6 April 2018 (income tax) for the purposes of the lease rental restriction. In addition, from 1 April 2018 the 100% first year allowance for expenditure on cars has been reduced for cars with CO₂ emissions of 75 g/km or less, to just 50 g/km.

Reviewing your expenditure

There are only a few vehicles which meet the 50 g/km test, so not identifying the change could be costly. Businesses may want to take the opportunity to review their expenditure on business cars and consider some of the more tax-efficient options that may be available. There may be savings to be made from using goods vehicles, which are subject to different tax rules.

We can help you to make the most of the tax reliefs available to your business.



Combating cybercrime and online fraud: are your finances protected?

With instances of online fraud totalling 4.7 million in the year to September 2017, it is vital that you safeguard your business and personal finances. From phishing to identity fraud, we examine some of the most common types of cybercrime, and consider ways in which you can minimise the risk.

Types of cybercrime and online fraud

Every year, millions of businesses and individuals are caught out by a range of different types of online fraud, some of which are outlined below.

Phishing

Phishing refers to the practice whereby a criminal poses as a recognisable company or brand (including major banks, HMRC and telecommunication companies), and contacts an individual or a business, requesting them to provide personal information or payments, or to allow them remote access to their computer.

Victims are often contacted via telephone, email or text message, and are urged to supply sensitive data, including banking and credit card information and account passwords. Criminals then take advantage of this, or take the opportunity to install malicious software onto the victim's computer.

Action points:

- ✓ Exercise caution when it comes to responding to phone calls, text messages or emails asking you to make a payment, or log in to an online account. The government, banking institutions and large organisations will never email you to request access to your account, or to request that you send them personal information
- ✓ Be wary of clicking on links within emails – if in doubt, visit the company's official website separately and log in to your account from there.

Mandate fraud

Mandate fraud involves a criminal posing as a banking organisation or other financial body and requesting their victim to change a direct debit, standing order or bank transfer mandate.

Action points:

- ✓ If you notice unusual activity on your account, inform your bank immediately
- ✓ Ensure that bills and other financial documents are stored safely and in a secure manner to prevent them from falling into the wrong hands.

Identity fraud

Identity fraud occurs when criminals garner sufficient personal data on an individual to assume their identity. Most then open bank accounts, order goods, obtain credit cards and take out contracts in the victim's name.

Action points:

- ✓ Be wary of emails claiming to be from your bank or finance provider: never give out your account information or your personal details. Your bank will never ask you for your PIN number or account password
- ✓ Check any financial statements carefully – suspicious activity should be reported to your bank.

Investment fraud and land banking scams

This type of fraud involves a criminal offering their victim the opportunity to invest in a range of schemes or products which typically tend to be of little value, or which do not actually exist. The criminal's aim is to make you 'invest' as much as possible, and subsequently disappear with your funds.

Action points:

- ✓ Never give out your financial or personal information
- ✓ Ensure that you carry out thorough research into your potential options before you decide to invest – avoid taking up offers of investments on the spur of the moment. If you are unsure about an offer, check with the Financial Conduct Authority whether the seller's activities are legitimate.

Ensuring that you have the basics covered is the first step to helping to protect your business and personal finances. As a business owner, it is also advisable to train your employees on the best ways to deal with cybercrime and matters of fraud. Instances of online crime or suspicious communications should be reported to **www.actionfraud.police.uk**.

Taking appropriate action now will help to safeguard your business and personal finances against the risk of fraud.

Business Round-up

Government publishes Making Tax Digital for VAT legislation

In March 2018, the government published the Value Added Tax (Amendment) Regulations 2018, which set out the requirements under Making Tax Digital for VAT (MTD for VAT).

The new regulations are set to take effect from 1 April 2019, and will apply to businesses which have a taxable turnover above the VAT registration threshold, which currently sits at £85,000.

Under the government's MTD regime, taxpayers will ultimately move to a fully digital tax system, and will be required to register, file, pay and update their financial information using a secure online tax account. The government has previously stressed that keeping digital records and making quarterly updates will not be compulsory for taxes other than VAT before April 2020.

From April 2018, HMRC is live piloting MTD for VAT, and a number of UK businesses have been invited to take part. Participating businesses will be able to submit VAT returns using the new digital system, and will have the opportunity to influence how the system works, looks and feels.

The government intends to expand the MTD pilot over the coming months.

Meanwhile, HMRC has also launched an MTD pilot for income tax for self-employed taxpayers. This pilot is open to sole traders with income from only one business, whose current accounting period ends after 5 April 2018.

Chancellor delivers first Spring Statement

On 13 March 2018, Chancellor Philip Hammond delivered his first ever Spring Statement speech, in which he responded to the latest economic forecasts published by the Office for Budget Responsibility (OBR).

The annual Spring Statement forms part of the Chancellor's new Budget timetable, which has seen the main annual Budget move from its traditional Spring setting to the Autumn.

The Chancellor used his speech to report on the progress made on a number of measures announced in the 2017 Autumn Budget, as well as announcing some future measures. This included the announcement that the next business rates revaluation will be brought forward from 2022 to 2021.

Mr Hammond also launched a number of consultations, including a new consultation examining the effect of the current VAT registration threshold on small businesses, as well as consultations relating to changes to Entrepreneurs' Relief, and using the UK tax system to encourage the 'responsible use of plastic'.

New incentives to encourage the 'great British white van driver' to go green were also unveiled, whilst £20 million from existing budgets will be given to businesses and universities to help fund research into ways in which the impact of plastics on the environment can be reduced.

Meanwhile, over £1.5 billion has been allocated to departments and devolved administrations in preparation for the UK's exit from the European Union.

Web Watch



Essential sites for business owners.

ico.org.uk/for-organisations/guide-to-the-general-data-protection-regulation-gdpr

Provides a detailed guide to the General Data Protection Regulation.

britishchambers.org.uk

Offers support for businesses all over the UK, and provides information on your local Chamber.

hireanapprentice.campaign.gov.uk

Supplies details on how to go about hiring an apprentice.

gigabitvoucher.culture.gov.uk

Offers information on how small businesses and individuals can apply for broadband vouchers.

Reminders for your diary

June 2018

- 1 New Advisory Fuel Rates (AFR) for company car users apply from today.
- 19 PAYE, Student loan and CIS deductions are due for the month to 5 June 2018.
- 30 End of CT61 quarterly period.

July 2018

- 5 Deadline for reaching a PAYE Settlement Agreement for 2017/18.
- 6 Deadline for forms P11D and P11D(b) for 2017/18

to be submitted to HMRC and copies to be issued to employees concerned.

Deadline for employers to report share incentives for 2017/18.

- 14 Due date for income tax for the CT61 period to 30 June 2018.

- 19 Class 1A NICs due for 2017/18.

PAYE, Student loan and CIS deductions due for the month to 5 July 2018.

PAYE quarterly payments are due for small employers for the pay

periods 6 April 2018 to 5 July 2018.

- 31 Second payment on account for 2017/18 due.

August 2018

- 2 Deadline for submitting P46(Car) for employees whose car/fuel benefits changed during the quarter to 5 July 2018.

- 19 PAYE, Student loan and CIS deductions are due for the month to 5 August 2018.