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a quarterly newsletter from CBSL Accountants | **Spring 2019**



Welcome to the Spring 2019 edition of our Newsletter.

In this edition we profile another member of our team, **Mark Duce**, who has reached his 5 year anniversary of working at CBSL. We discuss below how to make the best of 2019, depending upon what stage of life your business has reached. And the edition is (virtually) silent on Brexit... things are changing (well more correctly drifting) from day to day, and so anything we write now, may be very different by the time this has gone to press and been sent out to you – please see our website and blogs for current updates on Brexit and how it will affect you.

We also consider the rise in the minimum wage and Making Tax Digital compliance and the key tax rates and allowances for 2019/20 – our tax rate cards will be coming out in the post shortly. We wait to see how the next few weeks and months unfold...

Adrian Barker Managing Director

How to make the best of 2019

Through 2017 and 2018, we wrote a lot about Corporate Finance: buying and selling companies. We felt that the time was right with high multiples being achieved and a lot of buyers and sellers in the market. Brexit (oops, I said I would be silent on Brexit!) created exchange rate movements that made the acquisition of UK companies by ones overseas, much cheaper, or meant that they could afford to pay more.

Many economists think that a slowdown is on the cards for 2019. Earlier last month the Bank of England slashed its growth forecast to 1.2%, down from 1.7%: the worst since 2009. This assumes a smooth transition agreement with the EU; so worse if disorder prevails.

Notably though UK buy-outs were down by about a third in 2018 and US confidence fell again at the end of last year. In January we have had the longest US government shutdown in history, and troubles with China continue, be they Huawei or tariffs related. In Europe, the German economy is cooling, and the Italian one looks far from pretty. In France mesdames et messieurs have been busy in Yellow Vests getting tax cuts and increases in spending.

So, in uncertain times, what do you do with your business in 2019 - continue or exit: In blackjack terms, do you stick or twist? Good businesses will always sell in both good times and bad. Prices are not quite hitting the levels that they were in late 2017 / early 2018, but they are still good.

If you are in your 30's, 40's or 50's and business is good then press on with sensible business practices, don't overtrade, keep a close eye on working capital, and focus on earning good profits that generate strong cash inflow.

But, if you are closer to retirement what then? If you are considering a sale or passing the business on to management or the next generation, the decision is perhaps harder than it was 6 months ago. If we do have a downturn, how long will it be before we are back to the peak of the market? Probably 5/6/7 years? If you are currently in your 60's and own a business, you might feel that is a long time to wait.

So back to the title of this article – What to do this year?

Following our seminar on profit improvement we have company directors who have asked us to work with them over the next 12 and 24 months to help them to improve their profits. We know that we can and have staked part of our fees on the level of profits that we help them achieve.

We have a number of companies that we are currently marketing for sale. They are companies with proven sustainable growth and we are confident that we can still help them to sell. Some have looked to their management teams, and we are helping them deal with their succession plans through Management Buy Outs (MBO's).

And other clients are acquisitive: carefully evaluating deals to buy in, at the right time.

So what to do in 2019? It seems that the jury is out! Might I suggest meeting for a coffee? Give us a call and we'll spend an hour or two helping you to plan what is right for you and your business in 2019 and beyond. The meeting is free... as is the coffee! Email enquires@cbslgroup.com.

Introduction to our team – Mark Duce

Mark has now been with CBSL for 5 years and many of our clients will have had contact from him or talked to him as our SAGE and Xero guru – lets find out a bit more about him:

■ *Tell us a bit about your background.*

As a child, when asked, 'what do you want to be when you grow up?' I always replied to be an accountant or work in a bank. I got the opportunity to work in a bank, but found it very sales orientated, so, I decided accountancy was the true career for me and signed up for evening classes to study towards my AAT qualification. After sending my CV out to all the local accountants I was given the opportunity to start as a trainee. I joined CBSL Accountants in March 2014, after working at three other firms in Shropshire and have never looked back.

■ *What does your role at CBSL involve?*

It is certainly varied but my main role is as management accountant for a number of UK subsidiaries of overseas groups or companies with an overseas element to their business – the first 2 weeks of a month I am flat out with group submissions of management accounts. I also get involved with preparation and review of VAT returns and SAGE / Xero problem solving

■ *What do you enjoy most about your role?*

At CBSL I have a lot more interaction with clients and going to their premises to use their software packages to produce management accounts. By doing this I feel that I get better understanding of the client and their business. I also enjoy helping to train our newer team members and students.

■ *What do you do outside of work?*

As father of 3, 'free' time is a long-forgotten luxury – my love of playing Sunday league football was put on hold when children numbers 2 and 3 came along. Having twins was hard work and still is, so I decided that I needed to be at home more at the weekends with the family and of course it had nothing to do with the fact that it was taking longer to recover after a match the older I got!!!

I still have a lot of contact with old team mates and I try and meet up as much as possible for a beer or two and it's even better if there is a game on in the pub. As a big Liverpool fan, I enjoy the banter with my friends discussing the footballing topics of the moment.

Sunday football has again entered my life, as my eldest son is in a junior team. Together with my son's friends' dad, we took over the coaching and running of the team and are now into our third season. This has been a great way of being involved in a sport I enjoy and at the same time spending time with my eldest son. My youngest son has now also joined the club's 'rookies' team and is looking forward to starting next season in their under 7s team, which means Sunday mornings are going to be very chaotic. My daughter Amelie is not interested in playing but she always asks how we've got on!

■ *What are your plans for the future?*

My wife and I are looking forward to be able to start globetrotting again now the children are growing up. Before they came a long we managed to visit Mexico, Canada, New York and even Singapore and Bali and I believe the list of places my wife wants to visit has been started to be written up.



Minimum wage

Cases regarding minimum wage payments continue to hit the headlines with HMRC investigations into breaches of national minimum wage (NMW) having increased by 43% for 2017/18.

The recent Iceland case relates to employee deductions to join an employee savings scheme, which HMRC deemed to be a deduction from pay and therefore reduced the employees' pay for NMW purposes (although employees could withdraw their savings whenever they wanted to and did not have to spend them in Iceland). Other recent cases relate to company uniform policies, for example where employers require staff to purchase their own 'sensible shoes' for work – particularly an issue in the retail and hospitality sectors - in the weeks where shoes were purchased the employee's wage would have fallen below NMW rates. Also a risk area is when employers make a deductions from pay for meals or transport provided to employees.

The minimum wage rates for 2019/20 are as follows:

Year	25 and over	21 to 24	18 to 20	Under 18	Apprentice
April 2019	£8.21	£7.70	£6.15	£4.35	£3.90

The minimum wage rates do not apply to self-employed people, volunteers, company directors, members of the armed forces, family members and work experience students (depending on the length of their placement). All other workers including pieceworkers, home workers, agency workers, commission workers, part-time workers and casual workers must receive at least the minimum wage.

If you need any further information on the minimum wage or have queries regarding your payroll, please contact Donna in our payroll team on **01743 249 992** or send an email to enquiries@cbsigroup.com and we will be happy to assist.

Making Tax Digital (MTD) for VAT

From 1 April 2019 businesses who are required to be registered for VAT must record their accounting transactions digitally. So if you prepare quarterly VAT returns and your quarter ends 31 March 2019, your first submission under MTD will cover the period 1 April to 30 June 2019 and needs to be submitted by 7 August 2019. More complex VAT returns such as group registrations or businesses who are required to make VAT payments on account have until 1 October 2019 to comply.

Steps required

- 1 Keep digital records - VAT registered clients will have to keep records supporting the VAT return in a digital format. However physical invoices and receipts for expenses can be scanned or kept in paper files. Digital formats include MTD compliant bookkeeping software and Excel spreadsheets that can be submitted via bridging software.**

Each individual invoice must be recorded but you can summarise an invoice with multiple lines if they are in the same VAT period and at the same rate of VAT. If you use the retail scheme, you must keep a digital record of 'Daily Gross Takings'.

For more complex VAT adjustments such as partial exemption calculations, these can be calculated manually & then they will need to be journalled into your accounting software.

- 2 Set up with HMRC for MTD – every business will have to go through a separate set-up process with HMRC to enable filing of MTD VAT returns. We can assist with this.**

This step should only be taken after your final VAT return that falls within the current system is filed, otherwise you will be automatically enrolled into the MTD for VAT Pilot.

Once you are ready either:

A / We can register for you using your VAT registration number. An e-mail link will be sent to you, which you will be required to verify before we can complete the registration. Please note that by verifying via this link you are also agreeing to paperless communication with HMRC via your new Business Tax Account, which you will need to monitor for important communications.

After this verification process all future VAT returns will be filed under the MTD system.

B / Alternatively if you are completing the process yourself, you will need to log into or set up your business tax account, where you can then sign up for MTD for VAT. Once the sign-up process has taken place, VAT returns should not be filed using the old system.

- 3 File using MTD compliant software - there are many to choose from and all of the main accounting software have compliant versions available - you may however need to upgrade to the latest version to be compliant or purchase an 'add-on'. Alternatively, you can continue to use spreadsheets such as Excel to record your transactions. There will then need to be a digital link to summarise the transactions into the standard VAT return format and finally bridging software to submit this into the HMRC system. 'Cut and paste' is not an acceptable digital link. If you plan to continue to use spreadsheets we have bridging software available to submit on your behalf.**

If you are voluntarily registered, you can continue to submit VAT returns as previously.

If you need any advice on ensuring compliance with MTD please do let our team know by emailing enquiries@cbsigroup.com or calling on **01743 249 992**.

Key points for 2019/20 tax year

- Personal allowance goes up to £12,500 (a standard tax code for PAYE will be 1250L) and the lower limit for an individual to make NICs will be £719 per month or £8,632 per annum.
- The higher rate tax threshold will be £37,501 for tax at 40% and the upper rate of 45% over £150,000 stays unchanged. Different rates and thresholds apply to Scottish taxpayers.
- The dividend allowance remains at £2,000 & dividends will continue to be taxed at 7.5%, 32.5% and 38.1% respectively beyond that.
- The savings starting rate allowance of £5,000 (ie taxed at 0% if within this) continues to apply if your total taxable non-savings income is less than £5,000.
- The capital gains tax exempt amount totals £12,000.
- Pension limit remains at £40,000 with the lifetime allowance increasing to £1,055,000.
- VAT threshold continues to be £85,000.
- Corporation tax rates remain at 19% (but reducing to 17% from 1 April 2020).
- Capital allowances – The annual investment allowance increased to £1m from 1 January 2019 with a 100% deduction for qualifying expenditure AIA.
- A new structures and building allowance (SBA) has been introduced of 2% per annum from 1 January 2019. This covers expenditure on physical construction works entered into on or after 29 October 2018 – it applies to new non-residential structures and buildings.
- The writing down allowance remains unchanged at 18% writing down allowance but reduces for integral features to 6%.
- Minimum wage goes up to £8.21 per hour for the 25 and overs.

We will be sending out our tax rate cards that detail all the key rates and allowances for 2019/20 – if you need any additional copies, please let us know.

Pension limits increase

A reminder that from 6 April 2019 the pension minimum contribution increases to 8% with at least 3% of that being the employer's contribution and therefore an employee contribution of 5%.

If you need any advice on how to inform your employees, please contact us at enquiries@cbslgroup.com or if we process your payroll, Donna Holland.

Profit improvement seminar



In January we held our first of a series of profit improvement seminars – we were delighted that it was well attended. We covered different ways to grow your business, a hierarchy of profit improvement and drivers of profitability.

If you missed it and would like to hear more about it please let us know and we will happily deliver it to you and your management team.

Updates and Reminders

PAYE

Employee payroll records and your software needs to be updated from 6 April
Employees should receive their P60 by 31 May

Personal tax

You should receive a notice if you are required to file a tax return for 2018/19 shortly after 5 April 2019
2nd payment on account for the 2018/19 tax year is payable by 31 July 2019

P11d

Form P11d for benefits and expenses provided to employees needs to be submitted by 6 July 2019 and payment needs to reach HMRC by 22 July 2019

Easter opening hours

Our offices will be closed from 5pm on Thursday 18th April and will reopen on Tuesday 23rd April.

What would you like to see from us?

If you would like to discuss further any of the features in this newsletter, please do not hesitate to get in contact with our team. **Alternatively, if there is a query or topic that you would like us to cover in future editions, do let us know.**

Further factsheets are available on key issues and interesting topics such as R&D – please email on enquiries@cbslgroup.com and we will be happy to send you a copy.