

Small Business Insight

WINTER 2018

HAWSONS CHARTERED ACCOUNTANTS



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Introduction

Happy New Year!



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Welcome to our new look Small Business Newsletter, "Small Business Insight". Despite the revamped design and layout, we hope that you will still find the articles we publish each quarter helpful and informative.

In this issue we focus on four tax related subjects that provide both opportunities, and in one case, quite a challenge on the horizon for the Small Business. On the subject of challenges, we also provide an overview of what SMEs need to know about GDPR ahead of the May 2018 implementation date.

Small Businesses are often the cradle of new, exciting and innovative developments, and for those businesses involved in developing new products and processes, there is the potential to benefit from generous tax breaks. Our Senior Tax Manager, Craig Walker asks the question, "Are You Eligible for R&D Tax Credits?"

6 April 2019 is a date that should be on the calendar of all small business owners as this is the latest proposed date for many businesses to begin the transition to digital record keeping under HMRC's Making Tax Digital plan. When fully in place, this will drastically alter how businesses report to and interact with HMRC. For many this will present a challenge, but also an opportunity to bring business book-keeping and accounting into the 21st Century. We look at this in more detail in this issue.

Staff are one of a business's most important resources and rewarding them in a tax-efficient manner can help retain valued members of your team. We look at an area where recent changes in legislation may mean that you need to review your employee benefit position where you have salary sacrifice arrangements in place with staff. We also look at the challenge of securing tax free childcare for staff.

Hawsons are specialist small business accountants

Our Business Services Department is dedicated to helping the smaller business. We help businesses of all forms, including sole traders, partnerships, limited companies and LLPs.

Starting up a new business is a challenging process and there are many aspects a small business owner must consider. We have a proven track record in helping small businesses get off the ground and continue to grow. Our clients choose Hawsons because we understand their needs and find them the right solutions, at the right time. Our small business specialists can help in all aspects of setting up and running your business, providing advice in Sheffield, Doncaster and Northampton. For more information on our small business expertise, including the services we offer and our experience, please visit: www.hawsons.co.uk/business-services

Research & Development Claims are
on the up from small businesses...



Are you eligible?

In more detail...

Businesses claimed almost £3 billion in tax relief on Research and Development (R&D) in the last year, official statistics reported. But many companies are still missing out.

IS YOUR COMPANY MISSING OUT?

The latest figures show that almost 22,000 small and medium-sized enterprises (SMEs) made R&D tax relief claims last year. Many of these were first-time claimants.

Since the R&D tax credit scheme was introduced in 2000-01, over £16.5 billion of tax relief has been claimed. So the tax savings generated from a claim can be significant.

Craig Walker, Senior Tax Manager at Hawsons commented: "Claims for R&D tax relief are often overlooked by businesses. It's good to see that claims are on the increase, especially from small companies. I would urge all companies to consider if they are eligible to make a claim".

AM I ELIGIBLE?

Many companies carry out eligible R&D activities without realising that this work qualifies for relief. R&D tax incentives are not just for niche sectors -

eligible companies can be in any sector, any size, and even be loss-making.

A common misconception is that R&D incentives are only for those who undertake scientific research in a laboratory, but this is certainly not the case.

HOW WE CAN HELP

We have extensive experience of making successful R&D tax relief claims. If you would like to discuss whether your company may be eligible to claim R&D relief, please get in touch with us.

MORE FROM OUR TAX EXPERTS

You can find all of our latest tax articles and tax resources [here](#).

If you are looking for advice in a particular area, please get in touch with your usual Hawsons contact.

Alternatively, we offer all new clients a free initial meeting to have a discussion about their own personal circumstances - find out more or book your [free initial meeting here](#).

More Delays to Making Tax Digital

In the most recent update of the Finance Bill 2017-19, the government have announced a delay in the timeline for Making Tax Digital after concerns were raised, and the changes were put on hold due to the snap election back in June.

UNDER THE NEW TIMETABLE:

- Only businesses with a turnover above the VAT threshold (currently £85,000) will have to keep digital records
- This will only be mandatory from 6th of April, 2019
- Initially, this will only be for VAT purposes
- Businesses will not be asked to keep digital records, or update HMRC quarterly, for taxes other than VAT until April 2020 at the absolute earliest.

IN MORE DETAIL...

This means that any businesses and landlords with a turnover below the VAT threshold will be able to choose if they will move over to the digital system, but will not be compelled to do so.

For businesses over the threshold, they will have to provide digital tax records for VAT to HMRC from 6th April 2019, but not for any other taxes until at least a year after this point, maybe even later.

However, businesses above the threshold will be mandated to record VAT digitally from April 2019 in order to send HMRC standard quarterly updates.

Those businesses that are VAT exempt won't have to change to digital tax until all tax moves online – which will be Spring 2020 at the soonest. This includes health and education services.

The first businesses that have already started keeping digital records and providing updates to HMRC digitally will continue, and this pilot will be extended.

By the end of the year, HMRC plan to turn this into private, small-scale testing, which will then be followed by wider, live pilot testing starting in Spring 2018. This gives just over a year for testers before businesses over the VAT threshold have to change over to digital records for VAT purposes from April 2019.

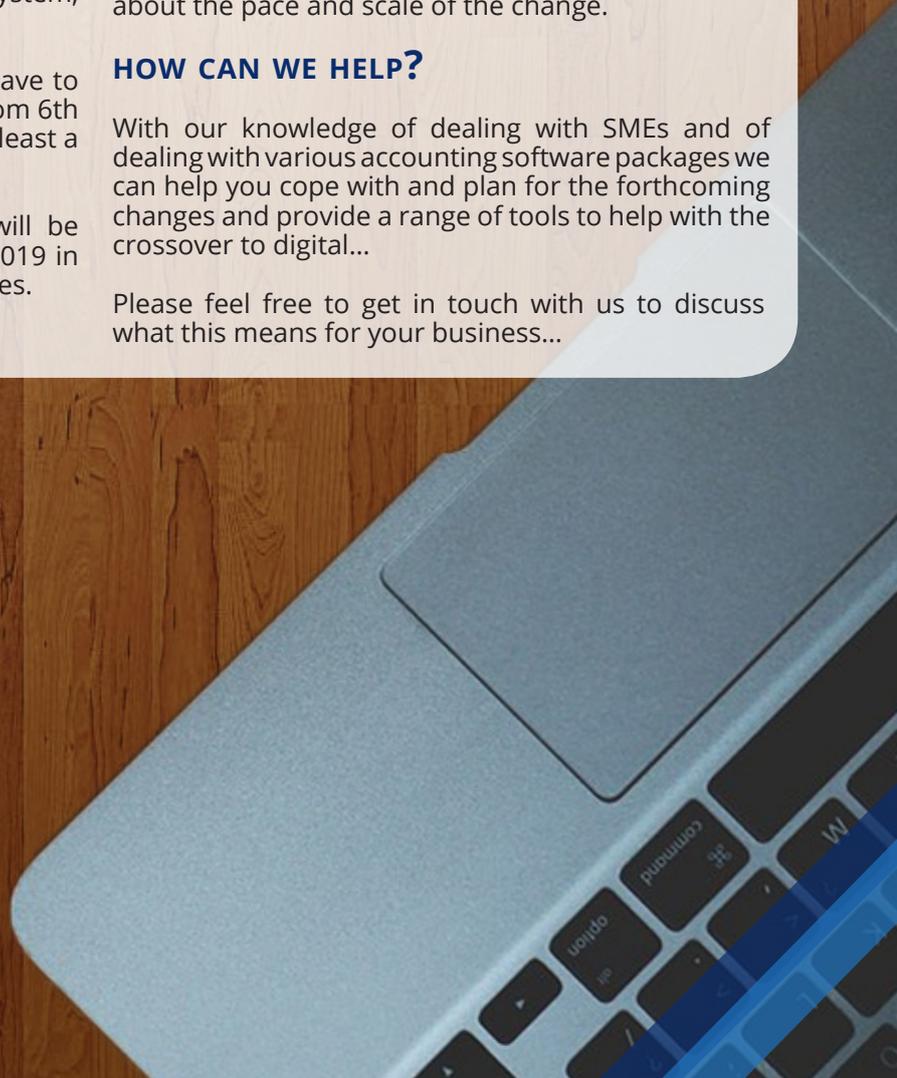
Most businesses will not feel any change, as they do not need to provide information to HMRC under Making Tax Digital for business any more regularly than they do now. VAT has been available online since 2010, and over 98% of VAT registered businesses already file electronic returns.

Despite these delays, concerns are still being raised about the pace and scale of the change.

HOW CAN WE HELP?

With our knowledge of dealing with SMEs and of dealing with various accounting software packages we can help you cope with and plan for the forthcoming changes and provide a range of tools to help with the crossover to digital...

Please feel free to get in touch with us to discuss what this means for your business...



Optional Remuneration Arrangements: It's No Sacrifice

If you have made use of salary sacrifice arrangements in connection with the provision of benefits, you will be aware that they enable employees to pay less tax and NIC's than if they had been remunerated entirely in cash. In addition, employers may achieve employer NIC savings.

In the eyes of HM Treasury, the cost of the tax and NIC savings made via these arrangements represent an exchequer cost carried by a majority of taxpayers.

Therefore, from 6 April 2017 the Government introduced legislation to reduce the tax and NIC advantages provided through salary sacrifice arrangements.

Unfortunately, the legislation is broader than people expected and catches optional remuneration arrangements as well as salary sacrifice arrangements. In this regard, the legislation targets two types of arrangements called 'Type A' and 'Type B' arrangements:

TYPE A

Covers arrangements under which the employee gives up the right (or a future right) to receive an amount of earnings in return for a benefit.

TYPE B

Covers arrangements in which the employee agrees to be provided with a benefit instead of an amount of earnings.

In either of these arrangements, the employee will be taxed on the 'amount forgone',

which refers to the amount of earnings given up in order to receive a benefit. More specifically, an employee will always be taxed on the higher of 'the existing taxable value of benefit' or 'the salary forgone'.

Take the following example: An employee is given the option to take a car cash allowance of £5,000 or a company car with a taxable value of £4,000. The employee opts for the company car. Under the new rules the employee will be subject to tax and NIC on the higher value being £5,000.

As it currently stands the new rules do not apply to certain benefits. Those left unaffected by the new rules include employer pension scheme contributions, employer provided pension advice, employer provided childcare, cycle to work schemes, ultra-low emission vehicles (vehicles that emit CO2 75g/km or less), as well as benefits relating to the termination of employment.

Provisions will ensure that arrangements in place before 6 April 2017 will be protected until 6 April 2018 provided there are no variations or renewals before then.

Arrangements involving cars, vans, fuel, living accommodation and school fees will be protected until 6 April 2021 provided there are no variations or renewals before then.

Employers will need to urgently review their employee benefit position to see whether they are affected by these 'optional remuneration' provisions.



It's not child's play: The struggle of securing tax free childcare

HMRC has agreed to offer compensation to parents unable to apply for new government-funded childcare schemes due to IT glitches.

Parents were required to log onto the Childcare Service website to sign up for two new childcare schemes – the Tax-Free Childcare scheme and the 30 hours' free childcare.

However, from the outset the website has been plagued by technical issues which have prevented parents from completing applications.

HMRC have apologised for the problems and agreed to make a one-off compensation payment to parents who were unable to log into their account, or did not receive a decision within 20 days of applying.

TAX-FREE CHILDCARE

The new Tax-Free Childcare scheme was launched in April. Parents, other family members and employers can pay money into an online childcare account (set up through the government's Childcare Service website) to cover the cost of childcare with a registered provider.

For every £8 paid into the account, the government will

top this up with an additional £2, up to £2,000 support per child per year (or £4,000 for a disabled child).

The government top-up is the equivalent of the tax most people pay – 20% – which gives the scheme its "tax-free" name.

30 hours' free childcare may also be available to working parents of three and four year olds (1,140 hours in total).

Craig Walker, Senior Tax Manager at Hawsons commented: "Thousands of working parents are missing out on government help towards childcare costs. I would encourage all parents to check whether they are eligible to apply for the new government-funded childcare schemes".

HOW TO CLAIM COMPENSATION

Parents who were unable to access their online childcare account, or did not receive a decision within 20 days of applying, will need to fill in an online form to make a claim for compensation.



What SMEs need to know about GDPR

The General Data Protection Regulation (GDPR) is set to come into force from May 2018.

It will replace the current Data Protection Act and is the biggest overhaul of data protection legislation for over 25 years.

GDPR will change the way organisations process personal data and regardless of what happens during the Brexit negotiations, it has been made clear that businesses will have to comply with the new rules – this means it is likely we will adopt most if not all of GDPR as domestic legislation.

Businesses must ensure they are up to date with the new legislation to make sure they are fulfilling their legal responsibilities.

In this article, we take a look at some of the things you can do to make sure you are prepared.

PERSONAL DATA

Technology has moved on since 1998 when the current Data Protection Act was enacted, and whilst the definition of Personal Data is generally the same as in that Act, there are changes to add matters such as online identities and location data.

The general concept remains the same though, Personal Data is any information which identifies an individual.

CONSENT

Usually, under the soon-to-be old rules, simply saying “click here to read our privacy policy” would be perfectly

acceptable. However, under GDPR this is no longer the case. GDPR states that you must clearly explain why you are collecting personal data and how exactly you intend to use it.

Furthermore, if you plan on selling any of the data on to third-party organisations, you must get explicit consent. In order for the consent to be valid, it will need to be freely given, informed, specific and an unambiguous indication through a statement or clear affirmative action, i.e. ticking a box.

OPT INS AND OPT OUTS

With GDPR, it is essential that a business complies with a set of lawful conditions to process data for direct marketing purposes.

It should be noted that organisations do not need consent for all forms of marketing, businesses are allowed to make contact for direct marketing purposes via calls to numbers that are registered with the telephone preference service or by post.

As long as the organisation can satisfy the legitimate interest condition.

While giving people the opportunity to opt out is acceptable, it will not mean a business has consent, that will rely on legitimate interest only. Businesses must ensure that they get this right.

MANAGING DATA

People can request the removal of data under GDPR, dubbed the “right to be forgotten”. This could be for a



number of reasons, such as the individual no longer wants the business to have the information or if it's no longer to be used for the purpose for which it was initially collected. The data must be kept up to date and accurate, so businesses should consider how they are keeping data to ensure it is not held for longer than is necessary.

USER ACCESS

One of the key points to GDPR is giving people the opportunity to see what data that business has about them. Individuals are able to make information requests to view the data and what the business intends on doing with it.

DATA BREACHES

The fines for organisations that are subject to a data breach have been increased by the Information Commissioners Office (ICO), as well as new duty for organisations to report data breaches should they occur. Businesses must ensure they have the correct procedures in place to detect, report and investigate a data breach.

When a breach does occur, it must be notified to the ICO within 72 of the organisation becoming aware of it. It is worth staying up to date with information from the ICO to keep on top of developments.

ACTIONS REQUIRED

1. Review the requirements as they apply to your organisation.
2. Carry out a gap analysis to identify where the business falls short of the requirements.
3. Consider appointing a director or staff member to be responsible for compliance with the new regulations.
4. Regulation and compliance will almost certainly involve additional costs. Budget appropriately for these.
5. Develop policies and systems to collect, process and protect personal data and to identify and report potential breaches.
6. Train staff to make sure that they are aware of the requirements of the regulations as they apply to their everyday tasks.
7. Review arrangements with third party data processors (e.g. payroll providers and HR providers) to ensure that they remain compliant also.

Get in touch...

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Why do I need to sign up...again?

Due to the new General Data Protection Act (GDPR), that comes into force on the 25 of May 2018, we need confirmation that you are still happy to receive our updates, newsletters and events.



What do I need to do?

Just fill in your details to confirm that you still want to receive our updates, events and newsletters. It only takes a minute, and will mean you stay in touch with us:

<http://www.hawsons.co.uk/newsletter/>



Anything else?

Not at all! Although....you can follow us on social media to stay even more up to date with everything that we're up to here at Hawsons.

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