

Small Business Insight

SUMMER 2018

HAWSONS CHARTERED ACCOUNTANTS



In this issue:

- Managing Cash Through Brexit and Beyond
- The Biggest Challenges Facing SME's
- Cryptocurrency and Tax
- Requirement To Correct: Time is running out to disclose
- HMRC publish further information on Making tax Digital
- Hawsons Appoint Craig Burton as Partner

Introduction



Welcome to our Summer 2018 SME newsletter

Heraclitus is widely credited as the originator of the quote “*change is the only constant in life.*” What he would have made of the changes currently being experienced in our political, technological, and fiscal landscapes one can only speculate, but in this issue we look at how changes in all of the areas may impact small businesses.

The issue of what Brexit will look like is far from settled and we have included an article published originally by the FSB and CICM on the principles of cash management.

Cryptocurrencies are a by product of the technological age and we take a look at these and how transactions utilising these are treated for tax.

On the subject of tax, the way in which businesses interact with HMRC is set to change via the Making Tax Digital project. We provide an update of this and highlight our MTD workshops.

A positive change that we are delighted to announce at Hawsons, is the appointment of a new partner- Craig Burton. We welcome him in this issue also.

Paul Wormald
Hawsons Partner
Doncaster
pw@Hawsons.co.uk

Hawsons are specialist Small Business Accountants

Our Business Services Department is dedicated to helping with smaller businesses. We help businesses of all forms, including sole traders, partnerships, limited companies and LLP's.

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, 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

Managing Cash Through Brexit and Beyond

With Brexit on the horizon, it is important that your business is prepared for any changes that may arise because of this.

Here is a guide on how to manage your cash flow and credit management through the Brexit period.

1

Know what your customers are doing

Knowing what your customers plans are throughout Brexit will help you plan in advance to meet their needs. It is also important to be aware that your trading relationships with some customers may be affected.

2

Protect your company from imposed terms

In order to protect your company in the future, document any agreed payment terms. This will shield you from any terms that may subsequently be imposed. If your customer tries to impose worse terms retrospectively, and they have agreed to the Prompt Payment Code, visit promptpaymentcode.org.uk and the Chartered Institute of Credit Management can intervene on your behalf. If they have not signed the Prompt Payment Code, you should refer them to the Small Business Commissioner.

3

Check standard payment terms

Check your customers standard payment terms on the Prompt Payment Code website or, for a larger company check on the Duty to Report portal. If they ask you for longer terms than what is standard, it will be beneficial to understand why they are asking this and then try to negotiate them down, or ask for something in return.

4

Finance

Talk to your bank or finance company to ensure you have finance to help cover you for any gaps in cashflow. A gap in cash flow may arise is you grant longer payment terms than what your suppliers grant you.



5

Assessing budgeting and cash flow

Assess your cashflow and budget predications so you can make sure your company can handle the adverse impacts of any exchange rates movement

6

Terms and conditions

Include the words: "We will exercise our statutory right to claim interest (at 8% over the Bank of England base rate) and compensation for debt recovery costs under the Late Payment legislation if we are not paid according to our agreed credit terms" on every invoice, and then print your terms and conditions on the back. You can charge interest and compensation without mentioning it on the invoice but it helps to let your customer know you are serious about expecting payment.

7

Set up a process for invoices

Setup a basic process that allows you to follow up invoices and to make sure any payments are received promptly. Always be sure to ask for money that you are rightfully owed. If your invoice is disputed for any reason, fix the problem as quickly as possible so there is no excuse for not paying. If payment becomes overdue, raise an invoice for compensation as well as interest.

8

Use third parties to assist in collecting payments

If any invoices remain unpaid, be prepared to use a third party to assist you in collecting the payment. The sooner you do so, the greater the likelihood of the payment being received.

9

Look at your competitors

Keep an eye on what your competitors are doing to see if they are trading in new markets or have changed their focus.

10

Use Guidance Provided

For guidance on managing your finances through Brexit visit www.hawsons.com for your free intimal consultation or get in touch with your usual Hawsons contact. Also, use the advice given by the Federation of Small Businesses (FSB) and the Chartered Institute of Credit Management (CICM).

(Source: The Federation of Small Businesses and the Chartered Institute of Credit Management)



Cryptocurrency and Tax

Bitcoin

What Is Cryptocurrency?

Historically, money has taken many forms; from being recorded in physical ledgers to now being entered electronically into a bank's books, money has had to evolve and change with society for ease of transaction and consumer purchase. Card transactions have now overtaken cash payments in UK stores, and of card purchases, around a third are now contactless.

Enter cryptocurrencies. These currencies use encryption technology (cryptography) in the process of its creation, ensuring security of transactions, but also the prevention of additional, unlicensed units.

After purchasing a cryptocurrency, it gets placed into a digital wallet, where the currency is held, and the owner can spend the currency, as the wallet holds both the private and public encryption keys.

This also means that there is a public record of bitcoin transactions, but while all the transactional information is in the public, the involved parties remain private as they transact under pseudonyms called *cryptocurrency addresses*. We can see time, volume, and involved addresses, but don't learn the individual's private information

Over the past five years, the most prevalent and popular cryptocurrency is Bitcoin. It was founded in 2009, and was first released in open-source software, allowing developers to use and develop their own ways of transferring the currencies between individuals. It was truly revolutionary as a currency, as it is a global currency, and is totally independent of any central authority or bank. It's traded directly between individuals, without any interference from an intermediary, it theoretically means the transaction is much safer.

However, as with anything of monetary value, there are implications with regards to tax, and what you will need to pay if you are involved in the exchanging, purchasing or selling of any cryptocurrency

Tax Implications of Cryptocurrencies

Capital Gains Tax (CGT)

The HMRC brief on cryptocurrency states that "if a profit or loss currency is not within trading profits or otherwise within the loan relationship rules, it would normally be taxable as a chargeable gain or allowance for CGT if they accrue to an individual or, for Corporation Tax (CT) on chargeable gains if they accrue to a company".



So...basically, unless you declare yourself as a trader to HMRC, you are considered an investor and your annual gains are subject to Capital Gains Tax.

Remember that even if you make less profit than the CGT allowance but have sold more than four times the allowance worth in cryptocurrency, then you have to report this to HMRC as above.

If you have made more than the CGT allowance then you will have to report and pay tax on your gains. Bear in mind that every single trade you make – even crypto to crypto – impacts tax calculations.

Additionally, to calculate the CGT on these transactions, you have to convert everything to GBP value at the time of the transaction, and then continue your calculations from that point. So if you have made a significant number of trades, it is probably worthwhile getting a tax adviser just to make sure you get things right.

Corporation Tax (CT)

The guidance given by HMRC is that a trading activity will continue to be assessed on the basis of preparing profit and loss accounts to determine taxable profit and the value of goods bought or sold using virtual currencies must still be accounted for at their market value or the exchange value of the virtual currency converted into UK pound sterling.

Bitcoin can be held as an investment or to pay for goods or services and HMRC have noted that 'in the UK, there are already a number of outlets, including pubs, restaurants and internet retailers that accept payment by Bitcoin.

Case by Case Basis

Looking at all of the tax implications of cryptocurrency on an individual basis. Taking into account specific facts and circumstances is pretty much the only way forward when considering the taxation of cryptocurrencies. The overall reality of the situation is that most cryptocurrency is owned on a personal basis, and the owner of the cryptocurrency should not try to avoid tax. At this point, it's better to "over" disclose information to HMRC than "under disclose".



Keep up to date with
cryptocurrency news at:
<https://www.hawsons.co.uk>



Requirement to Correct: time is running out to disclose

'Requirement to Correct (RTC)' legislation requires UK taxpayers to ensure that all foreign income and assets, where there may be UK tax to pay, have been correctly declared to HMRC by **30 September 2018**.

HMRC will impose very harsh penalties for those who fail to comply with the RTC. So it is vital that anyone who has offshore interests urgently reviews their tax affairs to ensure they are fully compliant.

HMRC will soon be in possession of extensive information on offshore income and assets, obtained predominantly through information sharing with other jurisdictions, which will enable HMRC to identify and address non-compliance.



What You Need To Know...

Who Is Impacted?

Individuals, trustees, partnerships and companies with offshore interests. The RTC relates to an offshore matter or offshore transfer which was committed on or before 5 April 2017.

Which Taxes Are Included?

Income Tax, Capital Gains Tax and Inheritance Tax (although all tax liabilities should be brought up to date).

Failure To Correct

Those who fail to disclose offshore discrepancies by **30 September 2018** will fall into the 'Failure to Correct' regime which brings with it some very harsh penalties. Penalties for the failure to correct will start at 200% of the tax liability (these can be reduced but to no lower than 100%). In serious cases, an additional penalty of up to 10% of the value of the relevant asset will apply, and taxpayers may also suffer the reputation damage of being 'named and shamed' on a public website



What Do I Need To Do?

RTC is wide reaching and applies whether the non-compliance is due to deliberate motives or carelessness. For anyone who is not absolutely certain their offshore affairs are compliant, they should review their tax position and make any necessary disclosure or correction to HMRC before 30 September 2018.

How Can Hawsons Help?

Hawsons can assist with performing health checks, preparing outstanding returns, advising on relevant liabilities and assisting with disclosures to HMRC. For more information please get in touch with your usual Hawsons contact.

HMRC publish further information on Making Tax Digital (MTD).

HMRC have released further information on Making Tax Digital (MTD) in the run up to the introduction of MTD for VAT in April 2019. This includes a new HMRC VAT Notice providing some additional clarity for businesses and a list of software providers that have demonstrated a working prototype of their product. Is your business ready for the introduction of MTD?

New HMRC VAT Notice

The VAT Notice reaffirms that businesses with a taxable turnover above the VAT threshold (currently £85,000) will be required to comply with the digital record keeping and return requirements of MTD for VAT from **April 2019**.

From April 2019 some business records will need to be kept digitally within functional compatible software. This is a software programme that is able to record and preserve digital records, provide information and returns to HMRC by using the Application Programming Interface (API) platform and receives information from HMRC via the API platform.

Digital links

The Notice states that in the first year of mandation businesses will not be required to have digital links between all parts of their software programs if they use multiple software programs. (The only exception is where data is transferred, following preparation of the information required for the VAT Return, to another product that is API enabled solely for the purpose of submitting the 9 Box VAT Return data to HMRC). For the first year of mandation, where a digital link has not been established between software programs, HMRC will accept the use of cut and paste as being a digital link for these VAT periods.

Please note that this relaxation does not extend to the actual submission of the VAT return itself which must be through API-enabled software.

Software

Businesses will be required to use a third-party software programme which can connect with HMRC's systems via the Application Programme Interfaces ("API") platform. HMRC will not be offering software.

HMRC have now released a list of software suppliers that have tested their products in HMRC's test environment and have already demonstrated a prototype of their software to HMRC.

You will need to ensure that the software you are using to submit your VAT returns is MTD compatible.

How can Hawsons help?

We can help you to review your current VAT record keeping arrangements and identify the changes that will be necessary to comply with the requirements of MTD.

If you wish to discuss the implications of MTD for you and your business, please get in touch with your usual Hawsons contact.

In order to ease you through the transition, Hawsons are running free Making Tax Digital Workshops in the Sheffield, Doncaster and Northampton offices. To sign-up go to:
www.hawsons.co.uk/making-tax-digital-workshop/



Hawsons appoint Craig Burton as Partner



Hawsons Chartered Accountants are delighted to announce the appointment of Craig Burton as a new Partner in the firm.

Craig is a highly experienced corporate advisor and auditor, having worked with a number of national and international firms. Craig's career spans over 23 years and has included stints in Cape Town, South Africa and Vilnius, Lithuania. More recently Craig has been a partner at a national firm in its Sheffield and Leeds offices.

Craig will join the Hawsons partner team and be primarily based in the Sheffield office – he will work closely with the other partners and staff to deliver exceptional clients service to both existing and new clients.

Martyn Weatherall, Hawsons' Senior Partner, said: "We are delighted to welcome Craig as a partner in the firm. He brings a wealth of experience and will assist in growing the firm's client base and expertise. Craig will be a valuable addition to our strong partner team and will be of great benefit to our clients and our firm."

Craig added: "I am delighted to be joining the exciting team at Hawsons. The firm is at an interesting point in its 164 year history and I look forward to contributing to the firm providing the highest level of service to its clients and continuing to be a leading independent practice in the Sheffield City Region"

Craig is a commercial partner based in our Sheffield office. Craig delivers exceptional client service by building strong relationships, through regular and clear communication and by providing pragmatic solutions.

You can contact Craig at cmb@hawsons.co.uk or on 0114 266 7141



Get in touch...

Your Local Specialists....



Scott Sanderson
SME PARTNER
SHEFFIELD

sss@hawsons.co.uk
0114 266 7141



Paul Wormald
SME PARTNER
DONCASTER

pw@hawsons.co.uk
01302 367 262



David Owens
SME PARTNER
Northampton

davidowens@hawsons.com
01604 645 600

Sign up to continue receiving updates from Hawsons...



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.

Disclaimer: All information in this publication is of a general nature and may not be applicable to your own specific circumstances. We will be pleased to discuss your specific circumstances or requirements in more detail. If you would like to discuss anything with us, please contact us. Whilst every care has been taken to ensure that all information in this publication is accurate, no liability is accepted for any loss or damage, howsoever arising from the use or non-use of any information on this site.



HLBInternational