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Small Business Newsletter

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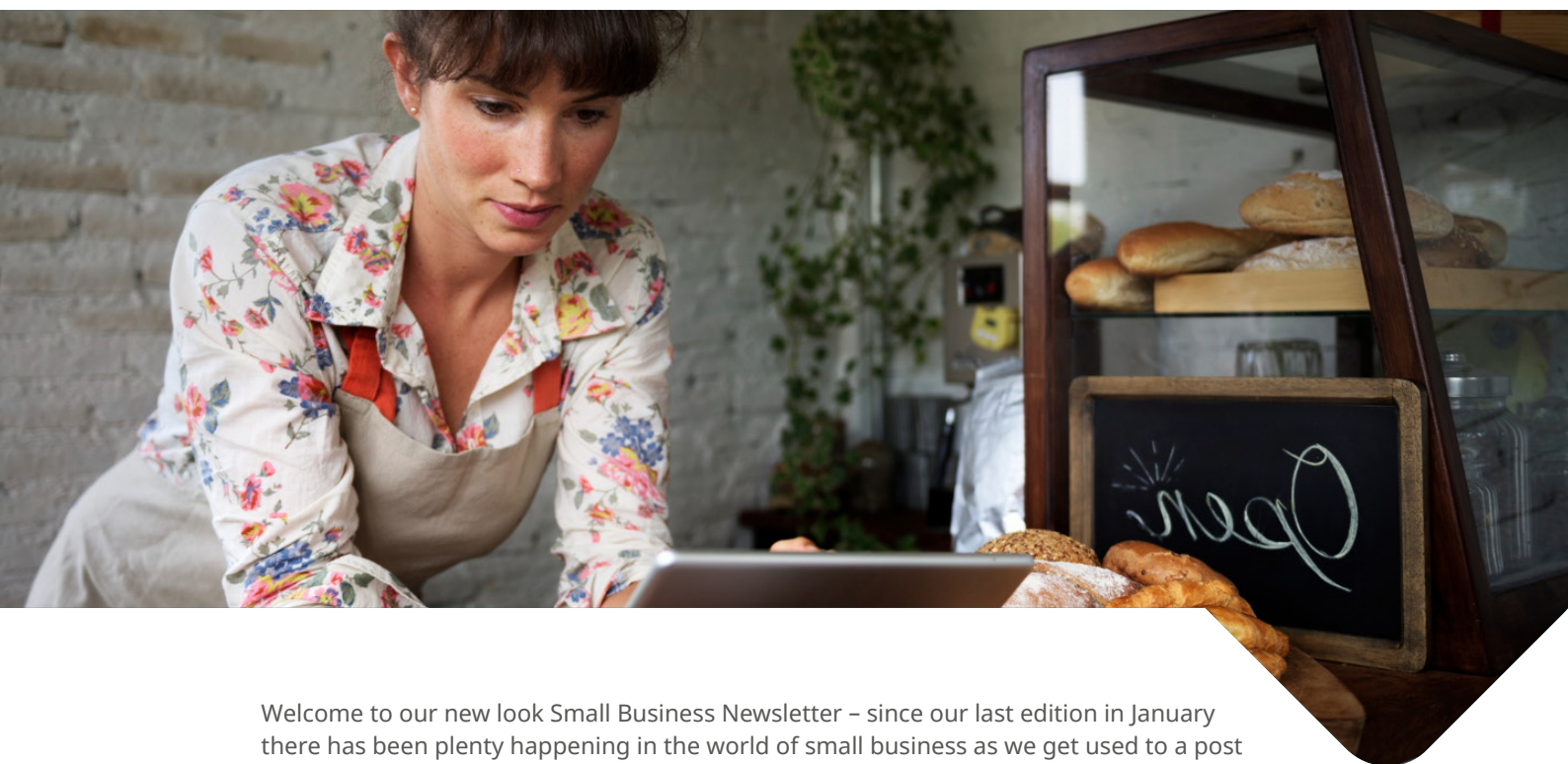


Hawsons

Big firm expertise,
small firm personal attention



Paul Wormald Partner



Welcome to our new look Small Business Newsletter – since our last edition in January there has been plenty happening in the world of small business as we get used to a post Brexit trading environment, and hopefully see the continued opening up of society at large as the Covid-19 vaccine programme allows life to return to some form of normality.

In this edition we look at the following areas:

Changes to VAT Partial Exemption methods due to Covid-19
How to Stay Safe When Working from Home
R&D cap announced
Introducing the Super-deduction

Also, we are delighted to announce two new senior appointments in our Doncaster office, with Dan Wood being promoted to Partner, and James Snipe being promoted to Audit Manager. We wish them every success in their new positions.

As ever, please contact us if there is anything that we can help with at all.



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Staying Safe Whilst Working from Home

For many businesses, working from home (WFH) looks like it is here to stay even after the COVID-19 pandemic is over. Companies are typically looking at a hybrid model where staff split their week between home working and working in the office. Cybercriminals are as usual quick to exploit any vulnerabilities so it's important to ensure your security is at the appropriate level.

Train your employees on cybersecurity – phishing email and passwords

It is vitally important that all employees are trained on the basics of cybersecurity and this importance can only be emphasised when working from home as additional risks come into play.

Phishing emails are a common technique that cybercriminals use to access your network and steal your data so training your employees on the signs of phishing is very important. It's also worthwhile doing training refreshers on password creation and security, ensuring passwords are both complex and unique. Using passphrases is a good method, for example taking the first letter from the words of songs and adding numbers and special characters.

Use a VPN

A Virtual Private Network (VPN) creates an encrypted tunnel and is essential when working remotely or from

home. If you are accessing your network remotely without a VPN you could be leaving yourself vulnerable to cyber threats. Not all VPNs are equal and, especially if you have been using the same VPN method for a long time, it's worth Googling the vulnerabilities of your VPN as well as making sure you are using the most up-to-date version.

Two-factor authentication

Using two-factor authentication is becoming increasingly common. You should look to implement this wherever it is available and ideally on your VPN and webmail. This means an attacker not only has to know your password they also need access to your text messages or authenticator app on your mobile. This is significantly more secure.

Continued Overleaf



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Staying Safe Whilst Working from Home (Continued)

Device encryption

Ensure the devices being used at home are encrypted. Windows 10 Pro provides encryption and is likely to be commonplace on work laptops but if staff have taken home desktop PCs then they should also be encrypted to protect data in the event of theft. Make sure you have the decryption keys in case you need to recover data due to a lost password.

Anti-virus

Ensure all machines connecting to your network have regularly updated anti-virus software even if staff are using their own machines. Ideally use the same anti-virus you use at work. Some supplier licenses allow staff to install the software on their home PCs at no extra cost.

Wi-Fi and Network security

When working remotely you should always avoid using public Wi-Fi. Cybercriminals can use an insecure/public connection to plant malware onto the Wi-Fi. If you download or share files once you are on an insecure connection you could be potentially installing malware onto your device. Depending on the type of malware it can be used to steal sensitive business information.

Keep everything on your computer fully updated

It is vitally important that you keep all of your devices up to date as many of the updates will provide new security features to help protect your device against new threats. The easiest way to do this is to enable automatic updates on your device or force updates via automated policies.



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VAT Partial Exemption Changes

To ensure the continuation of fairness HMRC has decided to implement an accelerated process when it comes to VAT Partial Exemptions. This accelerated process will allow businesses to request changes to their VAT Partial Exemption methods due to Covid-19.

To submit a Partial Exemption Special Method request you will need to send a declaration that the method proposed is fair and reasonable. See example here: <https://www.gov.uk/guidance/partial-exemption-vat-notice-706#Appendix1>

If the nature of your supplies has changed due to COVID-19 and you believe that you will be moving back to pre-pandemic supplies soon, then HMRC will likely accept proposals that use a representative income stream from the previous 1-3 tax years.

If you believe that your business is eligible to make changes, please visit the HMRC website to find out more details.



Two Promotions at the Hawsons Doncaster office

The Partners of Hawsons are pleased to announce two new promotions at the firm's Doncaster office. Effective from 1 April 2021 Dan Wood is promoted to Partner and James Snipe to Audit Manager.

Dan Wood

Dan trained and qualified as a Chartered Accountant with Hawsons at their Sheffield office, joining in 2012 before joining the Doncaster office as a Manager in 2018. During his time at Hawsons he has gained a range of experience providing audit, accountancy and taxation services, including Solicitors Regulation Authority audits. Dan is able to advise corporate entities, sole traders and partnerships on a wide range of business and taxation matters.

James Snipe

James qualified as a Chartered Certified Accountant in 2018, joining Hawsons in 2016 having previously worked in the profession at a regional level with two Chartered Practices. During his career James has gained a range of experience providing audit, accountancy and taxation services. He has worked with a wide variety of corporate clients, charitable entities, sole traders and partnerships, and is used to offering day-to-day assistance in addition to discussing wider strategic issues.





R&D cap announced

The government has announced a cap on the amount of payable tax credit that a company can claim for Research and Development (R&D). The cap will be £20,000 per period plus 300% of the PAYE and NIC payable for the period. This will take effect for periods starting on or after 1 April 2021.

Why is an R&D cap being introduced?

The cap is being introduced to deter abuse of R&D tax relief. The government believes that the tax credit has become a target for fraud and abuse and this measure is a response to that.

Will this change affect my company?

The cap will affect small or medium sized companies (SMEs) that carry out R&D and claim the payable R&D tax credit.

The payable tax credit provides valuable support to loss-making companies engaged in R&D. It allows those companies to claim a tax credit worth up to 14.5% of the R&D element of their surrendered losses.

The smallest claims will not be negatively affected due to the £20,000 minimum element of the cap.

If you are unsure whether you are affected by the cap, please contact one of our R&D tax relief specialists.

Is my company exempt from the R&D cap?

A company is exempt from the cap if its employees are creating, preparing to create, or managing Intellectual Property and the company does not spend more than 15% of its qualifying R&D expenditure with connected persons.

The aim is to exempt companies with low PAYE and NIC, but which are nevertheless engaged in genuine, substantial R&D.

Has there previously been an R&D cap?

Some people may recall that there used to be a cap on the amount of payable R&D credits, linked to the amount of PAYE and NIC payable by a small company. This cap was removed in 2012.

The Chancellor announced in 2018 that a cap would be reintroduced and a period of consultation followed. The cap will be implemented from April 2021.

Introducing the Super-deduction

What is the Super-deduction?

The super-deduction is a 130% first-year capital allowance for qualifying plant and machinery assets. There is also a less generous 50% first-year allowance for assets qualifying for the special rate pool. The super-deduction will allow companies to reduce their tax bill by up to 25p for every £1 they invest.

This is an exciting and innovative development that should encourage companies to invest in productivity-enhancing plant and machinery assets.

Key points on the 130% super-deduction

It does not apply to cars, although it can be claimed on commercial vehicles.

It does not apply to assets leased out or to assets hired out (e.g. a hire fleet). Although for example in the construction industry, HMRC should accept that plant provided predominantly with an operative is more than just hire and therefore is not excluded and so can qualify.

It does not apply to used or second-hand items.

Any assets going into the special rate pool, such as integral features or long life assets, only qualify for a 50% super-deduction.

Only companies qualify (not sole traders or partnerships).

Only expenditure after 1 April 2021 is eligible, but if the contract is entered into before Budget day (3/3/2021) then the company won't qualify.

If you sell the asset you have to bring in 130% of the proceeds as a balancing charge.

Get in touch



How can we help?

Hawsons has a dedicated team of small business accountants in Sheffield, Doncaster, and Northampton. Our Business Services Department is dedicated to helping smaller businesses, providing a range of tax and accountancy services to small and growing businesses. We generally help sole traders, partnerships, and limited companies.

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 new and small businesses get off the ground and continue to grow. Our small business accountants can help in all aspects of setting up and running your business.



Scott Sanderson
Partner
0114 266 7141
ss@hawsons.co.uk

Sheffield Office
Pegasus House
463A Glossop Road
Sheffield, S10 2QD



David Cairns
Tax Partner
01604 645600
davidcairns@hawsons.co.uk

Northampton Office
Jubilee House
32 Duncan Close, Moulton Park
Northampton, NN3 6WL



Paul Wormald
Partner
01302 367 262
paw@hawsons.co.uk

Doncaster Office
5 Sidings Court
White Rose Way
Doncaster, DN4 5NU



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Sheffield: Pegasus House | 463a Glossop Road | S10 2QD

Doncaster: 5 Sidings Court | White Rose Way | DN4 5NU

Northampton: Jubilee House | 32 Duncan Close | Moulton Park | NN36WL

www.hawsons.co.uk