Written 4 March 2024

BUSINESS NEWS - ENGLAND

Welcome to our round up of the latest business news for our clients. [Please contact us](#) if you want to talk with us about how these updates may affect your business. We are here to support you!

Understanding the pros and cons of the VAT Flat Rate Scheme for businesses

Value Added Tax (VAT) is a significant consideration for businesses. It impacts your cash flow, the amount of admin work needed, and even your overall profitability. One option available to businesses - with a VAT exclusive turnover of £150,000 or less - is the VAT Flat Rate Scheme (FRS), which offers a simplified approach to VAT accounting. However, deciding whether to adopt this scheme requires careful consideration of its benefits and drawbacks.

The VAT Flat Rate Scheme operates by applying a fixed percentage to your turnover to determine the VAT payable to HM Revenue and Customs (HMRC). This fixed rate varies depending on the industry sector that your business operates in. While this simplicity can be appealing, it's crucial for businesses to evaluate whether this scheme aligns with their specific circumstances.

The advantages

One of the primary advantages of the VAT Flat Rate Scheme is how simple it is to operate. Unlike traditional VAT accounting, where businesses need to track VAT on sales and purchases separately, FRS simplifies this process by applying a flat rate to the total turnover. This can save time and reduce the administrative burden, and if you run a smaller business this can be a big help!

Businesses under the VAT Flat Rate Scheme can also benefit from potentially paying less VAT to HMRC compared to the traditional accounting methods of accounting for VAT. The scheme allows for your business to keep the difference between the VAT charged to customers and the VAT paid to HMRC, which can provide an additional margin for your business.

The disadvantages

However, while the VAT Flat Rate Scheme offers simplicity and potential cost savings, it may not be suitable for all businesses. One of the notable drawbacks is the inability to reclaim VAT on purchases, except for certain capital assets over £2,000. This means that if your business buys in a lot of supplies where you pay VAT on them, you may not benefit from the scheme as much as others.

Additionally, the fixed rates provided by HMRC may not always accurately reflect your business's specific VAT position. While these rates are designed to approximate the average VAT payable for different industries, businesses with atypical cost structures or profit margins may find themselves disadvantaged by the scheme.

Furthermore, you need to consider the future growth of your business and how this might impact your VAT liabilities under the Flat Rate Scheme. As turnover increases, the fixed percentage applied to turnover may result in higher VAT payments compared to the traditional methods of accounting for VAT. This could potentially erode the scheme's cost-saving benefits.

Before deciding whether to adopt the VAT Flat Rate Scheme, it is important that you carefully evaluate your current VAT position, including the proportion of VATable sales and purchases, as well as any potential future changes in turnover.

We have tools that can help you decide whether joining or leaving the Flat Rate Scheme is a good choice for your business. Please feel free to get in touch with us. We would be happy to help you!

Are you eligible for a £252 saving on your tax bill?

With the tax year ending on 5 April, March is a good month to check whether sharing unused tax allowances with your partner could save you some money.

HM Revenue and Customs (HMRC) say that March is the most popular month for Marriage Allowance applications. Almost 70,000 couples applied in March last year. As there is also the option to backdate their claim for the previous 4 tax years, eligible couples who have not previously claimed could receive a lump sum payment of more than £1,000.

Marriage allowance allows individuals to transfer up to 10% of their tax-free Personal Allowance to their husband, wife, or civil partner. For the 2023/24 tax year, this means a maximum amount of £252 could be available to those who qualify.

In order to benefit, either you or your partner must have an annual income of less than the Personal Allowance, which is currently £12,570. And the higher earning partner's income must be between £12,571 and £50,270. If you live in Scotland, the higher earning partner's income must be between £12,571 and £43,662.

To find out if you are eligible, you can use HMRC's online calculator at https://www.tax.service.gov.uk/marriage-allowance-application/benefit-calculator

If you need any help working out whether you are eligible or in applying for the allowance, please do not hesitate to contact us!

Additional protection now available for UK food and drink sold in Japan

A total of 37 Geographical Indications (GIs) gained formal protection last week as part of a deal agreed between Japan and the UK.

Iconic food products such as Cornish Pasties, Welsh Lamb, Scotch Beef, Cornish Clotted Cream, and Melton Mowbray Pork Pies will all receive protection under the agreement. This means that UK businesses exporting these food and drink products to Japan will be protected against local and other businesses imitating these products in Japan.

Under the agreement, a number of Japanese agricultural products and drinks will have their GIs protected in the UK.

For a full list of the protected foods and drinks, please see: https://www.gov.uk/government/news/uk-businesses-welcome-protection-for-iconic-british-food-and-drink-in-japan

Financial handbook for independent training providers released

David Withey, Chief Executive of the Education and Skills Funding Agency (ESFA) has written to independent training providers in receipt of direct funding from the Department for Education (DfE) or ESFA. The letter announces the publishing of a financial handbook for independent training providers.

The financial handbook describes a mix of requirements, best practice and discretionary elements that are tiered depending on the organisation's level of funding.

It covers many aspects of financial management and governance. For many independent training providers, these procedures will already be part of their good financial management. However, there may be some new requirements that need to be adjusted for, such as those involving internal review and audit.

The financial handbook comes into effect on 1 August 2024, which allows a few months to make any needed adjustments. Certain parts of the handbook will be phased in over a longer 2-to-3 year timescale.

The financial handbook can be viewed here: https://www.gov.uk/guidance/financial-handbook-for-independent-training-providers

A webinar that introduces the handbook can be viewed on YouTube at: https://www.youtube.com/watch?v=xyR99SnvkJE

If you need any help reviewing or implementing financial systems, please get in touch with us. We would be very happy to help you!

Director of care home investment scheme fraud banned

Robin Forster, the director of two companies involved in operating an unauthorised care home investment scheme has been banned from being a company director for 14 years.

A total of £57 million had been taken from investors and put at risk in the unauthorised scheme. Based in the north-east of England, Qualia Care Properties Ltd and Qualia Care Developments Ltd offered investors the opportunity to invest in care homes. Investors bought a long-term lease on a care home room. The care home was run by a third company, Qualia Care Ltd, who sublet the room back to the other 2 companies.

Investors were promised returns of between 8-10% of the purchase price. However, the Financial Conduct Authority (FCA) successfully argued in court that the scheme was unlawful and amounted to an unauthorised collective investment scheme. The court also agreed that Mr Forster had made false and misleading statements to investors since the promised returns were never likely to be achievable or the scheme itself sustainable.

The FCA is currently seeking to recover the £57 million lost by investors.

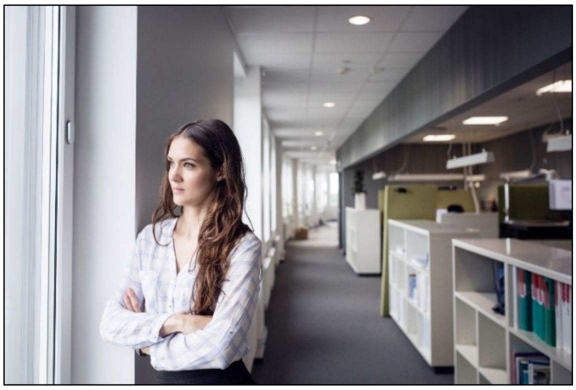
To compound matters, during the four days leading up to the two companies going administration, Mr Forster arranged for more than £2 million to be transferred out of the companies into a connected company. This was despite the fact that monies were owed to creditors.

Both factors – running the unauthorised scheme, and depriving creditors of more than £2 million – contributed to the 14-year ban.

News like this serves as a good reminder that as far as investment returns go, if it sounds too good to be true, it probably is!

See: https://www.gov.uk/government/news/director-of-unlawful-care-home-investment-scheme-banned-for-14-years

Addressing loneliness among young employees



The UK government has launched a campaign to address the stigma around loneliness with young people. Research shows that 16-to-24 year olds are the loneliest age group, but are also the least likely to take action to help themselves. Many also hide feelings of loneliness out of worry over being judged.

Loneliness among young people can also have an effect on a business. Loneliness in the workplace can significantly affect the performance of employees. Feelings of isolation can lead to decreased motivation, engagement, and productivity.

Loneliness may also contribute to higher levels of stress and anxiety, that knock on to work quality and overall job satisfaction. Therefore, providing an environment that nurtures the mental health and performance of young people may not just be good for them, but also good for your business.

It may therefore be worth considering whether your business can take any proactive steps. For instance, could the steps below help in your business?

1. **Encourage social interaction:** Team building activities, mentorship programs, and regular social events can all help to build camaraderie. Creating opportunities for collaboration and relationship building can help young employees feel more connected to their colleagues.

2. **Prioritise open communication:** Encourage managers to check in regularly with their team members and build a supportive environment where employees feel comfortable expressing their feelings and concerns, whether it's about work-related challenges or personal struggles.

3. **Promote work-life balance:** Striking a balance between work and personal life is essential for maintaining overall wellbeing. Could you offer flexible work arrangements, such as remote work options or flexible hours, to accommodate the different needs of young employees? Encouraging them to prioritize self-care and allocate time for activities outside of work can bring them joy and fulfilment that will positively affect their approach to work.

4. **Provide mental health support:** Loneliness is a normal part of life, so why not encourage employees to talk about it? Offering access to mental health resources and support services may be helpful. Educate employees about the resources available and ensure that they feel there is no stigma to seeking help for mental health issues.

5. **Lead by example:** Your leadership can make a big difference. By demonstrating genuine care and concern for team members you set a positive tone for the workplace and encourage others to do the same.

By taking proactive measures to address loneliness and support the wellbeing of young employees, businesses can create a more positive and fulfilling work environment where all team members feel valued, connected, and supported in their personal and professional growth.

Making Tax Digital: New policy paper published

A new policy paper has been released by HM Revenue and Customs (HMRC) on Making Tax Digital for Income Tax Self Assessment for sole traders and landlords.

The new tax information and impact note supersedes the previous one and incorporates the changes in scope and timelines announced in December 2022, and other policy amendments and improvements made in the Autumn Statement 2023.

Making Tax Digital for Income Tax Self Assessment (MTD for ITSA) revolves around requiring businesses and landlords to keep digital records and update HMRC each quarter using compatible software.

The policy paper outlines that MTD for ITSA will be introduced for sole traders and landlords in two phases:

- For those with qualifying income over £50,000, from April 2026.
- For those with qualifying income over £30,000, from April 2027.

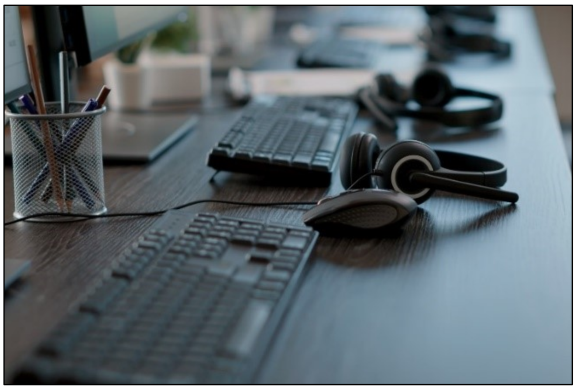
The government plans to introduce MTD for ITSA for partnerships at a future time.

The government feel that MTD for ITSA will reduce tax errors, but if the introduction of MTD for ITSA affects you then it may mean making adjustments to the way you currently handle your accounting records. It may also mean keeping more up-to-date with bookkeeping because of the requirement to submit quarterly returns.

As your business advisers, we will be in touch with you well in advance of any changes coming into force. We will be happy to help you with advice on accounting systems or any training that you might need.

See: https://www.gov.uk/government/publications/extension-of-making-tax-digital-for-income-tax-self-assessment-to-sole-traders-and-landlords/making-tax-digital-for-income-tax-self-assessment-for-sole-traders-and-landlords

Customer service at HM Revenue and Customs reaches new low



According to MPs, phone line waiting times for HM Revenue and Customs (HMRC) continue to worsen. A committee found that nearly two-thirds of callers had to wait more than 10 minutes to speak to an adviser.

The Public Accounts Committee's report says that in the year to April 2023, the average wait for a call to HMRC to be answered was 16 minutes and 24 seconds. This compares to 12 minutes and 22 seconds the year before.

63% of callers waited more than 10 minutes, increasing from 46% the previous year. This proportion has increased each year since 2018-19.

HMRC's hold music holds the dubious honour of being among the most streamed!

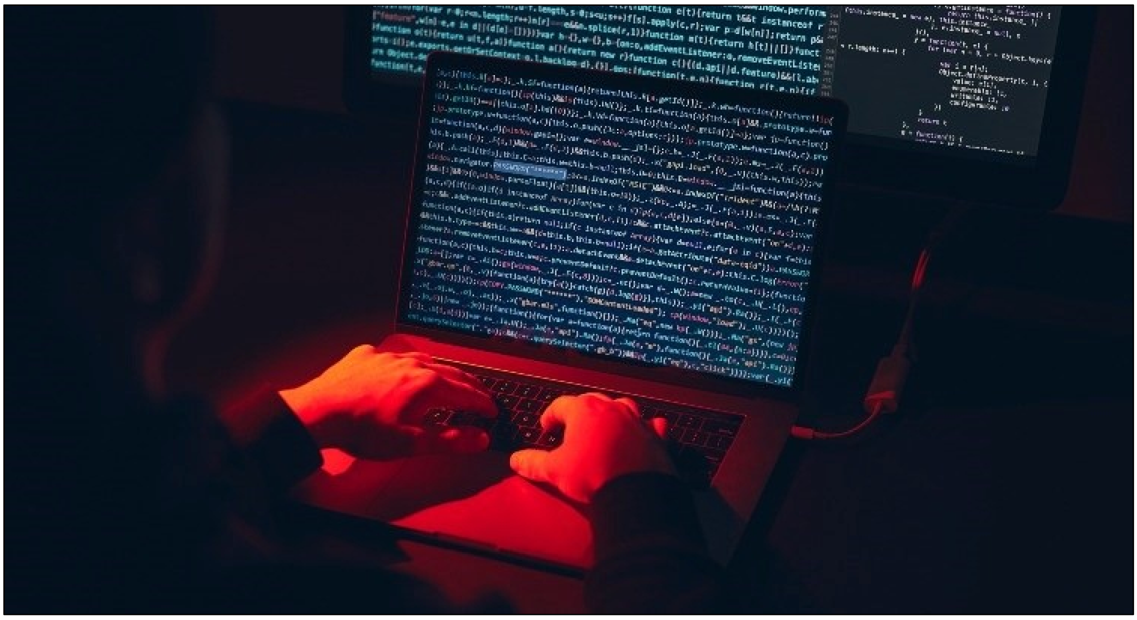
The issue shows no sign of an easy resolution. HMRC is focusing its attention on digital services such as its app and online services to deal with enquiries.

HMRC have said they received more than three million calls on resetting online passwords, getting tax codes, and checking National Insurance numbers, many of which could have been handled using their digital services instead of calling.

The take home seems to be that if you need to call HMRC, it may be best to do so from an easy chair with a coffee in hand!

See: https://www.bbc.co.uk/news/business-68413088

Cyber security: Evolving tactics from Russian state-linked cyber actors



The UK's National Cyber Security Centre have highlighted the evolving tactics of Russian state-linked cyber actors.

NCSC has noted that malicious cyber actors linked to Russia's Foreign Intelligence Service (SVR) have expanded their targeting from governmental, think tank, healthcare and energy organisations to include aviation, education, law enforcement, local and state councils, government financial departments and military organisations.

Traditionally, SVR actors have exploited software vulnerabilities to access information held by organisations in these sectors. However, because of the increasing move to cloud-based infrastructure, these traditional approaches are now less effective.

Therefore, NCSC report that tactics have evolved to try and gain access to these cloud-based systems. But since access to cloud-based systems is far more reliant on gaining initial access to the cloud provider, a good baseline of cyber security fundamentals can help to prevent successful attacks.

- Use of multi-factor authentication, or 2-step verification, and strong unique passwords are good ways to mitigate and defend against this type of malicious cyber activity.

- Making sure that user and system accounts are disabled when employees leave is also key, as dormant or inactive accounts are often involved in a successful cyber attack.

Additional information and mitigation strategies are set out in NCSC's advisory, which can be found here: https://www.ncsc.gov.uk/news/svr-cyber-actors-adapt-tactics-for-initial-cloud-access

Are you ready? Carers Leave Act comes into force from 6 April 2024

The Carer's Leave Act comes into force on 6 April 2024, which will affect all employers in the UK.

If an employee has a dependent with:

- An illness or injury (mental or physical) that means they are expected to need care for more than 3 months, or
- A disability that's defined as such by the Equality Act 2010, or
- Care needs because of their old age,

Then the Act gives them the right to unpaid leave to give or arrange care.

The dependent can be anyone who relies on them for care and not just a family member.

The entitlement to carer's leave exists from an employee's first day of work, and their holiday and returning to their job rights, as well as other employment rights, are protected during the leave.

Employees can take up to one week (pro rated for part-timers) of leave every 12 months, and this leave can be taken in a block or split into individual or half days throughout the year.

The leave entitlement is per employee and not per dependent. Employees who need leave to look after their child can take up to 18 weeks, but this is separate to carer's leave.

Employees are required to give notice when they want leave, and the Act sets out minimum notice periods. The request does not have to be in writing, and employees don't have to provide evidence of the care needs.

The Act also sets out when an employer can delay carer's leave.

For more information, see: https://www.gov.uk/carers-leave

Please do contact us if you would like to talk about any of the articles. We are here to support you and your business!