

Written by 2 April 2024

Business News Northern Ireland

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

Could the VAT Annual Accounting Scheme be good for your business?

VAT-registered businesses normally submit their VAT returns and payments to HM Revenue and Customs 4 times a year. However, HM Revenue and Customs also offer an Annual Accounting Scheme for businesses with a taxable turnover of £1.35 million or less.

In this article we will look at what this scheme is and why you might or might not want to consider it for your business.

How does the Annual Accounting Scheme work?

Here is how the scheme typically works:

- Eligibility: Businesses with an estimated taxable turnover of £1.35 million or less can usually join the scheme.
- Annual VAT Return: Instead of filing quarterly VAT returns, you submit only one VAT return annually. The return covers the entire accounting period, usually 12 months.
- Payments: Your business would make either nine monthly or three quarterly interim payments towards its VAT bill throughout the year. These payments are based on an estimate of what the annual VAT bill will be.
- Adjustments: At the end of the accounting period, you deduct the VAT payments already made from the amount of VAT shown to be owing on the VAT return. If there's a shortfall, you pay the remaining amount. If there's been an overpayment, you can either offset the amount against the following year's liability or request a refund.
- Application: You apply through HMRC. Once in the scheme you stay until such time as you voluntarily leave or your business goes over the turnover threshold.

Why might the scheme be good for you?

You might opt to use the VAT Annual Accounting Scheme for several reasons:

- Reduced administrative work: You only have to submit one VAT return annually, instead of four.

- Improved cashflow management: The predictable schedule of making fixed monthly or quarterly payments, rather than fluctuating payments each quarter, can help with budgeting and financial planning.
- Less chance of a penalty: With just one VAT return to submit in a year there is less chance of missing a filing deadline, which could result in a financial penalty.
- Consistency in VAT reporting: If your business has relatively stable or predictable VAT liabilities, the scheme offers consistency in VAT reporting, simplifies the compliance work, and reduces the need for frequent adjustments.

Why might you not want to use the scheme?

While the scheme offers some benefits, there are also reasons why it may not be a good fit for your business.

- Potential overpayment: Under the scheme, the monthly or quarterly payments are all fixed in advance based on an estimate. If the actual VAT liability is lower than estimated, then you will be overpaying VAT throughout the year and tying up funds that could be used elsewhere.
- Cash flow impact: While the scheme offers a predictable payment schedule, this may cause a strain on cash flow if you have fluctuating or seasonal sales.
- Lack of flexibility: Similarly, if you have a significant increase or decrease in sales, then there is limited flexibility in adjusting VAT payments throughout the year. You may therefore find yourself with a heavy final payment or running into cash flow problems.
- Loss of interest on overpayments: If you find you have an overpayment at the end of the year, no interest will be paid on the refund, whereas interest could have been gained by holding the funds elsewhere.

As you can see, whether or not the annual accounting scheme could work for you depends on your business. For some businesses, the scheme can offer significant benefits, whereas others may find that traditional quarterly VAT reporting better suits their requirements.

Please contact us if you would like to take a further look at the VAT annual accounting scheme and we would be happy to help you!

New measures to ensure food production remains the primary purpose of farming

In a bid to reinforce how vital food production is to farming, new measures have been unveiled to restrict how much land can be allocated away from food production under the Sustainable Farming Incentive (SFI).

The Department for Environment, Food & Rural Affairs (Defra) acknowledges that most farmers already prioritise food production, however a minority have allocated more land than intended under the SFI. These changes will therefore help to ensure a better balance between food production and improving the environment.

Under the revised guidelines, SFI applicants will be restricted to allocating only 25% of their land to six SFI actions that take land out of direct food production. These actions, such as flower-rich grass margins and winter bird food provisions, remain integral to sustainable farming practices but were intended for limited implementation.

Farming Minister Mark Spencer underscored the importance of food production as the primary function of farming, saying: “The six actions we are capping were always intended to be implemented on smaller areas of land, and these changes will help to maintain this intention and continue our commitment to maintain domestic food production.”

With over 15,000 applications already received for SFI, the scheme's popularity underscores farmers' commitment to sustainable practices. Importantly, the vast majority of land under the scheme remains dedicated to food production, with SFI incentivising more resilient and sustainable farming methods.

In addition to these measures, the government is implementing further initiatives to bolster food security, including the establishment of a UK-wide Food Security Index and the commitment to an annual Farm to Fork Summit. These are designed to help maintain the target of producing at least 60% of the food in the UK that is consumed here.

Details on the timeline for implementing these caps will be provided in the upcoming weeks.

See: <https://www.gov.uk/government/news/government-ensures-food-production-remains-primary-purpose-of-farming>

How should you respond to a cyber incident?

The National Cyber Security Centre (NCSC) has recently published a guide for CEOs (and by extension all business owners) on responding to a cyber incident.

A cyber incident can occur in various forms and often result in financial loss, reputational damage, legal consequences, and disruption to your normal business operations. Examples can include ransomware attacks, phishing scams, data breaches, or perhaps an employee misusing, intentionally or otherwise, their access.

The immediate aftermath of a cyberattack can be challenging, and there will be difficult decisions to make as you try to limit the impact on your business, customers and staff over the following weeks and months.

The guide published by NCSC helps businesses to know what to do, both at the start of an incident and throughout it.

A copy of the guidance can be viewed here: <https://www.ncsc.gov.uk/guidance/ceos-responding-cyber-incidents>

CMA reviewing deal between Vodafone and Three

Last year, Vodafone UK and Three UK announced a joint venture deal that would bring their customers under a new, single network provider. As two major providers of telecommunication services in the UK, this deal affects around 27 million customers. Many of these customers are businesses who are concerned with maintaining cost and reliability of services.

The Competition and Markets Authority (CMA) has completed its initial Phase 1 investigation into the deal and has raised concerns.

The deal would mean that the four mobile network operators in the UK would effectively reduce to three, and this could lead to higher prices and reduced quality for customers.

They have noted that Three UK is generally the cheapest of the four major operators, providing an important alternative in the market. Healthy competition can help to keep prices low and provide an important incentive for businesses to improve their services. Therefore, combining the businesses could reduce rivalry to the detriment of customers.

The UK also has a number of smaller 'virtual' network operators that use the networks of the four network operators. The CMA is concerned that combining Vodafone and Three will make it more difficult for these smaller operators to negotiate good deals, and this will further reduce the options available to customers.

Vodafone and Three have made a number of claims about how their deal will be good for competition and investment, but the CMA feels there is insufficient evidence for these claims.

Vodafone and Three have been given five working days to respond to the claims. The deal will otherwise be referred to a more in-depth Phase 2 investigation.

See: <https://www.gov.uk/cma-cases/vodafone-slash-ck-hutchison-jv-merger-inquiry?>

Payroll reminder - minimum wage rates increase on 6th April

It is important to remember that the minimum wage pay rates are increasing with effect from 1 April 2024. Failing to increase to the new rates can result in penalties being charged.

The new minimum wage payment rates are set out below:

	2023/24 rate	2024/25 rate
21 and over (previously 23 and over)	£10.42	£11.44
18 to 20	£7.49	£8.60
Under 18	£5.28	£6.40
Apprentice	£5.28	£6.40
Accommodation Offset	£9.10	£9.99

If you need help with any aspect of your payroll, please do not hesitate to call us. We will be happy to help!

See: <https://www.gov.uk/national-minimum-wage-rates>

Payroll reminder – National Insurance rate reducing from 6 April

From 6 April 2024, the 2% cut in employee national insurance contributions will come into effect. Employees will now be deducted 8%, rather than 10%, on monthly earnings between £1,048 and £4,189. A 2% deduction on earnings above this amount continues to apply.

There is no change to the rate of employers' national insurance, which stays at 13.8% on monthly earnings above £758.

It is important that your payroll software is up to date so that it deducts the right amount of national insurance from your staff.

You may need to check with your payroll software provider, or you may need to update your software to make sure that the calculations will be made correctly.

If you need any help with this or any other aspect of your payroll, please call us. We will be happy to help you!

See: <https://www.gov.uk/government/publications/changes-to-national-insurance-contributions-from-6-april-2024/reduction-to-the-main-rates-of-primary-class-1-and-class-4-national-insurance-contributions>

Internal audit – is it just for big business?

In the world of small and medium sized businesses, where every decision can make or break success, the role of internal audit can often be underestimated. However, internal audit does not just have to be a luxury reserved for large corporations. It is a

crucial tool that can also help small and medium sized businesses to navigate uncertainties and mitigate risks.

Here are six reasons why internal audit can be worth considering for your business.

1. Risk management

Businesses of all sizes face a myriad of risks, from financial mismanagement to inefficiencies in the way they operate. Internal audit, whether of the finances or of procedures, helps to identify risks early on. This allows you to proactively implement effective controls and procedures to mitigate them.

2. Improve business processes

Internal audit can not only identify problems but also offer valuable insights into your business processes. By conducting systematic reviews, internal auditors can pinpoint bottlenecks, streamline workflows, and enhance the operational efficiency of the business. Optimising the business can reduce costs and boost productivity, helping your business stay competitive.

3. Prevent fraud

The smaller the business, the more devastating fraud can be. Internal audit plays a crucial role in detecting and preventing fraudulent activities by checking on the finances and any internal controls.

4. Strategic decision-making

Internal audits can contribute to providing business owners with reliable information and insights about the business in areas that are not easily seen in the day-to-day business information. This information can help to explain patterns in business data, or provide an insight into something that is currently hidden from business management.

5. Adapting to change

Regularly assessing processes and controls means that the business will be frequently measuring itself against changes that are occurring in the business world. This ongoing evaluation helps to ensure that your business stays agile and responsive to change.

6. Increase in employee responsibility

Depending on the size of your business, it may not be feasible to employ a full-time internal auditor, but it may still be possible to task an employee or group of employees to devote part of their working time to internal audit work. Objectively stepping back from their normal day-to-day work will make them more aware of the need to consider risks and efficiencies in all their work.

In conclusion, internal audit can be an extremely helpful tool for small and medium sized businesses looking to thrive in today's competitive marketplace. It can help you proactively manage risks, streamline processes, prevent fraud, make informed

decisions, drive continuous improvement, and develop your staff. Ultimately internal audit can help you to achieve your business goals.

If you would like to chat about your business and your plans to grow it, please feel free to call us. As experienced business advisors we will be happy to help you.

Restaurant owner jailed as government continues crackdown on Covid bounce back loan fraud

In a stern move against loan fraud, Ilhan Kekec, the owner of a Turkish restaurant, was sentenced to two-and-a-half years in prison.

Mr Kekec, who unlawfully applied for a £30,000 Covid Bounce Back Loan and subsequently attempted to dissolve his company without notifying creditors, was sentenced at Isleworth Crown Court on Monday 18 March.

Mr Kekec had set up a new venture that was only able to trade for three weeks before the Covid lockdown, at which point he was unable to open. However, he falsely claimed a turnover of £125,000 for his business in his loan application.

After being granted the loan, he withdrew the cash to clear personal debts instead of investing it in his business. Kekic subsequently applied to dissolve his company in June 2020, saying that the restaurant was no longer economically viable. However, he failed to fulfil his statutory duty to notify the company's creditors and so compounded his offences.

Julie Barnes, Chief Investigator at the Insolvency Service, condemned Kekec's actions, saying: "Ilhan Kekec saw an opportunity in the early weeks of the pandemic to receive a Covid loan which he never intended to repay. His actions were thoroughly dishonest and at no point did he ever own up to his crimes. He will now have the chance to reflect on his behaviour from behind bars."

Kekec's sentencing sends a clear message that the government will continue to prosecute those who abused the Covid Bounce Back loan scheme.

See: <https://www.gov.uk/government/news/restaurant-owner-jailed-for-abusing-covid-loan-then-dissolving-his-company>

Business innovation to get further support

A new initiative to support business innovation was noted as part of the first meeting of the new East-West Council. The new council's purpose is to deepen links between Northern Ireland and Great Britain.

This project for supporting businesses in Northern Ireland has been designed by Invest Northern Ireland and will be funded from the UK Shared Prosperity Fund.

£11.2 million is being made available for use as R&D grants, sector support and networking, and technical consultancy. The initiative is designed to increase the take

up of new technologies and innovations by businesses, particularly small and medium sized ones, in Northern Ireland.

Conor Murphy, Minister for the Economy, spoke in praise of the initiative saying: “The support for manufacturing, innovation and green growth will see hundreds of businesses benefit from support, delivered through Invest NI which will boost their competitive edge in evolving and emerging sectors.”

The new scheme will start working from 1 April 2024.

See: <https://www.gov.uk/government/news/17-million-for-adult-numeracy-and-innovation-in-northern-ireland>