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*'Partner' refers to a director of a corporate member.  
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L to R: Ross Gibson and Andy Piggin Pro Foodservice Reps with Matt Vice, Mark J Rees

## Catering equipment supplier serves up its new showroom

*A supplier of catering equipment to the hospitality industry, ranging from tableware to ovens, has a new 2,500 sqft showroom and HQ in Billesdon.*

It's the third home in the county for Pro Foodservice Reps (PFR) during three years of ongoing growth in the number of international and domestic manufacturers it represents in the UK and Ireland.

PFR was established by co-owners Andy Piggin and Ross Gibson to offer an innovative approach to the existing supply chain model of manufacturer-importer-distributor-customer.

Andy, MD, said: "We operate as the manufacturers' representatives, outsourcing the sales role for the factories, providing a route to market. It keeps the market price of the product down and factory overheads under control."

Mark J Rees has been supporting PFR from the outset after partner Matt Vice was recommended to Andy. Mark J Rees provides its whole range of services to the company, including accounting, tax, VAT, forecasting, pensions and, through MJR Computer Solutions, IT support.

The HQ at Rolleston Lodge Business Centre includes a meeting room to welcome a customer base of hotels, restaurants, cafes and anywhere serving food and drink.

The business began trading at Kibworth before relocating to Tugby when one manufacturer asked PFR to warehouse stock. When more followed Andy and Ross recognised they needed even more space, so moved again. Its six staff will be boosted by two more this year.

PFR is now reaching out into markets in Europe, the Middle East and Africa. Their international activities are well supported through Mark J Rees' membership of the international accountancy network HCWA providing them with access to quality professional advice across the world.

Matt said: "Professionally, it's been highly satisfying to help two entrepreneurs turn an idea into a thriving and growing business and extend its reach at home and abroad."

## PENSIONS

## Pension contributions offset tax gains

*Contribution rates for workplace pensions went up in April 2018. For many employees, the increases will wipe out the gains from tax changes for 2018/19.*

Auto-enrolment began in 2012 with existing employers joining the scheme until February 2018. As a result, the number of people with a workplace pension has risen by nearly a quarter. The next step is an increase in contribution rates from 6 April, with another rise in 2019/20.

For example Jessica, an English resident employee earning £35,000, will save £70 of income tax in 2018/19 from the increase in the personal allowance. She will also save £31 of national insurance contributions (NICs) because of the increased NICs thresholds. However, her net of tax pension contributions will rise by £462, so Jessica's net income will have dropped by £30 a month in 2018/19.



Of course, this money is not lost. It is invested in a pension, meaning there will be more funds available in retirement.

Contributions	17/18	18/19	19/20
Employer minimum	1%	2%	3%
Employee*	1%	3%	5%
Total minimum	2%	5%	8%
Earnings band	£5,876 to £45,000	£6,032 to £46,350	TBC

*\* If the employer pays the total minimum contribution or more, the employee will not need to pay any contributions, unless their scheme rules require it.*

### Further changes

Looking to the future, the government wants to lower the starting age to 18 and it also aims to ensure contributions are paid from the first pound earned, although probably not until the mid-2020s.

## TAX

## Is import VAT coming after Brexit?

*UK businesses may find themselves paying VAT upfront for the first time.*

Controversial legislation making its way through parliament will apply when importing goods from the EU after Brexit.

### Reverse charge procedure

Currently, if a business acquires goods from within the EU, it accounts for VAT under a reverse charge procedure. Both the output VAT and input VAT are entered on the same VAT return so, for most businesses, there is no VAT cost because the two amounts cancel out.

### Imports

The Taxation (Cross-border Trade) Bill will remove the concept of EU acquisitions. Instead, HMRC will treat purchases from the EU in the same way as imports from outside the EU. This is conditional on the Brexit negotiations.



Import VAT will need to be paid at the time of importation, as a condition of clearing customs. This is reclaimed on the next VAT return, but depending on timing there could be a five-month delay before import VAT is recovered. For businesses that only deal with the EU, this could cause serious cashflow problems.

This VAT change could take effect when the UK leaves the EU on 29 March 2019.

### Planning points

Businesses can mitigate the cashflow problems around importation:

- Regular importers can set up a deferment account with HMRC, allowing import VAT to be paid monthly in arrears. It is often necessary to provide HMRC with a costly bank- or insurance-backed guarantee.
- Firms can file monthly VAT returns if they regularly receive VAT refunds, although this does mean 12 returns a year.
- Businesses can set up a revolving credit facility to fund import VAT, but this has a cost.

It is best to prepare for the likely outcomes of the negotiations with the EU, such as rules generally applied to countries outside the EU. Please contact us if you want to discuss the potential implications for your business.

## EMPLOYMENT



## One more year of class 2 NICs

*Class 2 national insurance contributions (NICs) have been extended until April 2019, to reduce the impact on self-employed workers with low profits.*

They were due to be abolished this April.

Self-employed workers with low profits, or making a loss, are currently entitled to the state pension and other contributory benefits if they pay class 2 NICs. If you are eligible, you can pay class 2 NICs on a voluntary basis at just £153.40 a year.

However, from April 2019, self-employed workers with profits below the Small Profits Threshold (SPT) – around £6,000 – will have to pay voluntary class 3 NICs at a current cost of £761.80, nearly five times more.

Where profits fall between the SPT and the class 4 threshold (currently £8,424), you will not have to pay class 4 contributions, but you will be treated as if you had paid them when working out your entitlement to benefits like the state pension.



## TAX

# Don't put off your inheritance tax plans

*When Sir Ken Dodd married his long-time partner two days before he died, he potentially saved nearly £3 million in inheritance tax (IHT) on his estimated £7 million estate.*

Sir Ken took advantage of the IHT exemption for assets passed to a UK domiciled spouse or civil partner. There is no exemption for transfers to a partner who is not a spouse or civil partner, however long the couple have lived together, and so-called 'common law marriage' is not recognised for tax purposes.

Few people will be in a position to reduce their IHT bill so readily, but there are several ways you can benefit your loved ones with good estate planning undertaken in time.

## Passing on property

Another benefit of marriage or civil partnership is the transfer to the surviving partner of any unused nil rate band when the first of the couple dies. The nil rate band means estates of up to £325,000 are exempt from IHT, so on the second death up to £650,000 of an estate could be free of IHT.

The same goes for the residence nil rate band (RNRB), which increased to £125,000 on 6 April 2018.

This allowance is available when a residence is passed on to direct descendants – children, grandchildren and other lineal descendants or their spouses or civil partners.

The property need only have been the deceased's residence at some point, and not necessarily the main residence. Further the RNRB can be preserved if you downsize or cease to own a home.

The RNRB was £100,000 when it was introduced in 2017/18 and will reach £175,000 in 2020/21 – that's £350,000 for a couple. However, it cannot be more than the value of the deceased's interest in the property and is tapered away for estates worth more than £2 million. If possible, it is worth passing on your estate so that the full RNRB will be used, or be available to your surviving spouse or civil partner.

Business and agricultural properties are subject to other reliefs and you can pass them on free of IHT with no limit on value. However, you could lose these valuable reliefs, for example by passing a farm as a lifetime gift to a child who is not using the property for agricultural purposes when the donor dies, or to a spouse who dies within two years of receiving the inheritance. IHT should be considered when setting up or restructuring a business, as well as in succession planning.

## Gifts and pensions

Lifetime gifts are a good way to reduce IHT, if you can afford to make them. A gift will escape IHT altogether, provided you survive for at least the following seven years. It can be a good idea to insure against any liability in the event of earlier death.

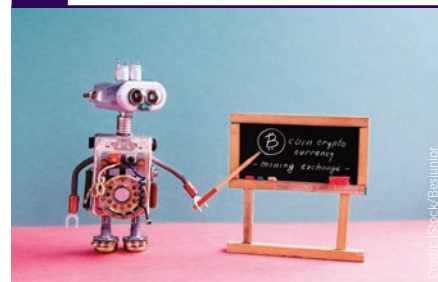
Your pension fund can also be a powerful IHT planning tool. In general, death benefits payable from most registered pension schemes are outside the scope of IHT, although not all pensions can be passed on in this way. So it might be sensible to draw from other assets before taking income from your pension fund.

There may also be income tax to pay, depending on your age, so you should always take professional advice in any pension planning.



*The nil rate band means estates of up to £325,000 are exempt from IHT, so on the second death up to £650,000 of an estate could be free of IHT.*

## TAX



# Taxing a cryptocurrency

*2018 has not been particularly kind to Bitcoin after a booming 2017. But anyone who invested more than a year ago should still be showing a substantial gain.*

There are now more than 1,500 cryptocurrencies, and some have seen much larger gains, especially for those investing in a currency's initial coin offering (ICO). So if you are now cashing in, what are the tax consequences?

HMRC issued guidance on how cryptocurrencies should be taxed in 2014, but this has not been updated as they have evolved. There is no mention, for example, of the tax treatment of free coins received following a cryptocurrency forking into two new currencies.

## Case-by-case assessment

Each gain made when a cryptocurrency is converted into pounds sterling has to be considered on a case-by-case basis. A highly speculative transaction, such as the initial investment in an ICO, could be considered like gambling and therefore exempt from tax.

However, as cryptocurrencies have become more mainstream, and with more investment advice available, such treatment is now much less likely to apply. Gains will therefore normally be subject to capital gains tax. After the £11,700 exemption, the rate is 10% where a gain falls within a person's basic rate tax band, and 20% above that.

Be warned that the Treasury intends to crack down on cryptocurrencies because of tax evasion concerns.

## INVESTMENT

# Good and bad news for the EIS and VCTs

*Important changes to the Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) rules came into effect this April.*

They will be good news for knowledge-intensive companies. However, the introduction of a risk-to-capital condition will be less welcome to many investors.

## The good news

The maximum you can invest in an EIS and benefit from 30% tax relief has doubled from £1 million to a total of £2 million a year. The £1 million limit still applies to normal EIS investment, but you can now invest a further £1 million in knowledge-intensive companies.

A knowledge-intensive company, very broadly, is one that spends large amounts on research and development or innovation, and either creates intellectual property or has lots of highly-skilled employees.

Existing rules mean your EIS investment:

- Can be backdated to the previous tax year if

you don't have sufficient tax liability for the year of investment.

- Is not normally subject to capital gains tax when you sell it.
- Normally qualifies for 100% inheritance tax business relief after you have owned it for at least two years.

## The bad news

The government has introduced a risk-to-capital condition which applies to all EIS and VCT investments (including the Seed Enterprise Investment Scheme). Investments that have been structured to provide a low-risk return for investors will no longer qualify for tax relief.

The idea is to encourage investment in genuinely entrepreneurial companies where there is a significant risk of loss of capital.

This is not so unreasonable given the generous



tax reliefs available for EIS and VCT investment. But the new condition introduces a degree of subjectivity, which depends on HMRC taking a 'reasonable view'.

## EMPLOYMENT

# Closing the gap on equal pay

*The right to 'equal pay for work of equal value' has been enshrined in law since 1970, but the gender pay gap is still headline news nearly 50 years later.*

By 4 April 2018, businesses with 250 or more employees had to report their gender pay gap as of 5 April 2017, showing the difference in mean and median hourly earnings and bonus payments. The gender pay gap has narrowed, but it is still 9.7% based on median pay for full-time workers, increasing to 18.4% when part-time employees are included.

Recent high-profile examples include a pay gap of 28.6% at Channel 4; the BBC paying John McEnroe ten times more than Martina Navratilova; and the Queen being paid less than Prince Philip on the TV show 'The Crown'. And that's just in the media.



Gender inequality can lead to low staff morale, poor employee retention rates and litigation. Tesco, for example, is facing a £4 billion claim for back pay from thousands of its female workers.

At issue is whether different jobs are comparable – are shop floor jobs, such as check-out and shelf stacking, which are mainly done by female workers, of equal value to higher-paid jobs in male-dominated distribution centres?

## Best practice

In the future, gender pay gap reporting could be extended to smaller organisations. It is worth reviewing practices, however large or small you are as an employer. Most employees appreciate transparency in pay and both the government and ACAS believe this will narrow the gender gap. It might be worth publishing your organisation's gender gap even if it is below the 250 employee threshold.

Obvious areas to review include recruitment, training and promotion to discern whether there are any biases in selection.

## TAX

# Advisory fuel rates updated

*HMRC's latest advisory fuel rates offer mixed news, with both increases and reductions.*

Rates per mile from 1 March 2018 are:

Engine size	Petrol	Diesel	LPG
1400cc or less	11p	9p	7p
1401cc to 1600cc	14p	9p	8p
1601cc to 2000cc	14p	11p	8p
Over 2000cc	22p	13p	13p

Hybrids are treated as either petrol or diesel.

HMRC's rates can be used for reimbursing employees for business mileage in company cars, and their use avoids any tax implications for the employees. You can always pay lower rates, for instance for more fuel-efficient cars, but higher rates will need to be substantiated. The advisory rates can also be used to reimburse employees' private travel.

The next review is 1 June 2018, although current rates can be used until 30 June 2018.