MJR
Summer 2019
Update

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R to L: New Zealand Player Oriwa Hepi & husband Samuel Richmond with Phil Bott & Sarah Treanor

On the ball in the city

It is through our previous work with Sarah Treanor and her own businesses that we have the pleasure of advising the Vice President and her management team at Leicester Hockey Club to move one of the most successful women's hockey clubs in England back to the City of Leicester; Sarah's brainchild and six years in the planning!

The recently re-branded 'Leicester City Hockey Club' has taken on a 25-year lease at St Margaret's Pastures where ambitious plans are being executed to grow the grass roots game whilst upgrading the facilities to include a new high-end water-based pitch, an extension to the pavilion and investment in changing facilities, lighting, security and maintenance.

The sports centre and existing football pitches will continue to be available to the clubs and groups who currently use them but the investment and upgrade comes at a significant cost totalling £1.1 million.

Sarah commented "Our campaign team is working hard to secure funds from our strategic partners and grant applications have been made to National Hockey Foundation, Sport England, Samworth Brothers and other grant making bodies in Leicestershire to add to £350,000 of Section 106 funding earmarked by Leicester City Council.

"Look out for our 12-week 'Switch the Pitch' campaign to switch 1000 squares of the old pitch to 1000 of the new pitch! We'll be targeting local businesses for this local community fundraising campaign and hope to raise in excess of £25,000 via the crowd funding site Spacehive.

Phil Bott and his team at MJR have been key in guiding us through the complexities of VAT surrounding land rental and will continue to provide us with strategic business advice whilst also working on our annual accounts and payroll. It's an exciting time ahead with much to do but we're comforted knowing that we can call upon their expertise".

TAXATION

Caught in the high income child benefit tax trap?

Parents and carers with income of more than £50,000 may face large backdated tax bills plus penalties if they have not been paying the High Income Child Benefit Charge (HICBC).

Anyone who is responsible for a child can claim child benefit of £20.70 a week for the first child and £13.70 for each further child. However, if your adjusted income is more than £50,000, and you or your partner has claimed child benefit, you will have to pay back 1% of the benefit for every £100 by which you have exceeded that limit. You will have to repay all of the child benefit if the adjusted net income is over £60,000.

To pay the HICBC you need to complete a self-assessment tax return. Anyone who has not already done so must register for self-assessment by 5 October following the tax year in which the charge first arises. There is

Credit istock/DGLimages

a particular problem for some people whose income has increased above £50,000, but have not realised that the onus is on them to complete the tax return and pay the tax.

When they eventually register, or HMRC catches up with them, these people are faced with a back payment from the date their income first exceeded £50,000 plus penalties for the late declaration. The penalty may be withdrawn where the taxpayer has a 'reasonable excuse' for the failure, but there will still be a tax charge which could amount to several thousand pounds.

One way to avoid liability to HICBC is for neither parent to claim the child benefit, but doing that may result in a loss of state pension rights. If a parent is off work and not paying national insurance contributions, they receive credits towards the state pension by claiming child benefit for a child under 12.

If the working parent earns more than £60,000, so that the whole of the child benefit would have to be repaid, a non-working parent could make a claim to obtain the NIC credits, but opt not to receive the benefit payments.

If you think you could be affected, please get in touch.

PENSIONS

Contributions rise for auto-enrolment pensions

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Employers and employees have both been hit since 6 April with a large rise in contribution rates for automatic enrolment pension schemes.

The employer's minimum contribution has gone up from 2% to 3% of band earnings and the total payment into the scheme is now 8%, up from 5%. So if the employer pays no more than the minimum, the employee will have to put in 5% – previously 3%.

The large rise in the upper earnings limit this year (from £46,350 to £50,000) has added to the burden for higher earners and their employers. For an employee earning £50,000 or more, the employer's minimum payment has risen from £806 in 2018/19 to £1,316, and the employee's contribution from £1,210 to £2,193.

The increase will have a noticeable effect on employees' take-home pay. Employers should make sure their workforce understand the deduction and the importance of saving for their retirement, especially as the age at which they will receive the state pension is rising.

Employers who wish to avoid the disincentive effect of reduced take-home pay could contribute more than the minimum. For example, if an employer pays 5% rather than 3%, employees could continue to pay the 3% deducted in 2018/19, as long as the total contribution still comes to 8%.

The auto-enrolment contribution percentages are the same regardless of age. However, the amounts people need to contribute to achieve the level of income they want in retirement will vary. For example, a 25-year-old need only save about half as much as a 35-year-old to end up with the same retirement fund at 65.

Employees who only make the minimum auto-enrolment pension contributions may find that their retirement fund does not meet their needs – and the older they are, the larger the shortfall is likely to be.

TAXATION

Advisory fuel rates fall

HMRC's latest advisory fuel rates have been reduced across the board, except for diesel cars with engine sizes of 1,600cc or less which are unchanged.

Fuel prices were relatively high throughout much of 2018, but they fell towards the end of the year with this trend continuing into 2019.

The advisory fuel rates per mile from 1 March are:

Engine size	Petrol	Diesel	LPG
1,400cc or less	11p	10p	7p
1,401cc to 1,600cc	14p	10p	8p
1,601cc to 2,000cc	14p	11p	8p
Over 2,000cc	21p	13p	13p

The advisory electricity rate for fully electric cars is 4p per mile. Hybrid cars are treated as either petrol or diesel models.

Rates can only be used to reimburse employees for any business travel in their company cars, or where employees are required to repay the cost of fuel used for private travel. The next review is 1 June, although current rates can also be used throughout June.

EMPLOYMENT

Can one size fit all? Flexing your business

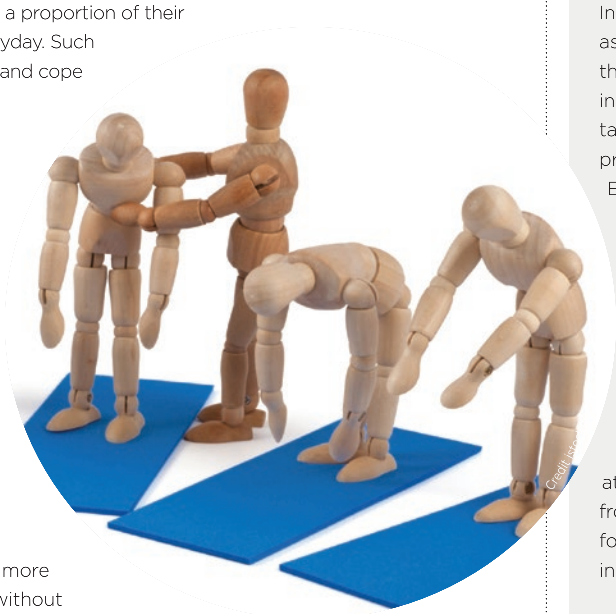
Flexible working has become widespread in many businesses, reflecting changes in technology as well as employees' expectations about their work-life balance. Now the idea is spreading to pay and benefits, so how could it work for you?

The concept can include everything from flexible access to salary, flexible work options, financial wellbeing benefits and flexible pension options. Ideally a benefits package could be tailored to suit each individual employee's needs – and these can vary. Many employees may prefer to have fewer benefits in favour of a higher salary, and some are even prepared to sacrifice holiday entitlement in exchange for a pay rise. Others would happily cut back on benefits if it meant more holiday. So flexibility could help retain current employees, and also help recruit the best talent.

Smaller employers

Smaller employers may not be in a position to offer a full range of flexible pay and benefits. However, some options should be possible.

- **Flexible pension options:** Employees can choose to save more for their retirement, which is particularly important given that many employees feel unprepared financially for giving up work.
- **Flexible training:** Employers can provide a fixed amount that employees can spend on training courses unrelated to work, improving productivity and creativity in the day job.
- **Workplace loans:** Employees can access a proportion of their salary, interest-free, before the normal payday. Such flexibility will help employees avoid debt and cope with unexpected expenses.



Flexible working

Flexible working has traditionally been seen as flexitime, but there are other approaches, such as job sharing, working from home, moving from full-time to part-time, working the same number of hours but over fewer days, annualised hours (working a fixed number of hours annually, with flexibility outside of core hours), and staggered hours (having different start, finish and break times from other workers). Different businesses will of course have different requirements.

Such flexibility allows an employee to take more control over their work-life balance, often without seeing their pay suffer. Parents appreciate the flexibility, and working from home removes the time, cost and stress of commuting.

A multi-generational workforce

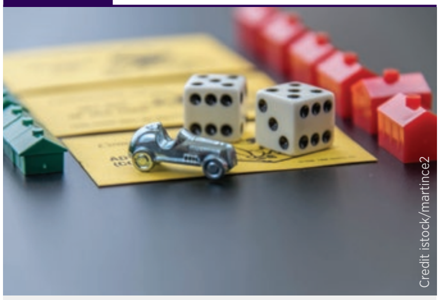
One of the greatest challenges to offering flexible working is that the workforce might consist of several age groups. Flexibility therefore needs to span every stage of an employee's life, from coping with student debt to moving towards retirement. The key to getting this right is listening to what employees actually want, rather than making assumptions based on their age.

For example, help with childcare cannot be aimed at a specific age group because an older employee might adopt or a grandparent might want to take grandparental leave. Although younger and older employees may be presumed as having the most needs, it is just as important not to forget those in the middle – they might have children away at university, but now support older parents needing care.

One straightforward option is to allocate an allowance for an employee to spend on whatever suits them. Group risk products can be useful because they can cater for multi-generational needs. However, care must be taken in how such products are structured, particularly around potential tax liabilities.

Flexible thinking around what a business can offer is the first step.

TAXATION



Non-residents feel the pinch

The scope of the UK capital gains tax (CGT) regime now includes gains by non-residents on the disposal of non-residential UK property. The change came in on 6 April.

Indirect disposals are now caught as well. If that were not bad enough, the government is consulting on the introduction of a 1% stamp duty land tax (SDLT) surcharge for residential property purchases by non-residents in England and Northern Ireland.

Capital gains tax extension

Non-residents were already taxed on UK residential property gains. The changes mean that disposals of interests in any type of UK property are now caught by CGT. The indirect disposal rules apply on the disposal of a company or other entity where at least 75% of its asset value is derived from UK property. There is an exemption for investors who hold less than a 25% interest.

The value of a property can be rebased to its April 2019 value, so that only subsequent gains are taxed, and this option is available for both direct and indirect disposals. Of course, the original cost of the property can always be used if it would mean a smaller taxable gain.

SDLT surcharge

The 1% SDLT surcharge applies to non-UK residents who buy residential property in England or Northern Ireland. Non-UK resident companies will also be caught, and in this case the 1% surcharge is likely to be applied on top of the 15% anti-avoidance rate for residential properties worth over £500,000.

VAT

It's alive! MTD for VAT

It's finally here. Making Tax Digital (MTD) for VAT went live at the start of April. Over four out of five businesses were aware of MTD according to research by HMRC in February, but more than half of them were not planning to sign up by 1 April.

Most VAT registered businesses with taxable turnover above the VAT registration threshold of £85,000 must now keep their records digitally because of MTD. They are also required to file their VAT returns using software that can communicate with HMRC through its Application Programming Interface (API).

Digital reporting is only required for complete VAT quarters starting on or after 1 April 2019. The first quarterly VAT returns will become due for businesses that file a return for the quarter ending 30 June 2019, with a deadline of 7 August for businesses to file and pay their VAT.

Fortunately, HMRC has promised a 'light touch' approach towards businesses in the initial one-year 'soft landing' period, which will remain in place at least until April 2020, giving time to adopt the right software. So, for example:

- Businesses will not yet need to set up digital links between software programs – HMRC will accept 'cut and paste' instead.
- Penalties will not be issued for late filing but they will be charged for late payment.
- A business that has made a genuine mistake in reporting will not be charged a penalty.

If you have a business that you have not yet registered for MTD, bear in mind that registration takes seven working days to complete. And those who pay VAT by direct debit will need to register at least seven days before submitting a VAT return.

If a business cannot meet the MTD obligations, it may be possible to claim an exemption, for example, if its premises are too remote to obtain internet access, or the owner has a disability that prevents the keeping of digital records.

Please get in touch with us if you have any questions on MTD.

BUSINESS

Safeguarding against fraud

While the value of reported fraud in the UK more than halved in 2018 compared with 2017, the number of reported cases has barely changed.

The reported figure for fraud in 2018 is nearly £750 million, but the true figure could be much higher – over £37 billion by some estimates.

Many businesses prefer to deal with fraud internally to avoid reputational damage, with possibly only one in 50 cases being reported. How well is your business protected?

The most common type of fraud is 'third party fraud' committed against an individual or group of individuals by an unrelated or unknown third party. Research indicates that straightforward greed is the main motive, followed by gambling, depression, addiction or other health problems.

Third party fraud may come from suppliers, customers or potential customers, employees, or people pretending to be any of these. Online fraudsters can tap the wealth of information available on social media to create fake emails and business profiles that appear genuine. 'Phishing' emails that pretend to be from some reputable organisation, like a bank or HMRC, can lead to the loss of confidential data and passwords to criminals.

Protection measures for businesses

- Ensure everyone in the business uses strong passwords and updates them often.
- Only authorised people should be able to place orders and make payments.
- Make sure that more than one person is involved in making payments above a set amount.
- Consider installing electronic monitoring systems to detect unusual financial activity or movements of data.

Look out for employees making sales to non-existent customers. You should keep your business assets register up-to-date and make regular physical checks of assets, ensuring valuable assets are held securely. Test financial statements for unexpected changes in margins, turnover and costs, and only give trusted and senior employees access to critical information within a business.

Fraud is more difficult to perpetrate where there is a formal policy of separating out duties. It is essential to set a clear division between the person requesting a transaction and the person authorising payment.

SAVINGS

End of the Help to Buy ISA

The Help to Buy ISA will not be available from 1 December 2019.

This type of ISA is available from several banks and building societies. It was designed to help people save to buy their first home. UK residents who do not own a property anywhere in the world can deposit up to £1,200 in the first month and £200 a month after that, and receive a 25% government bonus, subject to some conditions. The maximum bonus is £3,000 – for individuals who have saved at least £12,000.

Although the scheme closes on 30 November 2019, individuals who have opened a Help to Buy ISA can continue saving and claim the bonus until 1 December 2030. These ISAs are available to each first-time buyer, so two people buying a property jointly can receive a bonus of up to £6,000. The bonus should be claimed when an offer for a property has been accepted.