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Welcome to our summer 2018 issue

Inside this issue

We look at the impact of HMRC's Making Tax Digital (MTD) and prepare you for VAT reporting. We also look at tax on property parcel sales and feature an update from partner Clair Rayner on charity governance.

Business Circle update

We are once again co-sponsoring the Turner Contemporary summer exhibition alongside other members of the [Business Circle](#). This year's exhibition, [Animals & Us](#), explores artists' reflections on the relationship between humans and other animals and is already proving to be very popular with visitors. The exhibition is open until Sunday 30th September.

Right is a photo of partner Michael Whittaker next to one of the chimps which makes up the installation "The Narrow Abyss, 2018" by Stephanie Quayle.

Not to be outdone though, we also feature a great photo of partner John Sheather and mountain gorilla Kirungi which is explained by John's "Spotlight On" feature on page 10

Whilst at the Turner Contemporary look out for [Paula the polar bear](#), a life-sized puppet who will be roaming the streets of Margate for five weeks during the summer from Thursday 26 July.

We hope you enjoy this issue.



CLIENT UPDATE

We catch up with Team Goodwins to see what they've been up to in the last six years.

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HM Revenue & Customs are “Making Tax Digital”

Making Tax Digital (MTD) was a concept first announced by HM Revenue & Customs (HMRC) in the March 2015 Budget. At that time, the government set out their vision for a transformed tax system leading to the end of the tax return.



MAKING TAX DIGITAL



MTD is the most fundamental change to the administration of the tax system for at least 20 years, and as the changes are imminent, now is the time to start preparing your accounting and tax processes to ensure you are digitally ready.

The essential elements for businesses and landlords are:

- **Paper records will no longer be sufficient:** It will become mandatory for almost all businesses and landlords (self-employed, partnerships and limited companies) to use software or a spreadsheet to keep accounting records. **Paper accounting records will cease to meet the requirements of tax law.**
- **Quarterly reporting:** There will be a requirement to submit updates to HMRC each quarter directly from accounting software, within one month of the end of each quarter

As your accountants, we will naturally support you through these changes and provide the ongoing services that you need. However, the changes are so fundamental that it will be necessary to review your current record keeping systems and to reconsider what work you decide to do yourself and which activities you wish to include in the service we provide.

When does it start?

The first stage goes live from 1 April 2019 and will be applicable for **all VAT registered businesses**. Important to note is that **there will no longer be the facility to manually enter your VAT Return figures onto the HMRC Government Gateway Online Platform**. Instead, VAT Returns from that date **can only be submitted via a software package**.

MTD for income tax and corporation tax will also be introduced but not before April 2020. We will keep you updated on any further information in due course.

The idea of MTD is to eliminate any errors from manual input of VAT Return figures. Accordingly, it will be **compulsory for all businesses who are VAT registered to operate their accounts using software that is compliant with MTD**.

Exemptions

- There are exemptions for those who are not able to engage digitally for religious reasons or due to a factor such as age, disability or location (e.g., no availability of broadband). These exemptions are the same as the current exemptions for VAT online filing.
- VAT registered businesses with turnovers of less than the VAT threshold (i.e., businesses who have registered voluntarily) will initially be exempt from MTD VAT reporting but this exemption may be removed from 2020 or later.

What do I need to do?

We would encourage you to get advice now. We are, of course, able to discuss your transition to MTD with you so that you are ready for MTD reporting for VAT by 1 April 2019.

- If you currently use accounting software, it may need to be upgraded, so we recommend that you contact your current software provider and ask if their software is MTD compliant.
- If you currently maintain records on spreadsheets or paper, then your processes will need to change. You will need to acquire and use MTD compliant software and allow yourself enough time to get to grips with your new software system before the deadline.
- Where you wish to engage us to do the bookkeeping and quarterly reporting on your behalf, you will need to provide records to us promptly after each quarter-end.

Unfortunately, the detail and guidance currently offered by HMRC is rather vague, but our advice is to **act now**, so that you are well prepared, avoid any penalties, and avoid further administration and compliance costs. Be prepared and start your process of being VAT MTD compliant today, by familiarising yourself with any new software and discuss with us the best software solution for you.

Software options

There are several online software providers we work alongside which we anticipate will be approved by HMRC. These include:

- Xero
- KashFlow
- Sage One Accounting

- Free Agent
- QuickBooks Online

These software packages are mainly cloud based solutions, enabling you to access your information online anywhere and anytime, improving efficiency and making the day-to-day tasks of running your business simple.

These packages provide similar features suitable for both smaller and larger businesses, with the monthly subscription costs varying accordingly.



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How we can help?

Of course, we are happy to be involved in guiding you through the process of updating or selecting the right software for you. At McCabe Ford Williams, we are familiar with most of the leading software and can help you decide on the best package based on your own requirements. Our offices can also assist with training and advising on best practices so that once you have the right software you'll understand how to maximise its usage.

[Contact your local McCabe Ford Williams office for more details.](#)

Selling a part of your garden for development? Should you be worried about tax?

The Government announced in the 2017 Autumn Budget a £15.3 billion package of support to get 300,000 houses built each year by the mid 2020's. This involves plans to increase the land available for development in the UK by pressurising local authorities to make the best use of available land. New homes are especially desirable in Kent with its improved fast link access to London, buoyant economy servicing the capital and Greater London and its wonderful countryside and coastline.

When selling your garden for development, Capital Gains Tax is usually the starting place to consider. The Principal Private Residence (PPR) exemption exempts a dwelling house itself from a charge to Capital Gains Tax and in all cases, grounds or gardens surrounding or attached to the house of up to an area of half a hectare (1.23 acres). Where the grounds or garden exceed half a hectare in area, the grounds may still qualify for relief provided that they are "required for the reasonable enjoyment of the dwelling house as a residence". If the grounds exceed what is "reasonably required" then it potentially falls to the Courts to determine which part of the grounds represent the area most suitable for occupation and enjoyment of the residence.

The guidance from H M Revenue & Customs (HMRC) on the subject says that the land in question should serve "chiefly for ornament or recreation". Land that is let or used for a business is not a "garden", neither is land that has been fenced off or divided off for development or is in the course of development (e.g. roads etc.). If the garden in question is used for growing plants, fruits, trees or vegetables it should be exempt, but if the land is let to a neighbour for grazing animals etc, then HMRC will look to refuse the claim for PPR exemption. In addition, land used for keeping and grazing horses has been held to be "not necessary for the enjoyment of the dwelling house".



If the garden is sold after the sale of the house then the PPR exemption is lost, as the garden is no longer part of the residence. So, be careful about how you arrange the sales and when you cease to occupy the house.

However, Capital Gains Tax is not the only tax to be concerned about. The householder can also be held to be carrying on a trading activity if he or she undertakes the building project themselves or enters into a profit sharing agreement or joint venture with the developer for a share of the development profits. Trading profits are subject to income tax (potentially at higher rates of tax) and national insurance contributions. If the householder intends to act in this way, he or she is well advised to consider carrying out the development using a Limited Company to lessen the exposure to higher rates of tax.

As always, you are advised to seek our professional help and guidance on such matters before the exchange of contracts.



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Client Update: Much to celebrate for Team Goodwins

In autumn 2012, we featured a client profile on David and Nicky Goodwin of [Goodwins Power Tools](#) and [Goodwins Hot Tubs](#). The origins of this family business, which is located in Margate, was Goodwins Hardware Store, opened by David's grandfather Harold in 1938. Since that time the business has passed down through generations of the same family, first to David's father Brian, and then on to his son David and his wife Nicky. We recently paid another newsletter visit to find out exactly what's been happening in the last six years.

Lots to celebrate for Team Goodwins

Not only are the team at Goodwins celebrating a milestone anniversary, they are also still buzzing from an impressive run of industry awards. For the fifth year running Goodwins Hot Tubs has won the Elite Spa Dealer of the Year Award. Goodwins Power Tools is now also an award winning part of the business having won the first ever DeWalt (the commercial brand of Black & Decker) UK Dealer of the Year Award 2017/18. Not only were these accolades awarded due to volume of sales achieved, but also as a result of the high level of back-up service and customer support the team provides, and excellent level of customer feedback this has earned them.

The DeWalt award, in particular, was given in recognition of all that the Goodwins team do, including the instructional and often humorous product demonstration videos which David and his team produce (see <https://en-gb.facebook.com/Goodwinpowertoolsmargate/>) and for ultimately representing exactly what DeWalt's idea of a dealer should be. Surely, the ultimate compliment in itself.

Celebrating 80 years together

McCabe Ford Williams is delighted to have been there from the beginning. Partner Michael Whittaker and Kate Hickmott from our Herne Bay office continue to support the business and are both very pleased at Team Goodwins recent good news.

Photo credit: David Goodwin



Dan and David Goodwin receiving the DeWalt Dealer of the Year Award 2017/18 from members of the DeWalt team.

So what is their formula for success?

Along with hard work, David puts the key to this success down to a number of factors:

- placing customer service at the foremost of everything they do;
- stocking only the best and most reputable brands;
- having a product knowledge which is second to none;
- continually diversifying the business to meet current and future customer demands; and;
- having the ability to spot opportunities and maximise on these including taking on the Elite Spa dealership.

Fourth generation

The future for the business continues to look rosy. Nowadays, David and Nicky are joined by their son Dan who is already learning the ropes with a view to one day taking over the running of the business in true Goodwin's family tradition. So, it's a very bright future still for the store for many years to come and that's yet another great reason to celebrate.

Congratulations Team Goodwins and here's to 80 more years!



For more information, call the award winning Goodwins team on **01843 220836** or visit the store at 93-95 Canterbury Road, Margate, CT9 5AX.

Charity Governance - how hands on?

Charities need good trustees, but it is becoming increasingly difficult to attract trustees of the right calibre. Perhaps it is the voluntary nature of the role, or the far-reaching duties of a trustee, or the scrutiny that a number of charities have found themselves under in recent years. Whatever the reason, one thing is certain, charities need to attract and hold on to good trustees.

Trustees often do not feel supported in their role(s). A key retention policy is to offer them regular training so that they feel informed and equipped to make appropriate decisions.

Our spring newsletter included an article on [charity governance](#), outlining the main duties of trustees. In this issue, we look closely at two particular areas where trustees have difficulties, the management of potential and actual conflicts of interest, and how hands on trustees should be in the day-to-day running of the charity.

Conflicts of interest

Trustees are required to act in the charity's best interest. This is one of the main reasons why charity trustees are unpaid volunteers.

A conflict will exist where the Trustee Board is considering making a decision that could result in a trustee benefiting from the decision made whether directly or indirectly and/or a trustee's duty to the charity competes with their duty to another organisation or person.

A Trustee Board must be capable of successfully identifying, managing and recording conflicts of interest. Particular areas of concern are:

- where family members might be employed by the charity, where payments are made to third party organisations that a trustee has involvement in and,
- where payments are made directly to a trustee for use of an asset or services.

Conflict is quite common in charities so having a framework for dealing with them is the recommended approach. Key points to ensure you cover include:

- introducing a conflict of interest policy and review it annually,
- keeping a register of trustees interests and update it annually,
- ensuring that trustees should declare interests at the start of every meeting
- excluding trustees from discussions which involve their particular conflict i.e. pay reviews where family members are staff and,
- finding a way forward that avoids any conflict.

How hands on?

Trustees of small charities will find that they are quite hands on in running the charity. However, regardless of size, it is the duty of the trustees to manage resources responsibly and this requires trustees to put in place appropriate financial controls to manage the risks to which the organisation is exposed.

Trustees should establish a framework within which they and the employees of the charity will operate. The framework should determine the point at which a trustee's involvement ends and an employee's involvement begins. There will, of course, be some overlap. Remember trustees are engaged in a strategic role, whereas employees are likely to act in an operational role. The framework should clearly detail systems and controls that will give the trustees comfort regarding their duty to safeguard the assets and resources of the charity.

If your charity needs an experienced advisor please contact Clair on 01795 47911.



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Employment Law Update

New compensation limits in force from 6 April 2018

From 6 April 2018 there has been an increase in compensation limits and minimum awards that are payable under employment legislation as follows:

- the limit on the compensatory award for unfair dismissal is £83,682;
- the limit on a week's pay for the purposes of calculating, among other things, statutory redundancy payments and the basic award for unfair dismissal, is £508;
- guarantee pay is £28 per day; and
- the minimum basic award in cases where a dismissal is unfair by virtue of health and safety, employee representative, trade union, or occupational pension trustee reasons is £6,203.

It is the 'appropriate date' for the cause of action (such as the date of termination in an unfair dismissal claim) which determines the limit, if this is before 6 April 2018 the old limits apply and after the increased limits apply.

Annual increase in tribunal awards

From 6 April 2018 the annual increase to maximum and minimum tribunal awards are as follows:

- maximum week's pay (for redundancy payments and the unfair dismissal basic award): £508;
- maximum compensatory award for unfair dismissal: £83,682.

Flexible working

A flexible workforce is key to a business being able to meet the ever challenging demands of the modern technological age in which we live. Whilst some research has shown that employees value flexible working as one of the most important benefits when looking for a job (59% for flexible working compared to 54% for pension benefits) other research is showing that employers are not doing enough to meet this need.

In reality there is a division between the wishes of the employee and the current culture of flexible working. Whilst employees regard this benefit highly, there is still a perceived taboo in the workplace about taking up the option. This stems from many concerns ranging from flexible working having a detrimental effect upon an employee's career progression, to the employer's concerns about being able to facilitate business need.

Employees want more say on the hours they work and a culture where they are judged by the quality of their work rather than the hours they put in. There is also a need for a variety of flexible working options to meet the different needs that arise such as having a better work life balance, caring for the young or the elderly. Such options are family friendly policies and remote or home working amongst others.

There are many benefits to the employer for a flexible workforce as it is likely to increase the mental health for employees leading to less sick days. Employees value flexibility and show loyalty leading to longer retention of staff which is more cost effective for the business in the long term and promotes stability.

BUSSMURTONLAW



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LoCASE Funding update

We are now in to the last year of delivery of our Low Carbon Across the South East (LoCASE) programme, with £4.1M of ERDF grant investment in a range of projects for 626 SMEs in the region. Grants now range from £1K to £20K depending on project size and impact. We are averaging £6,500 per business at present but we can now look to help larger value projects that are looking to get underway within the next few months.

Funding pots available

There are two funding pots on offer. The first covers not just the standard lighting, heating and insulation retrofit works to scores of commercial buildings, but can also help embed sustainability (such as sedum roofing) and renewable infrastructure into plans. It has also proved useful to those looking to adopt flexible travel and remote access options to reduce business mileage and associated emissions through site PDA, terminal server and video conferencing funding support. This is set to become even more flexible with the exciting [news](#) that we can now assist with Ultra Low Emission Vehicles for our SMEs on top of the Government's existing [Plug-in Car Grant](#). A consideration when reviewing your fleet and the impact of it on our own air quality and your running costs.

Our other work package has helped a number of firms in the Low Carbon and Environmental Goods and Services (LCEGS) sector develop and launch their products. One such SME is Green Gate Access Systems whose solar-powered mobile site barrier SOSEC has enjoyed instant success and is already in operation on a number of construction, tourism and leisure sites locally and as far flung as Australia.

The design and construction sectors have already been well catered for with support integrating Building Information Modelling (BIM), design software and other process modernisation or streamlining projects approved, as well as opportunities to integrate reclaimed or upcycled materials into builds. Waste management and circular economy opportunities are being explored with our sector businesses and we are supporting established firms expand the reach of their 'green' products.

Our wood fuel collaboration event last autumn showcased our support for the biomass forestry and arboriculture sector as we look to see Kent sites chiefly service the biomass facility at Discovery Park in Sandwich, but also get the very best out of our woodland in the South East. This has seen over a dozen of these firms already get support in the form of our own ERDF grant funding for a range of processing and handling plant and machinery.

We are **especially keen to work with electrical contractors and other trades** who are quoting for **refurbishment or upgrade works to other SMEs** within the region. Not only can we help with business development costs but very often help their customers with funding towards these efficiency projects. This will not only reduce payback periods for their client but could be the difference between getting the job and losing out!

With this in mind, now is a perfect opportunity for all suppliers of 'green' goods or services in the region to work a little smarter and innovate to make the most of this flexible ERDF funding on offer to them and their SME customers within Kent, Essex and East Sussex.

The programme is set to wind up in the spring of 2019 but there is still £1.9M left to claim. Don't think that this is for other businesses, test us on our flexibility to assist with your own plans and those of firms you know or work with ...let's use this EU funding whilst we have it!



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If you have any questions, contact Rob or a member of his team on 03000 415 111 or at lowcarbon@kent.gov.uk.



You can also [contact](#) your local MFW office should you require any help with any part of your fund application for a LoCASE grant or, indeed, any other funds or grants.

Tough action by HMRC on solvent companies

Last year, despite their claims to the contrary, HMRC had a major change in position regarding how they view Statutory Interest in solvent liquidations. It has been the case for as long as I can remember that when a company goes into members' voluntary liquidation, there has been no statutory interest to pay on Corporation Tax providing it is paid on or before its due date.

The 'new' thinking from last year was that interest was due on the debt from the date of liquidation until the date of payment, even when it is paid before it falls due. With Statutory Interest currently standing at 8% per annum, this can take quite a chunk out of surplus funds due to the shareholders.

We now encourage directors to pay Corporation Tax ahead of winding up, even if the amount paid is based on a guesstimate provided by the accountant, as any excess funds paid will be returned to the liquidator in due course.

The latest information we have indicates that now HMRC is to be treating an in specie distribution of an overdrawn directors' loan account as income rather than capital. The effect of this is that any funds distributed in specie will not qualify for entrepreneurs' relief even if they would normally have qualified. It is therefore likely to be significantly more beneficial for directors to repay any overdrawn loan accounts prior to winding up.



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Spotlight on John Sheather

If you had not become an accountant what other career path would you have liked to follow and why?

Its unimaginative, I know, but I would have loved to have been a professional sportsman. I love playing and watching many sports but have no great ability at any of them.

Describe yourself in three words.

Honest, straightforward, determined.

What is the biggest misconception about you?

That I am anything other than a total softie especially where animals are concerned.

What is your motto/mantra in life?

Take each day as it comes, one day at a time, you never know what's around the corner.

If you could invite five people to dinner, living or dead, who would they be and why?

Mickey Flanagan and Peter Kay, two of the funniest men around, Muhammed Ali (in his prime) the greatest sportsman of all time, Christopher Columbus, perhaps the most famous traveller of all time and the Queen, who must have so many stories to tell.

You are known for your adventurous holidays. What has been your most unusual holiday destination?

I love to travel and work hard to make the most of every holiday that we take, spending many hours researching destinations and things to do when we are there. Trips to the Galapagos Islands, New Zealand and South Africa have been highlights along with many wildlife watching trips.



John trekking with mountain gorillas in Uganda

We trekked after very rare mountain gorillas in Uganda. When we found them a huge male silverback decided he wanted to brush gently past me whilst I stood on a pathway. I felt so many emotions at that moment including fear and excitement but also wonder that such a huge and powerful animal could be so gentle. A moment I will never forget.

If you could pick an actor to play you in a film based on your life story who would you pick and why?

Brad Pitt, of course, the likeness is uncanny. At least, it is in my head!

Name your favourite film and why?

The Shawshank Redemption for the same reason that everyone else chooses it, it is just brilliant. I don't watch too many films but anything with Jack Nicholson in is likely to be a favourite.

What was the first album you purchased/ Favourite track

Suzi Quattro's Greatest Hits.

What are your pet hates and why?

Liars, they always get caught out, and people who are cruel to animals. Oh, and apostrophes in the wrong place!

What is the biggest life lesson you had?

Your whole world can change at any moment and so, live every day as if it is your last.

If you could have lived in any period of time, when would that have been and why?

In the present as I enjoy everything I have. The present is what I know and I tend to like what I know. This is a good time to be alive.



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