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Welcome to our spring newsletter

This issue has coincided with Chancellor Rishi Sunak's first Budget and also, the first post-Brexit Budget. Therefore information contained in some of the articles inside this issue may have subsequently been amended or updated.

For an update on the Budget and any changes to tax and other legislation, visit the MFW Budget hub on our website <http://bit.ly/BudgetHub> where you will have access to our Budget highlights, full Budget report and the latest tax cards. If you have opted for a printed copy of the newsletter, you will find a copy of our Budget highlights inside.

We will be following up on any changes to tax and legislation in due course so do keep visiting the blog area of our website to keep up to date on the latest news.

Rest assured that we will be contacting you directly if any urgent action is required by you as a result of the Spring Budget. In the meantime, however, please do not hesitate to contact your local MFW office should you require any more assistance.

Daylight Saving Time reminder

Don't forget the clocks go forward on Sunday 29th March.

We hope you enjoy this issue.



📍 Hall & Costello Wealth Management Limited team (see page 05)



A recap on the changes to property tax from April.

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Tax Matters: Property Taxes - A recap of the changes from April 2020



Mortgage Interest Relief

There has been a widely publicised change to tax on property income over the past three years, with the phased removal of tax relief on mortgage interest for landlords. April 2020, sees the final stage of this removal come into effect.

Landlords have previously been able to claim relief on their mortgage interest payments as an expense, offset against the rental income. This relief has been removed in stages at 75% allowable in 17/18, 50% in 18/19 and 25% in 19/20. From April 2020, there is 0% relief on interest payments as a business expense.

The removal of this relief impacts higher rate taxpayers more than those who pay tax at the basic rate, as relief will still be given by way of a 20% tax credit on the interest paid.

Although the changes have been phased in over a number of years, MFW may still be able to help you plan to mitigate this change.

Capital Gains Tax (CGT)

The Capital Gains Tax exemption amount increased from £11,700 to £12,000 from April 2019, which is good news for those selling a property. The other changes to capital gains on selling a property are all fairly negative for taxpayers and are likely to result in additional tax or the payment of tax earlier.

Paying Capital Gains Tax Sooner

Existing rules allow UK resident taxpayers to report capital gains on the sale of UK residential property on their annual self-assessment tax return, for the tax year in which the sale occurs. This means that, depending on the date of the sale, the return can be filed and the tax can be paid, up to 22 months after the sale.

After 6 April 2020, taxpayers have 30 days from the date of completion to report the gain on a standalone return. They will then also need to make a payment on account of the CGT payable.

HMRC has confirmed that the new reporting regime will only be for gains accruing after 6 April 2020, meaning that for the sale of property where contracts are exchanged under an unconditional contract prior to this date (19/20 tax year) but completion takes place after 6 April 2020 (20/21 tax year), the new regime does not apply. Any gain accruing on these disposals should be reported on the 19/20 self-assessment tax return.

As 30 days is a very limited amount of time, it is essential that you tell your MFW advisor about any property sale as soon as it happens, if not before, where possible.

Changes to Private Residence Relief (PRR)

In the Autumn 2018 Budget, the government announced changes to Private Residence Relief for those who sell a property from 6 April 2020, that has at any time been their main residence. The changes relate to the final period of exemption and lettings relief.

Final Period of Exemption

On a disposal of a property that is, or has been your main residence, the Capital Gain is relieved by PRR and no tax is payable on these periods of occupation. PRR relieves the tax on periods of actual occupation and 'deemed' occupation. Deemed occupation are periods where the owner is absent from the property but it is treated as if they lived there. Any gain is time apportioned against the full period of ownership.

One of the periods of 'deemed' occupation has been the final 18 months of ownership. The purpose of this is to allow time for the property to be sold.

From April 2020, it has been proposed to reduce this to only 9 months.

Lettings Relief

Another relief that benefits taxpayers who are selling a property that has, at any time, been their main home is Lettings Relief. If the property has been let in the periods that the property is not occupied, this relief can reduce capital gains by up to a further £40,000.

The proposed changes are that Lettings Relief will now only be available for situations where the owner shares occupation with the tenant.

It is useful if you are selling a property to prepare a draft CGT computation prior to the sale, this will help the seller to budget for the tax after the changes to the above reliefs and to help them to meet the 30-day deadline.

Please contact your MFW advisor if you are planning on selling a property to ensure you maximise on all your tax opportunities.



This article was written prior to the 2020 Budget of 11th March and does not therefore incorporate any updates from this Budget. Please see our Budget update for any additional information affecting property taxes.



Author:
Emma Andrews, FCA
Partner

McCabe Ford Williams, Maidstone

New tax year, new rates - here's what you need to know (updated following Spring Budget 2020)

From April 2020 various new rates, as well as a new type of statutory payment, will come into effect. Here are a few key changes:

National Minimum Wage/Living Wage Rates

From 1 April 2020, the minimum hourly wages rates are increasing for all workers as follows:

Age bracket	Rates for 2019-20	New rates from 1 April 2020
25 and above	£8.21	£8.72
21 - 24 (inclusive)	£7.70	£8.20
18 - 20 (inclusive)	£6.15	£6.45
Under 18	£4.35	£4.55
Apprentices under 19	£3.90	£4.15
Apprentices 19 and over but in their first year of the apprenticeship	£3.90	£4.15

Personal Allowance and Tax Bands

From 6 April 2020, the personal allowance is expected to remain at £12,500 as for 2019-20, and the UK tax bands will remain as follows (please note that Scotland and Wales have their own bands):

Tax Band	2019-20	2020-21
Basic Rate (20%)	£1 - £37,500	£1 - £37,500
Higher Rate (40%)	£37,501 - £150,000	£37,501 - £150,000
Additional Rate (45%)	Over £150,000	Over £150,000

Please also note that if you earn over £100,000, your personal allowance will decrease by £1 for every £2 that your income exceeds that threshold.

National Insurance Contributions

From 6 April 2020, the employee and employer Class 1 NICs are expected to increase to the following:

Rates	2019-20	2020-21
Weekly Lower Earnings Limit (LEL)	£118	£120
Weekly Primary Threshold (PT)	£166	£183
Weekly Secondary Threshold (ST)	£166	£169
Upper Earnings Limit (UEL)	£962	£962
Upper Secondary Threshold for under 21s	£962	£962
Apprentice Upper Secondary Threshold (AUST) for under 25s	£962	£962
Employment Allowance (per employer - if you qualify)	£3,000 per year	£4,000 per year

Pension Contributions

Minimum contributions are not believed to be increasing for Automatic Enrolment Pensions this year and remaining as they were for 2019-20. Those schemes based on qualifying earnings will have their earnings bands changed to reflect the National Insurance bands (between £120 and £962 per week).

	Up to 05-04-20	From 06-04-20
Employers minimum contributions	3%	3%
Total Contributions	8%	8%

If you are not using qualifying earnings or use one of the set tiers, please see Pension Regulator guidance or your pension provider for advice.

Statutory Maternity, Paternity, Adoption, Shared Parental Pay, Bereavement Leave and Sick Pay

	2019-20	2020-21
Statutory Maternity Pay		
SMP - first 6 weeks	90% of AWE	90% of AWE
SMP - remaining weeks	£148.68 or 90% of AWE (whichever is lower)	£151.20 or 90% of AWE (whichever is lower)
Statutory Paternity Pay		
SPP - either one or two weeks	£148.68 or 90% of AWE (whichever is lower)	£151.20 or 90% of AWE (whichever is lower)
Statutory Adoption Pay		
SAP - first 6 weeks	90% of AWE	90% of AWE
SAP - remaining weeks	£148.68 or 90% of AWE (whichever is lower)	£151.20 or 90% of AWE (whichever is lower)
Statutory Shared Parental Pay		
ShPP - weekly rate	£148.68 or 90% of AWE (whichever is lower)	£151.20 or 90% of AWE (whichever is lower)
Parental Bereavement Leave	This is a new statutory payment, guidance which starts from 6th April 2020. A weekly rate paid for two weeks within 56 weeks of the death of a child	£151.20 or 90% of AWE (whichever is lower)
Statutory Sick Pay		
SSP - weekly rate	£94.25	£95.85

Student Loan and Postgraduate Loan recovery

	2019-20	2020-21
Student Loans		
Plan 1 threshold - weekly	£364.13	£372.88
Plan 2 threshold - weekly	£494.71	£511.05
Recovery rate	9%	9%
Postgraduate Loans (PGL)		
Earnings threshold	£403.84	£403.84
Recovery rate	6%	6%

Please feel free to contact your MFW branch (<http://bit.ly/MFWAccountants>) with any queries you may have.



Author:
Tina Mitchell, MCIPPA Dip
Payroll Manager

McCabe Ford Williams, Sittingbourne

Hall & Costello Wealth Management Limited



Ben Hall, MD & Principal Partner

Established in 2012 by Managing Director and Principal Partner Ben Hall. Hall & Costello Wealth Management Limited offer full financial packages to help their clients work towards long-term investment goals and make the most out of their money.

We recently visited their offices to meet Head of Operations Joanne Williams, together with other members of the friendly team, to find out what the team does and what makes the Hall & Costello approach so different.

What do they do?

Hall & Costello offer a wealth of financial products and services to clients including investment planning, retirement planning, mortgages, corporate services and protection products. Under the investment part of their business, they can lay claim to being the region's largest Senior Practice of St. James's Place Wealth Management, one of the UK's leading wealth management organisations and a FTSE 100 company.

Experience and know how

Between them, the team have over 30 years combined experience helping people from all ages and all 'walks of life' to better manage their money and make the most of all financial opportunities for themselves and their loved ones.

They pride themselves on working with families to ensure that every generation is making the most of their financial assets. This can range from retirement and estate planning to also helping parents assist their children to make their first step onto the property ladder.

They also assist businesses and directors in planning their finances by working on short to long-term goals including working towards a retirement nest egg and/or towards tax-efficient drawings, where possible.

Safeguarding funds

Whilst returns on investments are never guaranteed, the Hall & Costello team look to put additional safety measures in place including holding their clients' money separately to safeguard funds. Funds are not tied up in the market, allowing for greater flexibility and control over their clients' money. If the market becomes volatile, funds can be moved under this Segregated Mandate approach.

Advice for all

Many people perceive wealth management to be the reserve of the very wealthy, but this is a misconception that the Hall & Costello team love to dispel. They strongly believe that everyone should be able to benefit from wealth management expertise to better manage their finances. Clients are often pleasantly surprised to learn how much help the Hall & Costello team can provide them with and that they do not have to be high net worth individuals to reap the rewards.

Educating the next generation

The Hall & Costello approach is about changing attitudes to money through education. They believe in working with organisations, schools and charities, to work with people to promote financial wellbeing programmes. To begin good money management from an early time there can be no better place to start than with the young. To this end, the team visit schools to talk to students about money as part of their extensive Corporate Social Responsibility programme.

Holistic approach

Whilst the team at Hall & Costello Wealth Management Limited offer a wide range of financial services, they have also formed strong working relationships with other high calibre professional services, which enables them to provide complete solutions to their valued clients.

Working with MFW

Hall & Costello Wealth Management Limited are clients of Herne Bay partner Leigh Jones. Leigh has been working with the company and Ben for almost 18 months, with his office running the monthly payroll and preparing quarterly management reports which enables the business to be on top of its financial position. Leigh also manages all forms of accounting and tax compliance for the company in addition to having helped the company through a more complex business acquisition mid last year, as part of Hall & Costello's ambitious growth plans.

Leigh says of working with the Hall & Costello team,

"It is great to work with such a forward-thinking business who engage regularly with us and rely on our services to continue to help deliver their recent growth. From when I started acting for the company in late 2018 and first preparing the 2018 accounts,

the business has gone from strength to strength and it is great to feel our advice and guidance has partly assisted the decision making around the ability to grow the business."

Joanne says of this relationship,

"Our relationship with Leigh and MFW has become invaluable to the smooth running of the business. Leigh's expertise in accounts and financial management has aided our growth and given us the confidence to do this safely and efficiently. We have been able to refer Leigh's services to some of our clients due to this close relationship and we have benefited from having this additional trusted service to offer."

Friendly team

The Hall & Costello team offer a traditional and family focussed service where no matter is too big, too small or too complex. Family values are particularly apparent within the business what with a husband and wife plus mother and daughter members at the heart of their team, alongside long-standing friends.

For more information about the range of their services visit the Hall & Costello Wealth Management Ltd website <http://bit.ly/HallandCostelloWMLTD> or call the friendly team on 01622 538360.

Don't be caught out by not paying the Data protection fee



We would like to draw your attention to the recently launched campaign by the ICO (Information Commissioner's Office) ico.org.uk/for-organisations/data-protection-fee/. The ICO are contacting all UK registered companies to remind them of their **legal responsibility to pay a Data protection fee**.

Under the **Data Protection (Charges and Information) Regulations 2018**, organisations processing personal information are required to pay a Data protection fee unless they are exempt.

Do you need to pay the Data protection fee?

You can check if you need to pay this by using the ICO's self-assessment checker, a straightforward process that will take you about 15 minutes to complete. As a rule, however, you will most likely need to pay a fee if you hold any personal information for business purposes **on any electronic device, including any CCTV recordings captured for security purposes**.

Paying your annual fee

You can make a payment online on the ICO website. (<https://ico.org.uk/fee>) However, if you believe that you qualify as exempt you will need to complete the Data fee exemption form explaining why you believe your business is exempt from paying the fee.

There are three tiers of fees ranging from £40 to £2,900. It is understood, that most organisations will fall into the lower bracket with costs further reduced by £5 if you sign up to pay by direct debit. You can confirm how much your business needs to pay by completing a self-assessment. ico.org.uk/for-organisations/data-protection-fee/self-assessment/

Penalties

Since May 2018, over 600,000 businesses have registered to pay the fee. However, there are organisations who have failed to do so. This has resulted in 340 fines for non-payment in the period 1 July to 30 September 2019.

Getting help with Data protection

The ICO understands that for some organisations the issue of Data protection is confusing. To assist all businesses and individuals the ICO have both a helpline (0303 123 1113) and live chat service dedicated to help with data protection enquiries. In addition, they have a range of self-assessment tools and products, which you can access on their website.

The ICO can also arrange advisory visits and further support to help small businesses and organisations comply with the law.

Costs of non-compliance

Fines will depend on a company's size and turnover. Heavier fines could, however, be placed on businesses and organisations who choose to flout the rules. Therefore, if you are in any doubt as to whether your business is exempt, we would suggest you contact the ICO for further help and advice.

Going the extra mile (or 13.1094 to be exact)



Leigh (right of the photo) and friend James King at the finish line.

Herne Bay partner Leigh Jones recently completed the London Vitality Big Half Marathon running in aid of his chosen charity Action Medical Research. action.org.uk

Who are Action Medical Research?

Action Medical Research is the leading UK-wide charity saving and changing children's lives through medical research. Action Medical Research achievements include developing the first polio vaccines in the UK, establishing ultrasound procedures during pregnancy and the development of the rubella vaccine. So, many of us will have benefited from this charity's research.

Why Leigh opted to support this charity

Leigh says,

"I am very lucky to have two very happy and healthy young girls. I cannot imagine the pain some families suffer during what should be such a happy time, being overshadowed by debilitating childhood illnesses. In all honesty, there is never a bad charity to pick, but this one is one I felt strongly for."

On the day

Leigh trained hard for the event and set himself a target time of 2.5 hours. However, after niggling injuries for the few weeks before the event coupled with illness before the big day, he found the last stages of the run really took their physical toll. Even so, Leigh finished the event in 2:32:47 and, at the time of going to press, Leigh has raised 90% of his target of £1500.

Leigh says of the event,

"Given the recent bad weather, I couldn't believe my luck to get a dry sunny day for the event, albeit a very cold one. The run was all going to plan to about mile 11. While mentally you know it is only two more miles to go, the lack of training in the month or so leading up to event meant I had never got close to this distance before and did not know how much the legs and head would go. I had to listen to my body and ease back, but then you start to cool off a bit and the muscles tighten up. The human body is such a wonderful thing, but in moments like that it is purely selfish and looks to protect itself and cares nothing for your mental hopes. Anyone who knows me will know my competitive side, so for me this leaves a job unfinished, but aside from my personal targets, the main outcome from the event is valuable funds raised to a very good cause."

Well done Leigh.

Meanwhile...

Teams from our Maidstone and Sittingbourne offices recently tested their grey matter by taking part in a Quiz Night to raise funds for The Kent Surrey Sussex Air Ambulance aakss.org.uk and Wingham Wildlife Park Animal Welfare Charity: winghamwildlifepark.co.uk/wwwpaw. Congratulations to all who took part.

Internal Scrutiny in Academy Trusts

The Academies Financial Handbook has, for some time, included a requirement for Academies to have some form of internal scrutiny over their financial and other controls. In the early days of the academy programme there was a very prescriptive programme of tests for a Responsible Officer to follow and report on.

In recent years the requirement has evolved and today the Education & Skills Funding Agency (ESFA) require Trusts to identify on a risk basis, areas of financial and other controls that should be reviewed each year to respond to the changing needs and circumstances of their specific organisations.

So what is Internal Scrutiny?

Internal scrutiny is a process that should be designed to provide independent assurance to the Board and Audit Committee that internal controls and risk management are operating effectively. The process should help a Trust to improve and maintain good levels of:

- Governance
- Risk management
- Internal control

What Academy Trusts does this affect?

All Academy Trusts must have internal scrutiny, regardless of size. Of course, the approach taken will vary between Academy Trusts and each Trust must adopt the most suitable approach for them.

How to approach Internal Scrutiny work

Create a plan for the Trusts internal scrutiny work which details:

- The objective
- The timing and scope of the work.
- Reporting lines

Internal scrutiny is linked with risk management and the Academy Trust's risk register is the key starting point to develop a programme of work. All Academy Trusts must have a risk register that is reviewed and updated regularly by the Board and Audit Committee.

Examples of key risk areas for academies are detailed below.

- Validity of funding claims
- Recognition of public funds
- Use of public funds
- Tendering and procurement
- Transactions with related/ connected parties
- Payroll
- Electronic / online systems
- Security of assets
- Data security

The Audit Committee should identify the areas of work that are to be addressed by the internal scrutiny programme. Not all risk areas will be covered on every review, but if there are any changes within an area (e.g. a change in staff) this could change the risk profile meaning on the next visit this might need to be covered by the programme.

The programme can take place as frequently as the Board requires. The Audit Committee should meet at least three times a year and so it seems sensible that most internal scrutiny programmes will involve at least three visits per year but this will of course very much depend upon the individual circumstances of each trust.

The factors that the internal scrutineer should take into account whilst performing their reviews should include:

- Complexity of the system
- Potential fraud risks
- Strength of management controls
- Evidencing data processing has been carried out in accordance with documented procedures

Who can provide an internal scrutiny service?

- An in-house internal auditor who should be a member of a relevant professional body.
- Outsourced service provided by an external auditor who has the relevant qualifications and experience.
- The Academy Trust might feel it is appropriate to outsource individual areas of the internal scrutiny process to experts within that particular area, e.g. an accountant might not be the most appropriate person to review the Trusts IT systems if this is deemed to be an area of high risk.
- Non-employed Trustee with appropriate experience.
- Peer review performed by the finance team of another Academy Trust. The Academy Trust must be satisfied that the reviewer has a good standard of financial management and have qualifications in finance as well as appropriate internal audit experience.

Reporting the findings of Internal Scrutiny to Trustees

The internal scrutineer should report the findings of the programme to the Audit Committee on a regular basis, who in turn should ensure all Trustees are made aware of the findings.

The report should detail the areas covered, the work carried out and should include any weaknesses found, with recommendations for improvements.

Reporting the findings of Internal Scrutiny to the ESFA

The Academies Financial Handbook also requires Academy Trusts to submit an annual report along with the annual accounts that summarises the work and findings of the internal scrutineer. This report should include:

- Areas reviewed
- Key findings
- Recommendations
- Conclusions

Issues with non-compliance

Failure to comply with the internal scrutiny requirements and having ineffective internal controls could result in potential regularity issues that would need to be reported in the external auditor's report.

How can McCabe Ford Williams help?

Here at McCabe Ford Williams, we can offer independent internal scrutiny services for our clients. Please contact myself or fellow partner Ashley Phillips on 01795 479111 if you would like to explore how McCabe Ford Williams can assist.



Author:
Clair Rayner, FCA, DChA
Partner
McCabe Ford Williams, Sittingbourne



McCabe Ford Williams

Ashford

📍 Suite 1, Invicta Business Centre, Monument Way,
Orbital Park, Ashford, TN24 0HB

☎ (01233) 504954

✉ ashford@mfw.co.uk

Dover

📍 Charlton House, Dour Street,
Dover, CT16 1BL

☎ (01304) 204006

✉ dover@mfw.co.uk

Sittingbourne

📍 Bank Chambers, 1 Central Avenue,
Sittingbourne, ME10 4AE

☎ (01795) 479111

✉ sittingbourne@mfw.co.uk

mfw Insolvency & Corporate Recovery

📍 Bank Chambers, 1 Central Avenue
Sittingbourne, ME10 4AE

☎ (01795) 433655

✉ insolvency@mfw.co.uk

Cranbrook

📍 Bank Chambers, 61 High Street,
Cranbrook, TN17 3EG

☎ (01580) 714111

✉ cranbrook@mfw.co.uk

Herne Bay

📍 2 The Links,
Herne Bay, CT6 7GQ

☎ (01227) 373271

✉ hernebay@mfw.co.uk

Maidstone

📍 89 King Street,
Maidstone, ME14 1BG

☎ (01622) 683627

✉ maidstone@mfw.co.uk

mfw.co.uk   

kentinsolvency.co.uk   

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