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## Welcome to our autumn edition

At the time of going to print, Chancellor Rishi Sunak has just announced his Winter Economy Plan outlining the government's next Covid-19 measures as we head towards winter. This outlined a number of new measures, applicable across the UK. This includes a new Job Support Scheme, the SEISS Grant Extension, an extension to the temporary 15% VAT cut for the tourism and hospitality sectors, a new Pay as You Grow repayment system designed to help provide flexibility for firms repaying government backed loans and £68.7 billion further investment in public services. If you have missed our coverage, you can find more details on our dedicated blog [bit.ly/WinterEconomyPlan](https://bit.ly/WinterEconomyPlan).

Final Brexit trade talks are also taking place. HMRC are currently sending out Brexit update letters to all businesses providing further information. We will, of course, be updating you in due course with more information so do ensure you keep reading our blogs [mfw.co.uk/category/blog](https://mfw.co.uk/category/blog) for further information. In the meantime, if you need any Brexit planning help or help, with managing your business through the pandemic, do contact us.

We hope you enjoy reading this issue.



EXTERNAL FINANCE  
DEPARTMENT

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Highlight on services

## External Finance Department



If the sudden and unexpected emergence of COVID-19 has shown us anything, it is that businesses need to be adaptable and having the flexibility over how and when work is performed is vital. The ability to be able to increase or scale back the work being performed is really important. As shown by widespread use of the Coronavirus Job Retention Scheme (CJRS), the biggest expenditure risk to UK businesses overall comes in the form of committed salary costs. Apart from industries where zero hours contracts are common, the ability of businesses to quickly scale up or scale down their workforce is something that they just do not have the option with as employers.

Knowing when to take on an additional employee, or unfortunately more recently for many businesses, to look to make an existing employee redundant, can be one

of the toughest decisions a business owner can have to make, especially when a business is in relative infancy or experiencing a period of growth or decline.

Often management have to carefully consider and balance a changing workload and the income that brings with the staff resource and expenditure required to manage that workload.

One area that businesses are making greater use of is outsourcing, removing committed costs and replacing them with variable ones that can easily be upscaled, downscaled or, removed with limited or no notice required. Creating a lean employee structure gives those businesses greater flexibility and often an economic edge over some of their competitors.

In recent years, we have seen a large increase in clients wanting the provision of services, which come under the classification of 'business services'. These are services, which traditionally have been covered by internal finance functions and includes areas such as bookkeeping services, VAT compliance, management accounts, payroll services, credit control services, BACS approved bureau services, budgets and forecasts as well as implementation of accounting systems. For a number of clients we are their finance function. However, some businesses are starting to take this a stage further and outsourcing all elements of the finance role.

### HIGHER Level Expertise

This is particularly useful for businesses going through a growth phase, where Higher Level Financial Expertise is required but not at the level where a full-time staffing position is justifiable. Or, where a position is required but the type of work required means you would be paying for an expensive individual to deal with lower level work at certain times. Outsourcing this work means that you can pay for that level of expertise on the items and at the times when you require it, but are not committed to it when you do not.

Alternatively, you may just need cover for a temporary period, such as maternity/paternity leave cover, furlough leave, annual leave or to provide cover for illness.

We act as an external finance department for a number of clients and every situation is different. Our services can be tailored to your exact needs and by having staff at various levels and with different expertise; we can ensure you get the right person doing the work at the right cost. In addition, by making use of technology, as many businesses have been required to do during the pandemic, travelling time and associated costs can be reduced or even eliminated.

### Our External Finance Department services can include:

- Attendance at Board meetings
- Financial assessment of contracts, customers and suppliers
- Liaising with auditors
- Detailed financial elements of business plans
- Managing relationships with external business stakeholders
- Management of working capital
- Strategic financial advisory
- Design and implementation of financial processes and procedures, including financial authorisation limits
- Training and mentoring of finance staff

If you believe that any of our business service functions would be of use in your business then please do not hesitate to contact your local McCabe Ford Williams office [mfw.co.uk/contact](https://mfw.co.uk/contact)



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## Client Profile

## Localis Research Limited



**Localis round table shot - left to right.** Joe Fians (Head of Research), Grace Newcombe (Lead Clean Growth Researcher), Zayn Qureshi (Researcher), Callin McLinden (Researcher) and Jonathan Werran (Chief Executive).

**Localis is an independent, leading not-for-profit think tank, which promotes neo-localism through research, events and commentary. Neo-localism is a concept which aims to give places and people more control over globalisation. As such, it is concerned by economic prosperity, but also enhancing other aspects of people's lives such as family and culture.**

The think tank, which celebrates its twentieth anniversary next year, is headed by Chief Executive Jonathan Werran, backed by an expert team of researchers and overseen by a Board of Directors comprising former and serving leaders from some of England's biggest councils. We recently spoke to Jonathan to find out more about Localis and the work that the think tank does.

#### Putting local issues at the top of the agenda

Localis aims to put place, community and identity at the heart of national policy making when it comes to improving local services such as housing, infrastructure and transport and to increase the opportunities, employment and skillsets for local people across England.

The think tank works in many ways to provide strong economic and social analysis helping to support local authorities, councils and businesses. Their remit is to deal with many issues including, closing the poverty gap, to provide a research and a sounding resource for local authorities and councils who do not have the capacity or resources internally, and to chair roundtable discussions to tackle issues, including more recently the Covid-19 crisis. Most importantly, they provide new ways of thinking not just locally or nationally, but also internationally in a bid to challenge/change the current political and social landscape.

Their research aims to identify what is unique about a particular place, its people, housing and infrastructure and much more besides. From this research, they produce reports of their findings and make recommendations to relevant local and national authorities to help break down barriers and make strong arguments for national government to focus on a particular place to improve local services and facilities to benefit local economies.

#### Planning for a sustainable future

Most recently, Localis wrote an influential report on the need to provide more electric car charging points across the entire country including less affluent areas as part of their ongoing work to tackle air pollution. They also work with other charities and independent think tanks. Last year, in collaboration with the Green Alliance, Localis jointly issued a report 'The Route to Clean Growth', which reported on issues such as air quality and decarbonisation and which also laid out suggestions on future green technologies.

#### Working with MFW

Due to dynamic growth over the last two decades, it became apparent to Jonathan and the Localis Board of Directors that they needed to improve on their in-house

reporting practices and systems. They decided it was time to find a strong provider who could be trusted to help them but could also speak their language. Following a recommendation from Board Member Paul Carter, Jonathan met with MFW Sittingbourne partner Ashley Phillips and decided that MFW fitted the bill with the working relationship starting in May 2019.

Since that time, managers Nicola Clarke and Robert Horne have been working alongside Ashley to provide Localis with monthly bookkeeping and management accounts services as well as preparing and submitting their annual accounts and tax return. They have also reviewed the systems and practices at Localis and made suggestions where these could be streamlined to ensure that the think tank is fully compliant and operates with best practices in mind.

They have also switched Localis over to Xero cloud accounting ([bit.ly/XeroGoldchampionpartner](https://bit.ly/XeroGoldchampionpartner)) to provide a quick and easy platform for Jonathan and the Localis Board of Directors to access and assess their financial position with all the information they need in one package which Jonathan is delighted with.

Jonathan says of working with MFW Sittingbourne, *"Small think tanks and not for profit research organisations which work to promote new thought, play a seemingly small but in reality outsize contribution to improving national life. However, for all the political surface razzmatazz, they function as SMEs. So while it's good to be seen chatting away nine to the dozen with various MPs, senior civil servants and journalists, most of the time is spent hunkered down at a desk trying to make sense not just of the future of our society after Covid-19 but the daily realities of cashflow, creditors and payroll.*

*MFW have from the outset made all the running to understand who Localis is as an organisation and not just worked, but at times fought to champion our interests.*

*Thanks to MFW, I now have a complete picture of our finances and company position which gives me a strong platform to undertake our vital mission in using our research to come up with fresh and exciting new practical ideas for how we can rebuild our national economy on local economic prosperity that brings communities, people and places on board."*

### What does the future hold for Localis?

Currently Localis are researching how we can rebuild our economy at local level and working with all corners of the country to produce economic strategies that will help swiftly revive our cities, towns and villages. This includes how we tackle the skills crisis and adapt to the impact of automation by training local people for the jobs of the future. Localis's work in this field has been highlighted by SkyNews in their 'How the rise of robots will hit UK jobs'. You can view the broadcast here: [bit.ly/32O2UPU](https://bit.ly/32O2UPU) or download the Localis report via this link: [bit.ly/2ZQFojB](https://bit.ly/2ZQFojB).

Jonathan says that the pandemic has highlighted and accelerated the need for many changes in many areas but he remains confident that there will be opportunities to be had, if they are seized correctly.

Whatever the future holds it seems that Localis Research will be on hand to help promote local needs and requirements, lobby the government and, above all, remain committed to providing local places and people with the ability to self-govern so that they may be a central cog in driving their local economy and strategy.

### Find out more...

For more information, including details of current projects, please visit the Localis research website [localis.org.uk](https://localis.org.uk)

## Relevant Life Plans

### What is a relevant life plan?

Relevant Life Plans (RLP) are a way of providing death in service benefits on an individual basis no matter what size your business.

### What are the benefits?

- Although the company makes the payments, they're not normally treated as a benefit in kind (P11D) so they're not included in your income tax assessments. For a higher or additional rate income tax payer, this could be a significant saving.
- Unlike a registered Group Death in Services Scheme, the benefit won't form part of your annual or lifetime pension allowance.
- These payments may be treated as an allowable expense for the company in calculating its Corporation Tax liability, as long as the local inspector of taxes is satisfied that the RLP is 'wholly & exclusively' in the best interest of the company. Please speak with your usual **McCabe Ford Williams** contact about this.

### Who would benefit from an RLP?

- Small businesses that do not have enough eligible employees to warrant a group life assurance scheme.
- High-earning employees or directors who have substantial pension funds and do not want their benefits to form part of their lifetime allowance for pension savings.
- Employees of any type of business.
- Members of group life assurance schemes who wish to top up their benefits.

### Is it suitable for all?

No. Relevant Life Plans are not available where there is no Employer/Employee relationship. For example, Sole Traders, Equity Partners of a Partnership or Equity Members of a Limited Liability Partnership would be ineligible.

### What are the restrictions?

- The benefit provided by the cover, if an admissible claim is made, must be paid in a single lump sum before the age of 75.
- Only death benefits can be provided; Critical Illness Cover, for example, cannot be included.
- The benefits must be paid through a Discretionary Trust.
- Please note that beneficiaries are usually restricted to family members and dependents.

### What are the advantages of using a discretionary trust?

Having benefits paid through a trust is obligatory for the RLP. However, this has its own advantages:

- The trust is discretionary allowing the trustees to be flexible in who they pay benefits to. It is possible for the person who is covered to guide the trustees in their decision making and a nomination form is included in the trust to enable the person covered to express their wishes. It should be noted that this isn't legally binding upon the trustees but it would, generally, be irregular for the wishes of the covered party not to be observed.
- It ensures that the proceeds cannot be taxed as part of the company's trading income, nor do they form part of the company's assets.
- Using a trust also makes sure that, in the majority of circumstances, benefits are paid to the beneficiaries free of both income and inheritance taxes.

### How does the potential tax saving look?

Please note that in the worked example below, it is assumed that Corporation Tax Relief has been granted under the 'wholly & exclusively' rules:

	20% Income Tax Payer		40% Income Tax Payer		45% Income Tax Payer	
	Non-RLP	RLP	Non-RLP	RLP	Non-RLP	RLP
<b>Cost To Employee</b>						
Theoretical Annual Premium	£1,000	-	£1,000	-	£1,000	-
Employee NI	£176	-	£34	-	£38	-
Employee Income Tax	£294	-	£690	-	£849	-
Gross Earnings Needed	£1,470	-	£1,724	-	£1,887	-
<b>Cost to Employer</b>						
Theoretical Annual Premium	-	£1,000	-	£1,000	-	£1,000
Employer NI @ 13.8%	£203	-	£228	-	£260	-
<b>Total Gross Cost</b>	£1,673	£1,000	£1,962	£1,000	£2,147	£1,000
<b>Corporation Tax Relief @ 19%</b>	£318	£190	£373	£190	£408	£190
<b>Tax Adjusted Cost</b>	£1,355	£810	£1,589	£810	£1,739	£810
<b>Saving</b>	<b>40%</b>	<b>£545</b>	<b>49%</b>	<b>£779</b>	<b>53%</b>	<b>£929</b>

#### Find out more...

Should you wish to learn more about RLP, or any other aspects of financial planning, you can contact me on **07735 334 547** or email [matthewcarr@countyassociates.co.uk](mailto:matthewcarr@countyassociates.co.uk)



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## Tax Matters

# Taxation advice relating to Relevant Life Plans



**In this year of uncertainty and unprecedented health concerns, it may be more important than ever for business owners to want to support and help safe guard their employees and in turn their families.**

One way to offer this help is by offering a Relevant Life Plan. These are a great way for small businesses to provide employees with death in service benefits, where perhaps they are not eligible to offer group schemes due to limited staff numbers. Relevant Life Plans are tax efficient, both for the employer and employee. They can also be a great incentive to help attract the sort of calibre employee your business needs, as well as helping retain key staff members by offering additional perks.

It should be noted that the person covered has to be an employee, which does include salaried directors. However, it does not cover sole traders, equity partners or members of limited liability partnerships

### **Tax savings for the business**

The Relevant Life Plan is aimed at providing life cover for an employee while working for the business and it is the business that pays the premiums on a regular basis. If the employee dies whilst in employment, the scheme will pay

out a one-off lump sum. As the company owns the life insurance, it can deduct the cost of the premiums against Corporation Tax and there will be no National Insurance paid on the premiums, meaning more saving for the business.

### **Tax savings for the employee**

With the premiums being tax deductible for the business, they will not be treated as a benefit in kind to the employee, saving the employee significant tax, especially if they are higher rate taxpayers. In the case where a director, who is also a shareholder, took out a policy, it would be particularly beneficial to them, as all the tax savings go to them. The tax savings for both employees and the business is best illustrated in the article from County Associates (UK) LLP, which you will find on page 07.

### **Tax savings if paid out for the company**

The benefit is also paid out tax free, because when you set up a Relevant Life Plan, the policy is written into trust to ensure it is separate from the business. Therefore, the business will not suffer any tax implications, as the benefit will not go back into the company.



### Tax savings for the estate

Holding the money within the trust will also mean it is kept outside of the individual policyholder's estate meaning that it will not be subject to Inheritance Tax upon being paid out. This could mean a significant tax saving for the beneficiaries of the estate, where values exceeding the Inheritance Tax threshold (which is £325,000 in the tax year 2020/21) are taxed at 40%.

### Tax savings for the estate on pensions

Death in service benefits from registered Group Life Schemes may also mean that the estates of individuals who have large pension pots suffer substantial tax deductions.

As an example, let us take George who is 48 and a key employee in an advertising firm. George earns £80,000 a year and has made significant contributions to his pension, with a current retirement fund of £650,000. George's employer has decided to offer all key employees a Death in Service benefit of x10 salary.

The table to the right illustrates the difference between a Relevant Life Plan and Group Life Scheme, showing the implications on the pension pot if George was to pass away before retirement.

	Relevant Life Plan	Group Life Scheme
Current size of George's pension fund	£650,000	£650,000
Life cover	£800,000	£800,000
Pension fund on death	£650,000	£1,450,000
Lifetime allowance (2020/21)	£1,073,000	£1,073,000
Excess over lifetime allowance	£nil	£377,000
Tax payable on excess 55% if taken as a lump sum	£nil	£207,350

This example highlights the potential tax saving of £207,350 for the beneficiaries of George's estate if the employer offered the Relevant Life Plan to George.

As can be seen there are numerous tax breaks involved in offering employees Relevant Life Plan cover, not only from a goodwill point of view but also from a tax planning angle.

If you feel this is something your business and employees would benefit from and you would like further advice, then please contact your local MFW branch, or your usual MFW adviser. [mfw.co.uk/contact](https://mfw.co.uk/contact)



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## Client Profile

## Innovative Engineering Solutions SL Ltd



↑ **Marc Stacey, Director in the middle with Auto Evolution Managers Alex Leftley (l) and Damian Piles (r).**

Innovative Engineering Solutions SL Ltd (IES Ltd), based in Gillingham, was formed in March 2019 when Company Directors Marc Stacey and Darren Lingham completed a management buyout of a long standing and successful business after the previous owners made the decision to retire.

At the time of the buyout, Marc and Darren had been working for the company for over ten years, culminating in running the business on behalf of the owners for the last four. Marc and Darren were extremely invested in the business and jumped at the opportunity to purchase it in order to start a new venture of their own.

#### What does IES SL Ltd do?

Innovative Engineering Solutions SL Ltd provides a wide range of high quality, electrically biased solutions at competitive prices, tailored to meet the needs of their clients including electrical installation, instrumentation, automation, process control, panel design and build, fibre and data. With their high levels of technical knowledge and skillset, coupled with the ability for their teams to resolve any engineering issue or problem, they have amassed a loyal customer base. Add to this their excellent customer service and support and it is easy to understand why they have earned such a high standing within their marketplace.

During Covid, their services were in even greater demand in order to ensure that their clients could continue to offer essential services such as power stations and power generators including keeping clients SSE and E.On operational. Ocado, the online supermarket, another client of IES, also relied on the business heavily during the pandemic, in order for them to keep delivering essential food and other items.

#### Working with MFW

Innovative Engineering Solutions SL Ltd is a new client of our Maidstone partner, Emma Andrews who started working with the business just prior to lockdown. Before this, Marc and Darren had their own in-house bookkeeper and used the services of another accountant. However, they found that it was hard to get information from the previous firm and so decided to look elsewhere for support. After meeting with Emma, both Marc and Darren felt that

they had found an accountant who was professional, knowledgeable and proactive. An accountant who could understand their business, what they wanted to achieve and, could 'speak their language'.

After discussions with the directors in order to establish the level of support that they needed, Emma established a Financial Director service for the business. A member of the MFW team visits IES Ltd's premises weekly to deliver admin and bookkeeping duties, provide credit control services, payroll, CIS, bookkeeping and VAT filings, all whilst observing social distancing protocols. MFW also prepares the statutory accounts, corporate and personal tax returns as well as any tax planning.

Emma and her team also proactively provided Marc and Darren with all the relevant information on Covid-19 measures to keep them informed and assisted them in making various claims to ensure their business received the support it needed. Emma also identified Research and Development activity within the company and the Maidstone team are now in the process of preparing a claim for R&D tax relief.

Although it is still early days of working with MFW Marc says of his relationship with Emma and her team, *"Emma and the team have made life a lot easier for us, they have taken over all bookkeeping and accounting needs which allows us to get on with all the work that keeps our business going, and not have the pressure of it all sitting on our shoulders. They have been on hand to help wherever they can and even whilst venturing into a new business area we know already that all our needs will be met."*

### Looking to the future

With Innovative Engineering Solutions SL Ltd doing so well, and with the support of Emma and her team, Marc and Darren have been busy exploring and developing

other areas of the business. Emma has been on hand to offer advice on purchasing a business property for a new venture, sourcing the best forms of financing and advising on best company structure and set up.

As part of expansion plans IES Ltd will soon be moving to brand new offices at Breach Lane, Upchurch, in Sittingbourne, with a bespoke car showroom for their new business venture Auto Evolution, a business which will specialise in servicing, MOTs and repairs for high-end cars.

At first this may seem like a strange move, but their technical team, including staff members with over 20 years of running car businesses, have the skillset to fix just about anything. Secondly, with the rise of electric vehicles, the team, including individuals who specialise in robotics, are ideally placed for the rise in demand for this market.

This demonstrates an excellent example of one business looking towards the future and adopting market development and diversification strategies. At McCabe Ford Williams, we wish Marc, Darren and the rest of the team all the best in launching Auto Evolution. In the meantime, you can find out more information about IES Ltd here: [ie-solutions.co.uk](http://ie-solutions.co.uk)

### Tax benefits for electric vehicles

Here's a timely reminder to read our 'Is it time to switch to electric vehicles' blog [bit.ly/3kBSn0p](http://bit.ly/3kBSn0p) by Lee Phillips, Manager, McCabe Ford Williams Maidstone, for an update on tax advantages of switching to an electric or hybrid vehicle.



McCabe Ford Williams

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