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Season's Greetings

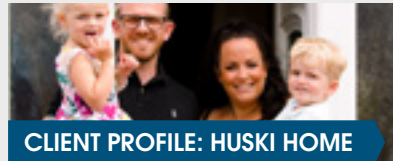
A Merry Christmas and a healthy, happy and prosperous New Year from all the partners and staff at McCabe Ford Williams.



MFW CHRISTMAS QUIZ

Don't forget to enter our Christmas word search for your chance to win a £100 Marks & Spencer voucher.

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CLIENT PROFILE: HUSKI HOME

We meet the family behind the sustainable brand Huski Home.

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FINAL CALL FOR DEPARTURES

Ensure you are ready for 1st January 2021.

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Don't forget to enter into our Christmas word search for the chance to win a **£100 Marks & Spencer voucher**

Christmas Word Search

Simply find the words in the grid below. One word, however, is missing. Just let us know what the missing word is by completing your details below.

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| A | S | S | A | N | G | E | L |
| D | J | N | A | T | G | L | A |
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GOODWILL GOLD GIFT HOLLY ANGEL
ELVES GARLAND GIVE JOLLY SNOW
SLED SANTA STAR PEACE TREE TOYS

How to enter:

You can send your entries by post, email or fax using the following details:

Karen Gray
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karen.gray@mfw.co.uk

Name

Email

Telephone (best number to contact you should you win)

Your MFW Office

Missing word is

The closing date is **Friday 18th December**. Good luck!

Please note that entries received after this date will not be included in our prize draw.

By entering our competition, you are agreeing for us to use your contact details for the purpose of getting in touch with you in the event you are our lucky winner. Your details will be used for the purpose of this competition only and will be deleted immediately after the draw. The winner will be randomly selected from all the correct entries and notified shortly thereafter, with the prize dispatched prior to Christmas. Please note that this competition is not open to partners, staff and friends or family of McCabe Ford Williams.



2020 the year we would all like to forget

2020, the year we would like to forget but won't, of course, because COVID has made it a year to remember. I am writing this just as we receive news that Kent will exit from "Lock down 2.0" in to "Tier 3" restrictions. It's a very difficult time for all of us, and the Government has the unenviable task of balancing the state of the economy with the Nation's health. Understandably, protecting the NHS is a key part of the strategy, hoping it will not collapse under the strain before a safe and effective vaccine is available, and can be administered.

Of course, it's not just the UK that is struggling with COVID, it is a worldwide problem, and it rather looks as though COVID will continue to affect our lives throughout 2021. Certain business sectors have been devastated by the effects of the pandemic, especially hospitality, travel and leisure. Many businesses will not survive and already unemployment is climbing. To add to the uncertainty for businesses is the issue of Brexit. Goodness knows how that will pan out. What is clear is that the movement of goods in and out of the country will be far more complicated. I am old enough to remember the paperwork that had to be done by "Customs Clearance Agents" prior to the EEC setting up the Free Trade Zone with effect from 1 January 1993. I think we will be going back to those days. Unfortunately, freight traffic is much higher than it was in 1992 and I have little doubt that Dover (and Kent generally) is going to be regularly gridlocked in the months ahead.

I would be interested to see an analysis, but it is my perception that 2020 has seen more new legislation than in any other year. Clearly most of this is COVID related, whether it be creating financial support packages or health and safety regulations. This has kept HMRC staff and civil servants, generally, very busy. However, HMRC are now starting to see light at the end of their tunnel, and are thinking about how they can recoup some of what has been paid out.

It has been estimated that a staggering £3.5bn of furlough cash has been either fraudulently claimed or wrongly awarded. We are told that HMRC are going to be very proactive, and are hearing about task forces being set up, to try and recover some of that.

The billions that have been paid out will almost certainly need to be funded by future tax hikes. In our Summer newsletter I wrote about possible changes to Inheritance tax (IHT). More recently, the Office of Tax Simplification has suggested changes to Capital Gains Tax (CGT). As many respondents have said, reform of CGT should go hand in hand with IHT reform, but neither tax raises that much when one looks at the country's overall tax take. Therefore, in practice, making widespread reforms to CGT and IHT looks like a difficult approach to sell for a Conservative chancellor facing uniquely challenging times for the economy, so proper reform may be some way off yet, but we have to be mindful that it could happen at any time.

As we head into 2021 and a further period of uncertainty, whatever happens, we at MFW will do our utmost to continue supporting you and your business, and to keep you abreast of developments through our newsletters, website, emails and blogs.

I take this opportunity, on behalf of everyone at MFW, to send you seasonal greetings and to hope that 2021 is kind to you.



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Client profile: Huski Home



Huski Home - Luke and Lisa

Husband and wife team Luke and Lisa Scott were already running a successful business when their son Leo started asking his parents how he and his family could do more to help the environment. This started a journey for the Scotts who looked at what steps they could take to reduce their family's carbon footprint. The couple quickly realised the impact that they alone could have by replacing single use water bottles with a reusable and eco-friendly alternative. As a result of this and other measures the idea for a new sustainable business was born.

Just one planet

In the UK alone, we use over 7 million disposable coffee cups a day, most of which sadly end up as landfill. We also use over 7 billion single-use plastic water bottles in the UK a year, which take over 400 years to degrade.

Luke and Lisa's research demonstrated that manufacturing sustainable products could become a new business for them. However, just making the products the same as the competition was not the solution. They wanted to go further to produce the most sustainable products they could. Rather than using yet more resources to grow materials for their products, the couple unearthed a great solution by making their products from an otherwise waste by-product. The solution came in the form of rice husks from which the brand takes its name.

Rice is the world's second most important cereal crop following only corn. According to Statista, the online reporting and statistics site, in 2016 nearly 482 million metric tons were harvested globally. Unfortunately, during the processing of rice, the husks, from which the rice is grown, are discarded resulting in yet more landfill for the planet. However, by utilising this by-product waste Huski Home cups are not only reusable, but their production also creates no additional strains on our planet's resources and actually help to reduce waste from rice production.

Meeting stringent requirements

The first Huski Home cups launched in December 2018 meeting the high product and Fairtrade requirements that resellers and end users demand. Whilst initially selling into resellers was difficult due to the high level of competition, and being an unknown brand, the Huski products started to earn extra kudos with retailers due to the clever and eco-friendlier use of by-product waste.

The Huski Home range is now stocked by eminent retailers such as Harvey Nichols, Planet Organic and The Eden Project. Products are also available to order on the Huski Home website [huskihome.com](https://www.huskihome.com).

New products

Following on from the success of the cups, the Scotts have increased the product range and developed bowls and soap dishes using discarded coconut shells and wood from old coconut trees plus eco-friendly straws made from bullrush. Every item must meet their strict criteria for sustainability and Fairtrade. Products, however, must be up to the job and this is where the entire Scott family get involved by putting every item through its paces for 6 months before it goes on sale.

Huski Home has recently added to its colour range of reusable cups with the Winter Neutrals collection together with adding a new coffee cup made out of coffee husks.

Such is the success of the Huski Home products and the marketing of the range that the Scotts have won a number of accolades already including:

- **The Natural & Organic Awards, Europe 2019** - Finalist: 'Best New Eco Living'
- **2019 Dartford Business Awards Winner:** 'Best Use of Online'
- **Great British Entrepreneur Awards** - 2019 Finalist

In addition, Lisa was a winning participant of the BBC One programme - The Customer is Always Right, with her particular show airing on 30 April 2020.

Working with MFW

Huski Home has been a client of MFW Sittingbourne for about five months working together with Audit & Accounts Manager Nicola Clarke. Having known Nicola in a past life Luke and Lisa came to her for advice after feeling unhappy with their previous accountant.

Nicola and the team at Sittingbourne assist with monthly bookkeeping on a cloud platform and prepare monthly management accounts and cash flow forecasts. As a

result, VAT returns are submitted to HMRC directly and the annual accounts can be prepared and submitted to Companies House. The team at MFW have a great working relationship with Lisa and Luke and touch base with them on a regular basis to ensure they feel supported and the bookkeeping aspects are kept on track.

Lisa says of this relationship, "*Nicola, Jody and the team at MFW are fabulous accountants and we love working with them. They are efficient, forward thinking and really care about our business, we couldn't ask for anything more.*"

The impact of Covid-19

Covid has highlighted the impact that we humans have on the planet, most crucially demonstrated with the reduction in vehicle emissions due to people following government guidance to work from home. The government has previously promised to do more for environmental issues and it will be interesting to see what further green initiatives could be announced in the Spring Budget. We will, of course, keep you updated with Spring Budget coverage in due course.

In the meantime, we can all be inspired by the Scott family and do our bit for the environment, one drink at a time.



To find out more details about the products please visit [huskihome.com](https://www.huskihome.com).



Strangest ever taxes



Without doubt, we will be paying for the financial support provided to the country as a result of the COVID-19 pandemic for many years, much as we did to fund the two world wars.

Government borrowing will be a part of this and so might an increase in taxation. Increasing existing taxes is one option, but so is the creation of new taxes. But taxes on what?

Some of the most bizarre taxes imposed over the ages have been:

Beard Tax

At the end of the 17th century, Russian Emperor Peter the Great introduced a tax on men's facial hair in an attempt to modernise the country's society. All bearded men were forced to pay the charge and carry around a copper or bronze token to show that they had paid the tax. Beard tax was also introduced in England in 1535 by Henry VIII, where the amount due increased with the beard-grower's standing in society – making facial hair quite the status symbol.

Windows

The controversial window tax was first established in the late 17th century, lasting for more than 150 years. On top of the fixed two shillings a week house tax, King William brought in a charge on homes with more than 10 windows. Those with between 10 and 20 owed an extra two shillings, any more than 20 windows and you owed four shillings more.

Wallpaper

Queen Anne's government introduced a tax on wallpaper when 18th century homeowners began to decorate with patterned paper rather than fabrics. The charge was between a penny and a shilling for every yard of wallpaper, but savvy taxpayers soon found a way to circumvent the tax by purchasing plain paper and stencilling a pattern on it.

Soap

Throughout the 16th century, making speckled soap was banned in Britain because it depleted the country's reserve of tallow trees. As speckled soap was easier and cheaper to produce than both coarse and sweet soaps, the tax aimed to slow down production. All this did was make the product a preserve of the rich and wealthy, and the government some money. It was finally repealed in 1853 with the Industrial Revolution.

Hats

The hat tax was first levied in 1784 to try and make a little more money from men depending on their wealth and status. Not paying the hat tax was a punishable offence and those who tried to forge a tax stamp may have been sentenced to death.

The history of Income Tax

Although stamp duty and all manner of other weird and wonderful taxes, for example on wigs, bachelors and hair powder, existed prior to 1798, it is income tax which is the main ancestor to today's extremely complex system.

Pitt the Younger brought in the tax on 3 December 1798 as a temporary measure to pay for the Napoleonic wars. The system was modified by his successor, Viscount Sidmouth, who introduced taxation at source and the schedule system still used until recently.

Apart from a temporary reprieve during a short outbreak of peace, the tax continued until 1816, a year after Napoleon was defeated at the Battle of Waterloo. Parliament then decided that all records connected with it should be destroyed, and taxpayers enthusiastically helped to stoke a bonfire of the records at Westminster.

In 1842, the tax was reintroduced by Conservative prime minister Sir Robert Peel, pressed by an empty exchequer and growing deficit. Herbert Asquith made some changes to the system in 1907, introducing the concept of differentiation between investments and earnings.

Income tax at this time was aimed at the very rich and did not hit the man in the street until the Second World War. As the country struggled to pay for the war effort, rates were increased and thresholds lowered to bring the joys of taxation to over 12 million workers. PAYE was introduced in 1944.

Corporation Tax and Capital Gains Tax were introduced in 1965 by chancellor James Callaghan, a former Inland Revenue employee, and VAT was introduced in 1973.

So, what will Rishi Sunak and Boris Johnson tax us on next? I guess we'll have to wait until the pandemic is over, or under control at least. **If you have any amusing ideas, please drop me an email, and perhaps we'll consider their merits in our next newsletter.**



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Brexit - final call for departures



Regardless of whether a trade deal is agreed before the 31 December deadline, the Border Operating Model and associated tax rules will come into effect on 1 January. If you trade with the EU, you need to ensure you are prepared.

MFW Sittingbourne Tax Manager Daniela Jarosova visited this topic in our Winter 2019 newsletter bit.ly/Brexittransition.

However, here is a reminder of the key action points you need to address if you have not already done so.

Economic Operator Registration Identification (EORI) number

EU importers and exporters need an EORI number to get their goods cleared through customs. You should, by now, have received your EORI number. However, if you have not, then you can find more details by visiting bit.ly/EORIdetails.

VAT registration

If exporting to the EU, you will need to check whether VAT registration in the country is required where goods enter the EU, where sale is made, or, where goods will be stored.

Should registration be required, the appointment of a VAT representative could be necessary. A VAT representative is distinctly different to a VAT agent. A VAT representative will be responsible for the VAT liability together with the UK business and therefore their services will be much more expensive.

Appointing an Agent

If you need a specialist agent to act on your behalf, visit bit.ly/SpecialistAgent. Grants are available for training and information technology for those that want to handle the documentation in-house although as time is now very tight you may, at this stage, be more comfortable using an agent. Further details on grants can be found here: bit.ly/Customsdeclarationsgrants.

Customs Grant Scheme

Customs intermediaries including customs brokers, freight forwarders, express parcel operators and traders who complete their own declarations, are among those who may benefit from the new co-funded training project under General Block Exemption Regulations (GBER). For more details visit: bit.ly/GeneralBlockExemptionRegs.

In addition, HMRC will now allow businesses with Authorised Economic Operator (AEO) status who have had a base in the UK for less than 12 months to access this grant scheme.

However, be warned that grants will be issued on a first come, first served basis.

Register for the National Export Scheme

In order to make export declarations you would also need to register for the National Export Scheme (NES) bit.ly/theNES.

Review your contracts

All your contracts should be reviewed with consideration for which party is responsible for paying import VAT and duties, where relevant.

Service sector be aware

Businesses offering goods for hire, businesses offering digital services to consumers who currently take advantage of the Mini One Stop Shop Scheme (MOSS) and those whose supplies fall under Tour Operators Margin Scheme (TOMS) will also need to watch out. For the latest information, please visit:

MOSS - bit.ly/MOSSrules TOMS - bit.ly/TOMSrules

Business in the financial services sector

In the event of a no deal, the services will no longer be exempt, but outside the scope of VAT with credit. This will be an important change, as if enabled this could mean that input tax recovery would be possible for UK businesses providing certain financial services within the EU.

Commercial fishers, merchants and exporters

The Marine Management Organisation (MMO) has issued guidance to support businesses in these sectors from 1 January, including step by step guide and checklist to exporting fish and seafood products to the EU. You can find out more by visiting bit.ly/Brexitandfishing.

Transitional Simplified Procedures (TSP)

TSP applies to business owners who do not currently import but will become importers once the UK leaves the EU. TSP will allow these businesses, or their freight forwarders, to record simple details in relation to an import in commercial records, without having to complete a detailed C88 form at that time. For more details visit: bit.ly/TransitionalSimplifiedProcedures.

Postponed import VAT accounting

In the event of a no-deal Brexit, HMRC has confirmed that businesses will be able to account for VAT in much the same way as they currently account for acquisition VAT, which is also reclaimed on the same return.

EU VAT refund system

The current EU VAT checking system remains in place although HMRC are in the process of developing a similar system designed for validating UK VAT numbers. **However, the EU refund scheme will cease to be accessible to UK business in the event of a no-deal.** The scheme enables an EU business, that incurred input VAT in another member state, to claim back VAT through a special procedure. On a positive note, a similar system will be available instead. **Do, however, ensure you check the differences regarding time limits for submission, periods for claim, if any reliefs are available and if duties are payable.**

Trading with Northern Ireland 1 January onwards

If you are trading with Northern Ireland then you will need to comply with regulations on manufactured goods you place on the Northern Ireland market from 1 January 2021. For more information visit: bit.ly/NITrading.



If you need any further advice or help then please do contact your local MFW office bit.ly/ContactMFW.



Tax matters: The gift of giving



Many of us this year will have to dig a bit deeper to find our Christmas spirit following the tier 3 situation that those of us in Kent find ourselves in and with most of the rest of the country in tier 2, expect for a few lucky places. If you find yourself having to dig deeper then let Charles Dickens provide a little inspiration whilst we await the vaccine roll-out.

"And it was always said of him, that he knew how to keep Christmas well, if any man alive possessed the knowledge. May that be truly said of us, and all of us! And so, as Tiny Tim observed, God bless Us, Every One!"

- Charles Dickens, A Christmas Carol

May the pandemic not sully our festivities this year and let us hope that 2021 will bring us all much better tidings as well as the vaccine.

In the meantime, here is a timely reminder for anyone wanting to know what you can gift at Christmas before inviting the taxman to the party, socially distanced, of course.

Gifts to employees

As an employer, you should be aware that not all gifts are tax and national insurance free so while you may think you are just being a kind and generous employer, your employees may become liable to pay extra income tax and you may be liable to pay employer national insurance on the gift.

So, what is tax and National Insurance free?

You can provide your employees with what HMRC refer to as a "trivial benefit" determined as a non-cash gift up to the value of £50 (including VAT). You are unable to give your employees a voucher they can exchange for cash without tax consequences, but you could give them a voucher they can exchange for goods, a bottle of wine, a bunch of flowers or a hamper, for example. As long as the value is not a penny more than £50, there will be no reporting requirements. You can provide this benefit, as many times as you like within a year (although a cap of £300 applies to directors). However, the vouchers must not be in recognition of work done or part of a reward scheme, to enable them to qualify as a trivial benefit.

You should also be wary of giving a gift too frequently as HMRC may argue that it is in recognition of service. **You should also be aware that if you give a gift exceeding £50, the whole amount becomes subject to tax and employer's national insurance – not just the amount in excess of £50.**

What can you do if you want to provide a more expensive gift to employees?

Perhaps this year you want to recognise all or some of your employees for the support, commitment and hard work they demonstrated during the pandemic? Perhaps you want to be more generous this year in order to show how much this support has meant to you? You can gift something more expensive to your employees, but it will need to be declared to HMRC. You can declare these by submitting a form P11D, through your payroll, via a PAYE Settlement Agreement (PSA) or even via the Tax Awards Scheme (TAS).

What about Christmas parties?

The face to face Christmas parties are cancelled for this year but the government has recently issued some guidelines on the tax implications of hosting a virtual Christmas party. For more details please click here: bit.ly/VirtualXmasparties.

For the remainder of us then the following provides a useful update we can follow as and when we can come back safely together again. Perhaps for an 'over-Covid' party next year?

How much can you spend?

As long as you do not spend over £150 per attendee at the event, there are no tax or national insurance implications. You can spend this on one big 'Post-Covid

party' or split the amount over two or three regular annual functions per tax year, as long as the total amount across the year does not exceed the £150 limit.

However, you do need to bear in mind that this limit needs to include the cost of all food, drink, venue hire, accommodation, transport and any other associated costs. **Remember, if you breach the £150 per head limit – then all of the costs will become subject to tax and employer's national insurance, not just the excess!**

What happens if you give a gift to your customers?

Of course, 2020 has been a hard year for almost everyone so this year may be the year when we see much less gifting as a result. However, if you do want to provide gifts then you also need to be mindful of the tax legislation here too. So what can you give? Assuming that it is a business gift such as a branded calendar, diary, pens, etc., and with a value less than £50, then there will be no need to report anything. However, if the value is more than £50, you will not be able to claim the expense on your tax return or your company's tax return.

Gifts to customers are only allowed as a deduction from profits, if the gift is either a sample of your trade, or something with a visible logo. Tobacco, alcohol and food items are, unfortunately, not allowed and therefore, not deductible from profits.

Need further help?

If you need any further help with taxation of Christmas gifts or any other accounting or taxation matters then please contact your local MFW office for further help. mfw.co.uk/contact.



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