



## Welcome to the Summer 2021 issue.

In this issue, we discuss how our Probate services helped reduce the stress of probate for one of our clients, see page 01 for further details.

We also feature an update on the Domestic Reverse Charge for those of you in the construction industry (see page 02) which includes helpful checklists and invoice examples to help simplify VAT for you.

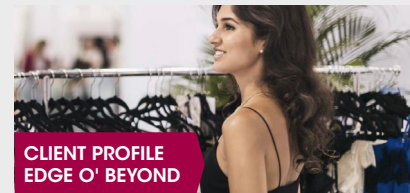
**We hope you enjoy reading this issue and wish you a glorious summer.**



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## Client Profile

# Probate

**Mr Smith (identity changed for confidentiality reasons) is an existing client of partner Leigh Jones of our Herne Bay office. He instructed Leigh, in his role as a probate practitioner, to carry out probate services following the death of his mother, who had also been a client. Instructing Leigh meant that Mr Smith had the benefit of a probate practitioner who was already familiar with his mother's business affairs, which helped to simplify the process.**

Having completed the probate process, we asked Mr Smith to provide us with some feedback as to how Leigh and the MFW probate team have been able to be of assistance at this sad time.

### **Was the thought of going through the probate process on your own daunting and/or distressing?**

Yes, it was. The thought of having to give our personal details such as bank account information to a person(s) unknown was very worrying. I was concerned about possible swindling if I made the wrong decision. Simply put, I did not want anyone I did not know and trust acting on behalf of my mother's estate.

When I realised that Leigh could act for us this really helped to reduce my stress and worry as MFW Herne Bay have acted for my family for over 50 years. Our long association with your firm started with you handling my father's tax affairs and thereafter those of my mother. These days, I am also a client of MFW Herne Bay.

I was delighted to know that the firm we have as a family come to rely on could handle the probate process for me.

### **What made you turn to MFW Probate for help?**

Trust. Having used your firm for many years our family has great trust in your professionalism. Every step along the way

Leigh has kept me up to date with what is happening and advised me on the process. Leigh achieved probate in only a year despite the restrictions and impact of Covid. Whilst my mother's probate was relatively straightforward, there were properties to sell and Inheritance Tax (IHT). Leigh's advice to me was to pay the IHT liability over ten years meaning that there was not the worry of paying a large IHT bill immediately. In addition, the service I received from him is simply second to none.

### **Would you recommend using a qualified probate practitioner to others going through a similar experience?**

Without a doubt! I really cannot see how a person could accomplish probate without the support of a specialist. I recommend using a professional practitioner 100 per cent! Using the MFW probate services and with Leigh advising me and chasing up probate on my behalf has lifted a huge weight from my shoulders. I instructed Leigh, as at the end of the day he is someone that I know and trust and I knew that he would do the best possible job for my family.

### **What has the experience of using our Probate services meant to you?**

I would not hesitate to recommend MFW probate services and Leigh Jones in particular. His service was excellent and the speed in which he dealt with my mother's probate was very impressive, despite having to work within the confines of a pandemic. His advice on Inheritance Tax avoided our family from having to pay out a large sum upfront, something I did not previously realise we could do.

Throughout the process, Leigh has kept me up-to-date with the progress of my mother's probate. I am so glad that in being able to appoint Leigh that my family

avoided the added stress of appointing an unknown person to handle my mother's affairs.

I am very grateful for Leigh's professionalism and care during this time. Like many people, I was unaware that an accountancy firm can offer probate services but it really makes so much sense that we would use such a trusted firm when you consider our long-standing relationship with McCabe Ford Williams. I would also recommend anyone new to MFW to contact them should you be in a similar position.

## Services provided

Herne Bay partner Leigh Jones explains the services he provided to Mr Smith.

*"When contacted by Mr Smith to advise me of the sad passing of his mother, I informed him that we could offer services in a couple of ways. One, where we simply undertake the IHT work and obtain the Grant, leaving him to then transfer titles of property, collect assets, close bank accounts and settle liabilities, or alternatively, where we could handle the whole process from start to finish. Mr Smith advised me that he would rather us handle the whole process, in which we used the information we already held to contact relevant banks and building societies, along with liaising with Mr Smith to establish market values for the properties. There was the added complexity of some gifts which had not survived the even year rule to factor in as well as settling a few of the usual liabilities we expect to see like pension overpayments and final tax bills."*

## Why choose MFW Probate?

Before legislation changes in 2014, an accountant was only able to assist the personal representatives or solicitors,

which would often lead to increased costs for the estate. Under the new regime, we are able to act on behalf of the personal representative or can be appointed as a professional executor. Therefore, we can deal with all non-contentious legal and tax matters relating to probate under one roof.

As we are Chartered Accountants with large numbers of tax specialists, you do not have to worry whether you are paying the correct rate or amount of tax. We are specialists in all areas of taxation so you can rest assured we will get this right for you even in the most complex situations.

We do not charge a percentage of the estate and our fees are quoted up front and fixed in almost all matters.

We also ensure a dedicated team member will deal with you personally so that help is always at hand.

For more details, please visit the probate area of our website [mfw.co.uk/probate](http://mfw.co.uk/probate)



McCabe Ford Williams is licensed by the Institute of Chartered Accountants in England and Wales (ICAEW) to carry out the reserved legal activity of non-contentious probate in England and Wales.

# Tax Matters

## CIS - VAT Reverse Charge update

From 1 March 2021, there was a significant change to the way VAT is accounted for in the construction industry, with the introduction of the “Domestic Reverse Charge” (DRC).

### Why has this been introduced?

The change has been implemented as a measure to prevent missing trader fraud committed by subcontractors providing labour and materials for construction services. This type of fraud occurs where a subcontractor provides labour, and charges VAT on this supply, but “disappears” before paying the VAT over to HMRC. Under the new system, the subcontractor would not charge VAT on its supplies- it would instead be accounted for by way of a reverse charge.

### Who is affected?

The DRC applies to businesses falling under the long-running Construction Industry Scheme (CIS), where both the supplier and the customer are VAT registered.

The supplies covered include most construction work such as:

- Groundworks
- Demolition
- Building work
- Installation of heating and lighting systems
- Painting and decorating
- Cleaning the inside of buildings after construction work

### Exemptions

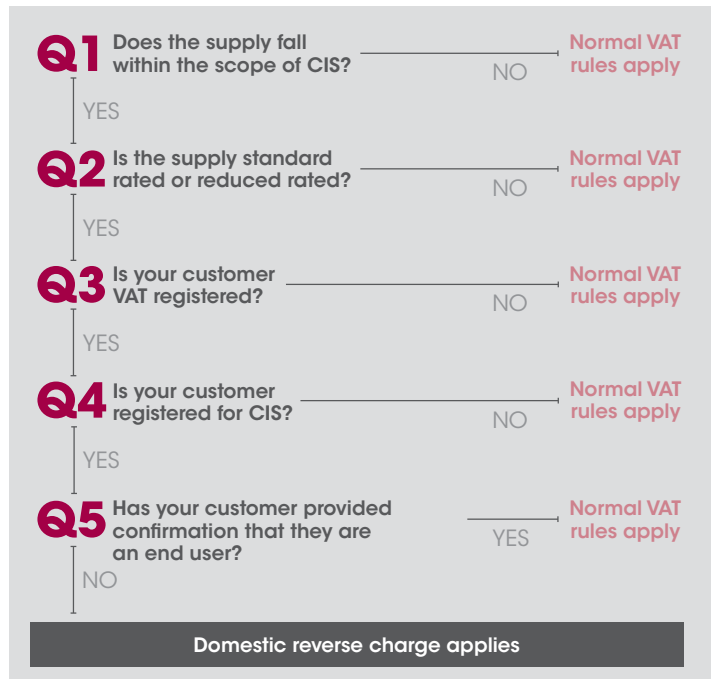
The following are examples of supplies excluded from the definition of construction services:

- The professional services of architects or surveyors
- The installation of security systems
- Carpet fitting
- Delivering materials

### Does this apply to me?

HMRC have designed the following flow charts to help you decide whether DRC applies to you and your customers or suppliers.

Before invoicing your customers you need to ask yourself the following questions:



If the answer is NO to any of the first four questions then normal VAT rules should be applied to your invoices.

For question five, you will need to confirm with your customer whether they are an end user before deciding on whether DRC should apply.

### What is an end user?

For reverse charge purposes, consumers and final customers are called end users. They are businesses, or groups of businesses that are VAT and Construction Industry Scheme registered but do not make onward supplies of the building and construction services supplied to them.

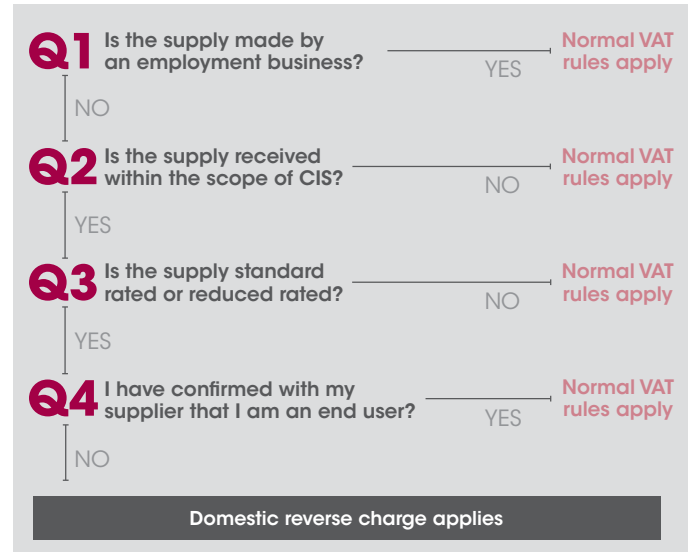
The reverse charge does not apply to supplies to end users where the end user tells their supplier or building contractor in writing that they are an end user.

### Example:

As an example, a retail business hiring a contractor for the construction of new units for their own company's use. They would be classed as an end user and would be excluded from the DRC, because they are using the construction services for themselves and not selling them on. In this situation, the supplier of construction services would need to charge VAT on its supplies as normal.

However, a business who hired contractors for the construction of their client's new units would not be deemed an end user and therefore the reverse charge would apply. This is because they are selling the construction services on to the client.

**Before paying your suppliers, you need to consider whether DRC should be applied on the suppliers invoice. You will need to ask yourself the following questions:**



### How to show DRC on my invoices?

When supplying a service subject to a DRC, suppliers must:

- Show all the information required on a VAT invoice
- Make a note on the invoice to make it clear that the domestic reverse charge applies and that the customer is required to account for the VAT
- Clearly state how much VAT is due under the reverse charge or the rate of VAT if the VAT amount cannot be shown. However, the VAT should not be included in the amount charged to the customer

The VAT regulations 1995 say invoices for services subject to the reverse charge must include the reference 'reverse charge'.

## Here are some examples of wording that meet the legal requirement:

- reverse charge: VAT Act 1994 Section 55A applies
- reverse charge: S55A VATA 94 applies
- reverse charge: Customer to pay the VAT to HMRC

## If your accounting software cannot show the reverse charge, as for example with QuickBooks™, you must:

- State that the VAT is to be accounted by the customer

- Add wording to the invoice to say 'customer to account to HMRC' for the reverse charge
- Make sure customer can identify reverse charge goods or services



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## Basic example provided by HMRC:

INVOICE				
To: Contractor (Customer) Customer's Address: Customer's VAT Registration No:		From: Sub-contractor (Supplier) Supplier's Address: Supplier's VAT Registration No:		
Invoice No: Invoice Date:				
Description	Net (£)	VAT Rate	VAT (£)	Gross (£)
Refurbishment of commercial premises	200,000	20%	Reverse charge applies	200,000
Conversion of office block to residential housing	150,000	5%	Reverse charge applies	150,000
<b>Total</b>	<b>350,000</b>			<b>350,000</b>
<b>Customer to account to HMRC for the reverse charge output tax on the VAT exclusive price of items marked 'reverse charge' at the relevant VAT rate as shown above.</b>				

## A more detailed template is provided on systems such as Xero:

TAX INVOICE		Demo Co.			
ABC Furniture		Invoice Date 2 Jun 2021	Orange Demo Co 23 Main Street		
		Invoice Number INV-0046	Central City Marineville		
		Reference Invoice 1	MV12 3CC		
		VAT Number GB 123456789			
Description	Quantity	Unit Price	VAT	Amount GBP	
CIS	1.00	1,200.00	Domestic Reverse Charge @ 20% (VAT on Income)	1,200.00	
Subtotal				1,200.00	
Reverse charge applies to items marked with 'Domestic reverse charge'. Customers need to account for VAT on these items to HMRC, at the rate shown.					
TOTAL DOMESTIC REVERSE CHARGE @ 20% (VAT ON INCOME)				0.00	
<b>TOTAL GBP</b>				<b>1,200.00</b>	
Less CIS Deduction 20%				240.00	
<b>AMOUNT DUE GBP</b>				<b>960.00</b>	

### Due Date: 2 Jul 2021

When paying by cheque, please complete this payment advice, detach and post to the address provided.  
Online payment preferred - use our account 99-04-04 987654321 or use the 'Pay online now' link to pay via PayPal with your credit card.



[View and pay online now](#)

## Child Benefit To claim or not to claim?

It is important to appreciate that Child Benefit itself is not liable to tax. The High Income Child Benefit Charge (HICBC) is payable by a taxpayer who has "adjusted net income" in excess of £50,000 where either they or their partner, if they have one, are in receipt of Child Benefit.

An income tax charge will apply at a rate of 1% of the full Child Benefit award for each £100 of income between £50,000 and £60,000. The charge on taxpayers with income above £60,000 will be equal to the amount of Child Benefit received.

Because of this, it is not uncommon for parents to avoid claiming Child Benefit altogether.

To avoid liability to HICBC, parents' best option is to claim Child Benefit, then opt out of receiving payments. This is done by way of an election, which can be revoked no later than two years after the end of the tax year in which the revocation is to take effect.

Making the election means that the claimant, usually the child's mother, preserves her entitlement to National Insurance benefits such as the state retirement pension. If she claims Child Benefit, she can be credited with National Insurance contributions until the child reaches the age of 12. A claim also ensures that the child receives a National Insurance number (NINO) automatically when he or she is 16. If the child does not receive a NINO, he or she can still ask HMRC for it when needed, and one will be given on proof of identity.



It is equally important who claims the benefit. Where one partner works and the other stays at home to look after the child, the non-working partner should claim, because the working partner is already paying NIC and the NI credits would simply be wasted if they were assigned to him/her.

If you wish to read more about HICBC and Child Benefit, please see the Factsheet on our website at this link [mfw.co.uk/factsheets/?op=/factsheets/personal-tax/child-benefit-charge](https://mfw.co.uk/factsheets/?op=/factsheets/personal-tax/child-benefit-charge)



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## Client Profile

# Edge o' Beyond Limited

**Edge o' Beyond is a luxury brand selling lingerie, swimwear, jewellery and accessories online to discerning clients.**

The brand was launched by Naomi Edmondson who wanted to do something she loved and, with a desire to create beautiful and unique lingerie that would be inclusive for all women. It was also important to Naomi that her products be sustainable. Over time, the product range extended into swimwear and nightwear, created with the same passion and ethos.

### **Working with MFW Ashford**

Naomi is a long-standing client of partner Mark Greenwood of our Ashford office. Mark and his team provide bookkeeping, VAT and payroll services for Naomi. They also produce her annual accounts and Corporation Tax return and provide sound advice to Naomi in order for her brand to develop.

We recently spoke with Naomi to get a greater understanding of her business.

### **Why did you set up in business?**

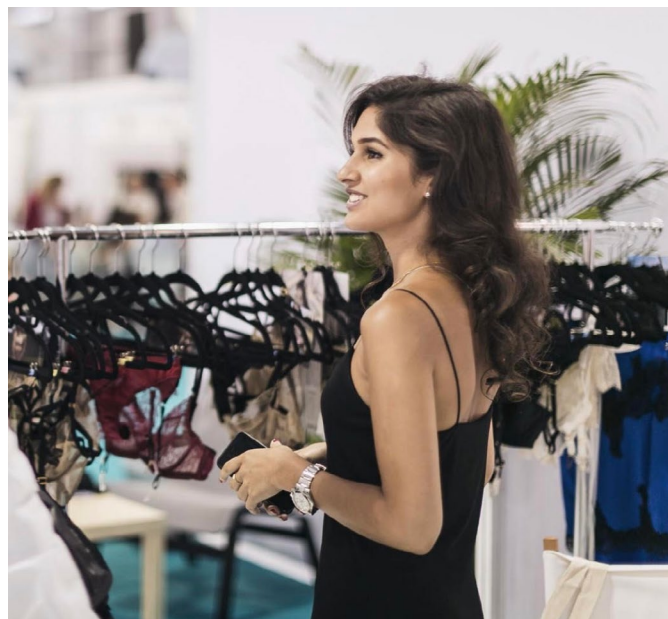
I set up Edge o' Beyond as I had a huge passion for lingerie and I thought I could create something unique to empower women

### **Why is lingerie important to you?**

Lingerie is the first thing you put on in the morning and it sets the tone for the day. Our customers always tell us how great our pieces make them feel and that is what is so important to us, we want to make all women shine.

### **Why did you decide on an online only business strategy?**

I love the idea of having our own shop, but they are so risky and I have never been a big risk taker. The website



 Naomi Edmondson, proprietor Edge o' Beyond.

(<https://www.edgeobeyond.com>) is doing so well at the moment and we stock our pieces in other people's stores, so you can still find us in the shops!

### **What have been the advantages and disadvantages of this?**

One of the advantages is being able to focus attention on reaching such an international market online and we were lucky not to have a shop during all the recent lockdowns! A disadvantage is that we do have customers who would love to see our pieces in a physical store, but we are now offering Virtual Appointments, which are fun.



**According to recent research reported in 2019 by Underlines, the business publication for your industry, 90% of women wear the wrong size of bra. You offer a virtual fitting service - how does this compare with a face-to-face fitting and how has this helped your clientele?**

We do get many questions regarding fit so we have created our own bra size calculator, you just take two simple measurements and we can work out your size. It is also good to know which brands and sizes you feel fit you the best and we can assess any fit comments you may have with current pieces you own. Another thing that helps our customers is that the majority of our pieces have adjustable underbands, so you can tighten or loosen the fit as and when you please. Lots of women change size from year to year and even from month to month, so it is great to have the adjustment there!

**Your production house is in Wales. What made you choose UK production and why, in particular, Wales? Is there a thriving lingerie industry there?**

Yes, there is. When we launched in 2014 we were producing our lingerie in a factory in Wales. Unfortunately, the factory went into administration but we were offered an amazing opportunity to rent the same factory so we did this and hired 2 of the machinists to begin with. We now have 10 machinists and are looking for more wonderful ladies to join our team!

**What challenges has Covid-19 created for you and your business?**

So many! Many of our suppliers shut down which was a big challenge as we had lots of orders to fulfil. We have had to delay releases as a result and also find new ways to work.

**What problems has trading after Brexit caused?**

We are still trying to get our head around all the new rules, especially with shipping! Many international customers found they were having to pay much more to receive their orders, so we are now trialling paying for our customers duties.

**How do you market your brand?**

Just organically through social media and word of mouth.

**What is the best and worst thing about being your own boss?**

Best thing is choosing my own hours and working from anywhere (at the moment - "anywhere" tends to be in a playground or farm with my two sons, but hopefully we can go on holiday soon).

The worst thing is that every problem becomes my problem... but I still love it all!

**How important has it been to your business to work with Mark and his team?**

We LOVE working with Mark and his team, Mark is really personable and everyone on the team is so friendly - they are always there to answer any of our accountancy related questions. It is great to have their team managing our accounts so we can focus on making the lingerie!

For more details visit the Edge o' Beyond website: [www.edgeobeyond.com](http://www.edgeobeyond.com)

# The impact of Coronavirus on Corporate Insolvencies

Shortly after the first lockdown in March 2020, the government passed a variety of legislation intended to assist ailing companies with a view to preserving jobs and protecting the long-term future of those businesses.

## What were these temporary measures?

The legislation included a temporary ban on issuing statutory demands and restrictions on winding up petitions unless it could be shown that the financial woes of the company were unrelated to (or predated) the Coronavirus pandemic. There was also a relaxation of wrongful trading provisions. The provisions have since been extended a number of times and at the time of writing are due to come to an end on 30th June 2021, although it is anticipated that the measures will be extended further.

## The effect of these changes

The ban has resulted in a reduction of 34.62% of all corporate insolvencies for the year to March 2021, with the numbers of compulsory liquidations being down by a staggering 73.55% for the same period.

While at first glance this appears to be good news for businesses, employees and the wider economy, there are implications, which are perhaps not so welcome.



## Fraudulent claims or not utilising funds for business purposes

I have heard numerous anecdotal tales of directors who have taken advantage of various Covid-19 Government financial support schemes. This includes Bounce Back Loans, the Coronavirus Business Interruption Loan Scheme and the Coronavirus Job Retention Scheme among others, where there have either been fraudulent

claims or, rather than utilising those funds for business purposes, the directors have used them personally, for things such as foreign holidays and expensive cars. Of course, should the company go into liquidation at some point in the future, the liquidators will be obliged to consider as a part of their investigations, whether any fraud has taken place. If any potential criminal matters, statutory or regulatory breaches, which are not already being investigated by the regulators or the police are identified, the liquidators are required to report the wrongdoing to the appropriate authority. While it is right that any fraud is identified, unfortunately the more time that passes before these transactions are scrutinised, the more difficult it could be to ascertain what offences have taken place.

### Time Limits

Another matter to consider is that there are time limits on most antecedent transactions entered into by a rogue (or unwary) director. This means that transactions that would normally be overturned by a liquidator, such as a transaction at undervalue or (under certain circumstances) repayment of a directors loan account, which could be void if they occur within 2 years of the commencement of liquidation, could well fall outside the time scale, due to the delay caused by the temporary provisions.

Delaying winding up can also be detrimental to employees who will only have their claims for redundancy, arrears of pay, holiday pay and payment in lieu of notice processed by the Redundancy Payments Service after a formal insolvency procedure has taken place.

From a creditor's perspective, the delay in being able to petition to wind up a debtor company

could have serious financial implications, including its own survival.

Also, due to the reintroduction of crown preference in December 2020, which provides for some crown debts to rank as a new second preferential creditor, the delays will mean the funds available for unsecured creditors may, in some cases, be considerably reduced due to the amount paid preferentially to HMRC.

### How will this be viewed?

The relaxation of the wrongful trading provisions was intended to temporarily remove the threat of personal liability arising from wrongful trading for directors who continued to trade a company through the crisis, with the uncertainty that the company may not be able to avoid insolvency in the future. Wrongful trading is in general terms quite difficult to prove, so it will be interesting to see how this pans out when things return to 'normal'.



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