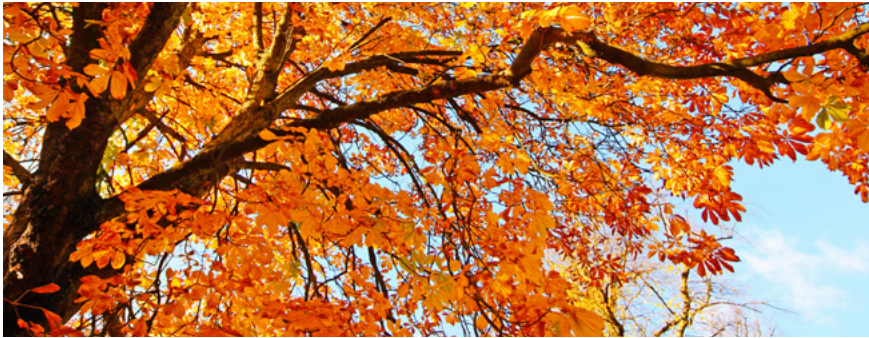


[MFW.CO.UK](https://mfw.co.uk)



Welcome to our autumn 2021 newsletter

As we head to print, Chancellor Rishi Sunak has announced an Autumn Budget for Wednesday 27th October. We will have to wait and see whether this just takes the form of a Spending Review or whether he will take this opportunity to make any announcements on new fiscal measures to build back the UK economy after the dual impacts of Brexit and Covid-19.

Of course, we already know some of the details of Prime Minister Boris Johnson's plans for Social Care Reforms with the 1.25% planned increase in National Insurance Contributions (NICs) which will come into effect in April 2022. The increases will impact employees, the self-employed and employers. We recently emailed clients about these details but if you missed that communication then do visit our blog post here:

mfw.co.uk/2021/09/16/social-care-reform-national-insurance-increases

We will, of course, keep you updated with our Autumn Budget coverage but in the meantime, the next hurdle is the ending of the government's Covid support under the Coronavirus Job Retention Scheme (CJRS), otherwise known as the furloughing scheme, and the Self-Employment Income Support Scheme (SEISS). Please do not hesitate to contact your relevant MFW team member should you need any additional support through this challenging time. We're here to help!

In the meantime, we hope you enjoy reading this issue.



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MTD Update

Making Tax Digital for Income Tax Self-Assessment

Making Tax Digital (MTD) is part of the government's ongoing plan to ensure all taxpayers use software for accounting and reporting that relates to tax. MTD legislation means that tax data must be kept digitally and the submission of tax data must be made digitally. HMRC claim that it will be 'easier for individuals and businesses to get their tax right and keep on top of their affairs'.

Following the introduction of MTD for VAT in April 2019, **MTD for Income Tax Self Assessment** (MTD for ITSA) is the next step in the government's plan. **The government has said MTD for ITSA will be mandatory from 6 April 2023.** Currently, you can use HMRC's online services to complete tasks such as submitting your tax returns. However, MTD for Income Tax, as it's commonly known, goes further than that. **It requires the use of software to keep digital records and send Income Tax updates instead of simply filing a Self Assessment tax return.**

It will affect sole traders and landlords (or individuals who are both) that have an income above £10,000.

You **MUST** follow the rules for your next accounting period that starts on or after 6 April 2023, if your taxable turnover from your self-employed business or income from property is above £10,000.

This income threshold applies to the individual. It might come from just one business, or multiple entities. If, for example, you received £8,000 income from your sole trader business and £3,000 from rental income on property you own, you will need to use MTD for Income Tax, or if you operate three businesses, each with an annual income of £4,000, for example, you would need to register for MTD for ITSA and follow the rules for each of them.

If your income is £10,000 or below then you will continue to use the existing Self Assessment system.

You can choose to follow the rules voluntarily prior to the mandatory introduction if all of the following apply:

- you are a UK resident
- you are registered for Self Assessment and your returns and payments are up to date
- you are a sole trader with income from one business only or a landlord who rents out UK property (or both)

You cannot sign up if you need to report income from any other sources.

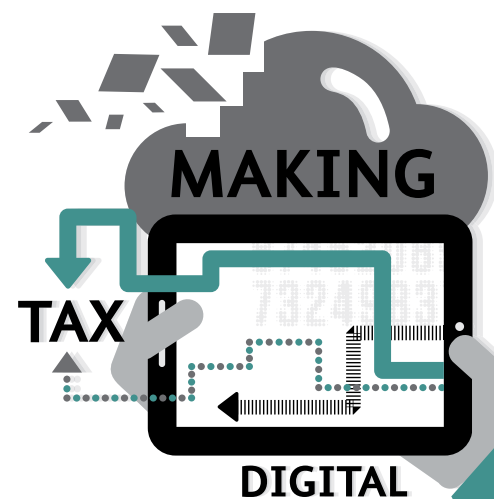
Keeping digital records - the process

You will need to keep digital records of all your business income and expenses – this includes income from self-employment or property income. You should start to keep digital records at the start of the accounting period you are signing up for and do this for the whole of the accounting period.

You will need to use the software to keep both records and send updates. The software has to be compatible with MTD for Income Tax. MFW can help you to choose a compatible software to suit your needs. We will also be able to help with submitting the records or even keeping the records on your behalf, if you require.

Sending updates using software

Before you send updates, you will need to follow the instructions



using your Government Gateway user ID and password to become authorised for MTD for Income Tax. Alternatively, you can ask MFW to do this on your behalf by acting as your agent.

After your software is authorised you (or MFW) will send updates to HMRC every 3 months called the 'End of Period Statement' (EOPS). Updates are summaries of your business income and expenses.

Finalising your business income

At the end of your accounting period you will need to finalise your business income in a declaration. This is where you will need to confirm that the updates that you sent are correct and make any accounting adjustments necessary to them.

MFW would usually want to review this and make any corrections and adjustments at this point also.

Submitting a final declaration

The final declaration replaces the Self-Assessment tax return.

You will submit your final declaration after the end of the tax year that it applies to. This is where you can notify HMRC about any personal income you have or any reliefs that you want to claim.

The final declaration applies to individuals and not to individual businesses or property income, so you will only submit one each tax year.

Exemptions

While most businesses are required to follow the MTD for Income Tax rules some can apply to be digitally excluded. This is allowed because it is either impossible or impractical for them to use technology in the way MTD requires.

Examples include those who do not have internet access because of their remote location. Some disabilities also make using technology difficult or impossible.

Final Thoughts

There are a number of benefits for businesses and individuals when it comes to using digital records. For example, cash flow is improved because you have a good idea throughout the year of how much tax you owe. You should also spend less time on admin as the technology available should speed the bookkeeping process up and, you can produce reports that will make it easier to see how your business is performing on a more regular basis. These benefits will help you to make key business decisions in a more timely manner.

We, at MFW, would suggest that if you are not already using a digital accounting system, you should be well prepared and aim to be up and running with a solution ahead of the mandatory time. This will give you time to become at ease with the new system prior to the requirements to submit quarterly.

MFW can help with each step, as much or as little as you require.

For more information call your local MFW office. mfw.co.uk/contact



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MTD Update

How our App can help



We launched our mobile App in 2018 to provide clients and non-clients alike with a tool to help them run their businesses more efficiently and effectively. Many of you are already enjoying using our App and benefitting from its many features including access to cloud accounting software, recording business mileage, managing your income and recording expenditure. However, if you have yet to try out our App then perhaps now is the time to think again?

Transition to MTD for individuals, sole traders and landlords

Our App provides the perfect platform to run your business including access to your cloud accounting software. Whilst April 2023, may seem a long way off, the earlier you start using our App the easier you should find the transition to MTD.

How our App can help

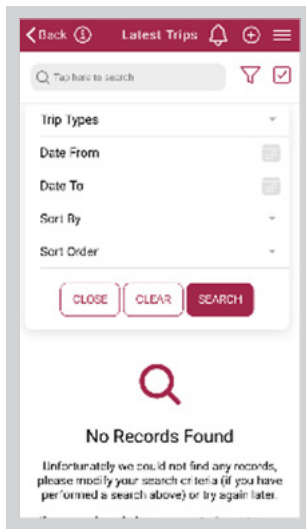
Our App provides a tool where everything is in one place and features a host of key benefits including:

- The ability to record and export your business mileage using the GPS enabled Mileage Tracker tool.

- Being able to accurately record your receipts whilst on the go with a handy and easy to use Receipts Manager tool.
- Keeping an accurate record of all payments made and received with our Income Manager tool.
- Being able to log into your cloud accounting software platform for an accurate and up-to-date insight of how your business is doing.
- Be able to keep up to date with the latest news and information using the News and Latest Info areas.
- Having quick access to a wide range of calculators, which will help you to calculate anything from payslips to Corporation Tax.*
- You will also be able to send information to us quicker and more efficiently, call us from your mobile and download any forms you need, all from your App.

Below we look at the useful tools function of our App in more detail.

MFW App Tools



GPS Mileage Tracker

Our Mileage Tracker uses state-of-the-art automatic GPS technology, so you can effortlessly and accurately track your personal and business journeys. In order to do this, ensure you amend the location settings on your device to 'Allow always'. However, you can also manually start and end your mileage tracking, should you prefer.

Thereafter, it is a simple exercise to export your mileage to us saving you valuable time.

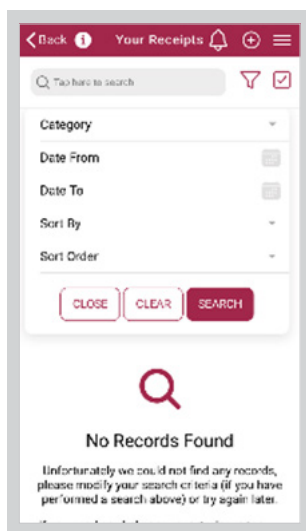
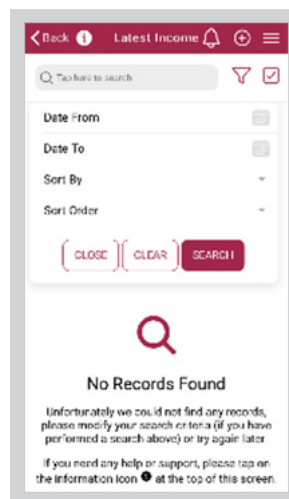


Photo Receipt Manager - for accurate expense capture

Track receipts and expenses literally at the touch of a button. With minimal effort, you can take a photo of any receipt and save it to your App. Receipts can be grouped and stored under a wide range of headings.. You can also export the receipt data to us at any time and enable us to interact digitally with you, saving you time.



Income Manager Tool

The Income Manager tool works in the same way as the Receipt Manager. You simply take photos of your sales invoices and log into our App, recording, as you go, how the payment was made. Files can be exported to us as a Zip file to save you time and frustration.

Cloud Storage

Our mobile App now has cloud storage, which offers the following benefits:

- Data can be synched across multiple devices so if you lose your phone/device you can login to your account on a new device and all your data will be available.
- Data can be easily and securely backed up and as files are not stored on individual devices, the app will take up less space on your phone/device.

Push notifications to keep you updated

We care about providing the best service possible and we are able to share immediate information direct to your device, keeping you informed and up-to-date. The Covid-19 pandemic proved the importance of getting

MFW Mobile App/HMRC issues NMW excuses

critical information out to clients as soon as possible. Our App provides the perfect platform for us to communicate quickly so you should never miss key updates including important news, Budget information and Tax updates.



How to download our free App

Downloading our App could not be easier. Simply scan this QR code using a QR reader or your phone's camera to launch the download link.

Alternatively, access Apple App Store or Google Play by clicking on the relevant icons below:



Get in touch

Our App is free to use for clients and non-clients alike so do feel free recommend it to your friends.

Our App is designed to be simple to use. However, should you need any help using it please contact your local MFW office.

We hope you enjoy using our App!

**Please note: Whilst the tax calculators in our App can help provide you with insight into your tax liabilities, we always recommend seeking professional advice before making any business decisions. This will take into consideration your own unique circumstances, tailor advice for your benefit and ensure you maximise the benefits of your tax position.*

National Minimum Wage excuses

HMRC has issued their top ten list of excuses from employers not paying the national minimum wage (NMW)

1. "She does not deserve the NMW because she only makes the teas and sweeps the floors."
2. "The employee was not a good worker, so I did not think they deserved to be paid the NMW."
3. "My accountant and I speak a different language - he does not understand me, and that is why he does not pay my workers the correct wages."
4. "My employee is still learning so they are not entitled to the NMW."
5. "It is part of UK culture not to pay young workers for the first three months as they have to prove their worth first."
6. "The NMW does not apply to my business."
7. "I have got an agreement with my workers that I will not pay them the NMW; they understand, and they even signed a contract to this effect."
8. "I thought it was okay to pay young workers below the NMW as they are not British and therefore do not have the right to be paid it."
9. "My workers like to think of themselves as being self-employed and the NMW does not apply to people who work for themselves."
10. "My workers are often just on standby when there are no customers in the shop; I only pay them for when they are actually serving someone."

Fraud Awareness

Be Fraud Aware



In our *summer 2017 Business Matters newsletter*, we highlighted the impact of cyber fraud on individuals and businesses. Alas, since that time cyber-crime has grown in the UK and across the entire World. The global Covid-19 pandemic provided the perfect

platform for hackers to take advantage of people due to the increase in online activity. These unscrupulous individuals even targeted people claiming government support through the Coronavirus Job Support Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS).

Hackers often work by tricking individuals via emails and website scams but they can also use malware, (malicious software), to damage a device to get into a system and then to hold an individual or business to ransom. In doing so they can not only steal your hard-earned money but can also access personal and confidential information relating to you or your business.

What steps can you take to protect yourself?

The **National Cyber Security Centre's (NCSC) Cyber Aware** website provides useful information about protecting yourself and your business from cyber-attacks. www.ncsc.gov.uk/cyberaware/home.

They advocate a six-point action plan to improve your online security, as follows:

- Select a strong and separate password for each website you visit.
- Remember when selecting passwords that evidence now shows that the strongest passwords to break are from using three random words.

- On private computers, ensure you save your passwords in your browser.
- Turn on 2 factor authentication where possible (2FA).
- Ensure you are regularly updating all your devices.
- Always back up your data so that ransom attacks are less of a concern to you and your business.

The Cyber Aware website provides further details on all these steps and includes a tool to create your own action plan by following the steps here: www.ncsc.gov.uk/cyberaware/actionplan.

As so many of us have increased online ordering during the pandemic the NCSC have also compiled advice on **shopping online securely**. You can find that guide here www.ncsc.gov.uk/guidance/shopping-online-securely

Other Cyber help

The **Metropolitan Police** have issued the fifth edition of their **Little Book of Big Scams**: www.met.police.uk/SysSiteAssets/media/downloads/central/advice/fraud/met/the-little-book-of-big-scams.pdf

Meanwhile, the **Kent Police Cyber Unit** have some great advice on their website, which can be found here: www.kent.police.uk/advice/advice-and-information/fa/fraud/online-fraud/cyber-crime-fraud

Action Fraud

Action Fraud (www.actionfraud.police.uk) is the UK's national reporting centre for fraud and cyber-crime. **This is where you should report fraud if you have been scammed, defrauded or experienced cyber-crime in England, Wales and Northern Ireland.** You can also contact them to report a fraud on 0300 123 2040.

Above all, being vigilant and keeping informed of the latest scams will ensure you and your business are in the best position to avoid these hackers. It is always far better to be safe than sorry.

Capital Gains Tax

The importance of an asset archive

For many individuals the first time they think about Capital Gains Tax (CGT) is when they have disposed of an asset, at which point they then seek advice on how to minimise any CGT liability. In reality, the time to consider any future CGT liability is when you buy an asset. This article will primarily discuss property assets, together with the principles of good record keeping but our professional advice applies across all assets.

You may be convinced at the time of your purchase that a property is going to be your principal private residence (PPR) and therefore not liable to CGT, but the outcome can often be very different. Death, divorce, separation, illness and a change in financial circumstances often change our original plan to settle in a property as our home for an open-ended period of time. Conversely, a property purchased as an investment may be occupied in the future as your PPR.

Often properties are held for many decades and trying to rebuild a documented history of your period of ownership



can be a time consuming and expensive business. If you have a property portfolio then the challenge only increases. In order to minimise any CGT and maximise any reliefs a full history should be kept from the date of acquisition, including whether the property is purchased, inherited or received by way of a gift etc.

Record keeping

A simple archive file is all that is required to keep documents and any supporting evidence that builds a picture of any relevant changes during your period of ownership. Keeping good records will give you peace of mind; reduce professional fees in the long run and likely save you CGT. Keeping electronic records is another option as long as the records are backed up.

The keeping of an archive file will also be invaluable for your executors, or potentially those who hold Power of Attorney for you.

Which documents to keep

Initially, if the property is purchased, a copy of the completion statement from your solicitor should be kept. The completion statement should include the full address of the property, the full name of the purchaser/purchasers and the date of exchange and completion, together with a breakdown of all costs. For CGT purposes, it is the date of exchange of an unconditional contract that is the significant date.

A copy of the estate agent's sales particulars will also be helpful to establish exactly what was purchased if any changes to the property are made over the coming years. The owner should also bear in mind that only land surrounding your PPR in excess of half a hectare (just over an acre) does not automatically qualify for PPR Relief from CGT. Therefore, a copy of the original site plan showing access and boundaries, together with the sales particulars

should be retained. A record of how any extended land was used during your ownership should also be kept as this may enhance the PPR Relief available.

If the property is inherited, a copy of the probate valuation and any documentation that confirms the date of the inheritance will be required. If a Deed of Variation changes the Will of the deceased, a copy of this would also be helpful.

For varying reasons, a Deed of Trust may be drawn up during your period of ownership that changes the beneficial owner of the property. This is a significant change for CGT purposes and a copy of the Deed should be retained. Deeds are not registered with the Land Registry which shows the legal owner, and this may differ from the beneficial owner.

If a property is let out then copies of tenancy agreements and letting agent's correspondence will be useful in determining any let periods. If the owner returns to the property after letting, a copy of their council tax account will show the date that they moved back in and became responsible for the Council Tax.

Allowable costs

Often improvements, or complete redevelopments are undertaken and full records of the costs should be kept in order to minimise any Capital Gain. Any maintenance costs or like-for-like replacements are not allowable for CGT purposes. For improvements to qualify for relief they must be reflected in the value of the property at the time of sale. For instance, a twenty-year-old kitchen improvement is unlikely to be reflected at the time of sale, as it likely needs replacing.

Part disposals

Another area worthy of note is a part disposal of a property, for example the sale of garden land, or outbuilding.

A computation would need to be done at the time of the transaction to see if a gain/loss arises at the time, and how this part disposal affects the base cost of the retained part of the property and therefore the future disposal.

When to seek advice

Any plans that you are considering that include property owned by you, are best discussed with your professional advisors before any decisions are made. Usually, there are tax-planning opportunities that are not available retrospectively. Some elections regarding property are time sensitive and therefore real time guidance is necessary. CGT legislation has changed considerably in recent years and some reliefs have been reduced or withdrawn.

Many financial commentators believe that a dramatic change to CGT is now overdue, following the report issued by the Office of Tax Simplification, requested by the Chancellor of the Exchequer. In fact, our Senior Partner Ian Pascall, has written a blog on this subject which you can find here: mfw.co.uk/2020/06/16/radical-changes-to-inheritance-tax-may-be-on-their-way/

Whilst no announcements were made by the Chancellor in this year's Spring Budget, an announcement on CGT reform is likely post-pandemic.

If you would like further guidance regarding any of the above, please contact Daniela Jarosova, or your usual **MFW contact**.



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Are you planning on leaving cryptocurrency in your will?

What is cryptocurrency?

The first part of the word, 'crypto' means 'hidden' or 'secret' reflecting the secure technology used to record who owns what, and for making payments between users.

The second part of the word, 'currency,' tells us the reason cryptocurrencies were designed in the first place: as a type of electronic cash.

However, cryptocurrencies are nothing like the cash we are used to. They exist electronically and use a peer-to-peer system. The largest digital currencies are, at the time of writing, Bitcoin, Ethereum, Binance Coin and Ripple.

It is decentralized, meaning it is controlled by users and computer algorithms and not a central government and is stored in a digital wallet, which can be hardware based or web based.

How do investors access their cryptocurrency?

Systems can vary but in general terms, in order to access the digital wallet, users must have their cryptographic keys, which come in the form of a private key and a public key. The public key is required for others to send cryptocurrency to the investor, but it's the private key that allows the investor to move or send funds out of their wallet, to another, securely. The private key must always be kept secret as that is the only way to protect the digital assets.

How is cryptocurrency different to other assets in a will?

While most assets are reasonably easy to trace and transfer, this is not the case with cryptocurrency. It can be left in a will to a beneficiary, but it is essential that the deceased leaves details of how to access the digital wallet, including the public and private keys. However,



this information **should NOT be** left within the will itself, because this will become a public document, possibly before the executors are able to deal with the asset.

Can cryptocurrency be accessed without the keys?

Absolutely not! Even if the beneficiary knows the asset exists, without the keys it is not possible to access the wallet. Millions of pounds worth of cryptocurrency has been lost forever because investors have failed to make provision for accessing the wallets after their death.



Is there a safe way to allow the executors to access your cryptocurrency after your death?

There are systems to ensure the asset is accessible after your death, and which will keep the cryptocurrency secure in the meantime. The following are a couple of options, but the most important thing is to ensure that if you have cryptocurrency, that you have an appropriate system in place to safeguard it during your lifetime and to ensure it will not be lost forever when you die.

You can purchase cryptocurrency at a cryptocurrency bank, who will hold it on your behalf and manage the keys. However, this gives you less control as it will be stored by a custodian in much the same way as nominee registered shares are held.

Another possibility is that you can store the cryptocurrency online and sign up for a cryptocurrency inheritance solution. This provides for you to retain full control over the assets in your own wallet, and when you die, two independent parties come together to assist with retrieving the funds on behalf of the beneficiary. Those who sign up to this system are given a card to show to the executors, which identifies who they need to contact in the event of your death.

Perhaps for some, but not everyone, another option would be to give a part of your key to different individuals for them to provide their parts to your executor in the event of your death. You would need to choose the individuals carefully though as you probably would not want to choose someone who is likely to have lost or mislaid their part of the key!

If you would like to speak to one of our probate practitioners for any help regarding probate matters or for a free no obligation quote please call Amanda Ireland, Leigh Jones or Alison Collier on 01795 479111.



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