

Key people. They're called **key** for a reason!

Key people in a business are, well, key! So, what impact would the critical illness or death of a member of your board, shareholding or senior management team have on your organisation? The statistics don't make cheery reading.

According to Legal & General, 53% of businesses facing this situation would cease trading in under a year, rising to a staggering 67% for a new business.

This insight was the focus of a discussion at our recent Business Owners' Forum.

"Fewer than half of business owners have instructions in their will regarding shares and two thirds have no key person insurance, so it's not surprising that a business suffering this kind of loss is one in turmoil," explains HWB director, Michaela Johns.

"The chaos evidenced in these figures has certainly reflected my personal experience. Relationships in SMEs are critical so in the event of a tragedy, the remaining key players are left distraught as well as at a disadvantage commercially.

The forum also heard that 65% of businesses have some form of debt and the vast majority, around 97%, have directors loan accounts with up to £250,000 due to directors which would need to be repaid on death. "This one fact alone causes significant difficulty when something goes wrong," says Michaela.

"Most could be avoided with a little prior planning."

The forum heard that business protection insurance can help a business continue to trade in those difficult circumstances, ensuring key individuals are replaced at least to some extent, debt is protected or that shares of a deceased estate can be purchased by the remaining shareholders. Cost-effective and simple to set up, this policy is a must.

Contingency planning is just one area that your HWB advisor can support you.

Our Business Owners' Forum meets for breakfast with peers to discuss specific issues, often with guest speakers. The next session focuses on grooming your business for sale. To join the forum please contact us.



Deal or no deal?



Here's the no-deal Brexit checklist!

Download your PDF checklist advice for business on a no-deal Brexit at our website – just visit www.hwb-accountants.com/guides/checklist-advice-for-business-on-a-no-deal-brex

Spending Review

As expected, the spending review announced by Sajiv Javid on 4th September promised new funding for the police & the criminal justice system as well as social care and education

2019

SRA brings smoother systems for solicitors



Gary Brown

Law firms handling clients' money will benefit from shorter, less prescriptive, more flexible systems and procedures when new SRA rules come into effect in November.

Some may be able to take advantage of an exemption from the need to hold money in a client account whilst others can explore using a TPMA (Third Party Managed Account) instead of or as well as a client account.

As well as this flexibility, the definition of client money, fees and disbursements, has changed to money held or received before an invoice is issued.

There is no longer any distinction between professional disbursements and others and the current concept of 'agreed fees' disappears. Law firms need to review billing procedures to ensure compliance.

Client's own accounts must now be reconciled at least every five weeks.

For further information contact
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Partners of the ETL Global Network

HWB has joined an international network of professional service firms which specialise in providing integrated tax, legal, audit and accounting services.

The existing HWB directors will continue to lead the firm, maintaining our focus on strong client relationships. The ETL network will enable us to offer both UK and international support for clients who may be looking for that facility.

ETL Global has a 9,000-strong team of experienced professionals supporting over 200,000 clients in over 60 countries. The group focuses on providing high quality, interdisciplinary services to SMEs. ETL has over four decades of experience and success on the international platform. You will now see their logo appearing on our letterhead and marketing materials.

If you would like to know more about ETL please speak with your HWB advisor.

Franchising – pros and cons

There are many reasons why buying a franchise can be an attractive alternative to starting a business from scratch. Franchisees benefit from the advantage of an established brand name, a proven formula and support from the franchisor. It can also be easier to secure finance for a franchise with a good reputation than it can be for a startup.

However, there can be pitfalls – the costs can be more than expected, there may be restrictions to operate under and the franchisor may fail to fulfil its obligations. It is important to carry out as much research as possible before agreeing any kind of franchise arrangement. For instance:

- Carry out as much research as you can about the industry and market – just as you would if you were starting your own business
- Seek advice from a franchising financing specialist at your bank

- Read publications such as Franchising World and Business Franchise, and attend franchising exhibitions
- Talk to a consultant to help develop the franchise package
- Research competitors to assess your chances of success in your chosen market

Carry out a detailed analysis of expected returns and financial performance. Careful evaluation of franchise opportunities and the costs involved are vital before going ahead with any arrangement.

For advice on franchising businesses contact
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Andrew Kershaw

CT relief for R&D – get in touch

Research and Development (R&D) relief supports companies in science and technology. To find out if you qualify, visit <https://www.gov.uk/guidance/corporation-tax-research-and-development-rd-relief>

VAT changes in construction delayed

The new Domestic Reverse Charge for the Construction Industry was due to come into force from 1st October 2019, but has now been delayed by HMRC for 1 year.

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NIC change so benefit now only small and micro business

From April 2020, the Employment Allowance, introduced 5 years ago to support employers looking to recruit, will no longer be of benefit to larger businesses. Instead, it will be focused entirely on micro and small businesses where the vast majority will still remain eligible for the allowance (99% and 93% respectively).

The allowance offsets a Class 1 secondary NICs bill and will remain at £3,000 for 2019-20. From April, however, it will only be available to a business with an Employer NIC bill of less than £100k in the previous tax year.

Regardless of the size of the company, you can't claim the employment allowance if:

- You're the director and the only employee paid above the Secondary Threshold
- You employ someone for personal, household or domestic work (like a nanny or gardener) - unless they're a care or support worker
- You're a public body or business doing more than half your work in the public sector (such as local councils and NHS services) - unless you're a charity
- You're a service company working under 'IR35 rules' and your only income is the earnings of the intermediary (such as your personal service company, limited company or partnership)

James Alesbury, recently promoted as a director at HWB, heads the payroll department. For information about outsourcing payroll or other employee-related advice please give James a call or drop him an email at james.alesbury@hwb-accountants.com



James Alesbury

CGT and unoccupied properties

If you own a property that has been unoccupied, then changes to the Private Residence Relief (PRR) will mean CGT deductions for the final period of ownership will be reduced from the last 18 months to 9 months from April 2020. There are no changes to the 36 months available for the disabled or those in a care home.

Lettings relief will also be reformed so it only applies when the owner of the property is in shared occupancy with a tenant.

Despite concerns raised during the consultation about periods of letting prior to April 2020 (and "accrued lettings relief"), the government is proceeding as planned and lettings reliefs will be restricted or curtailed for disposals on or after 6 April 2020, regardless of the letting period dates.

For further information on CGT, speak to our new Tax Compliance Manager Helen Spalding who joined us in July helen.spalding@hwb-accountants.com 023 8046 1234

Gift Aid

Charities may be missing out on valuable income because they are acting too cautiously or making errors when submitting Gift Aid claims. The Charity Tax Group, which supports not-for-profits on tax issues, recently co-ordinated a meeting between HMRC and charities to discuss common mistakes.

These include:

- Missing off donation dates, or making errors such as typos
- Not including a regulator number
- Updating charity records but not HMRC records
- Missing the deadline for making Gift Aid claims

Misunderstandings and mistakes over Gift Aid can cost dearly.

For specialist advice contact Michaela Johns 023 8046 1256 michaela.johns@hwb-accountants.com



Michaela Johns



Tax changes for retailers

The changes introduced under the Government's Maxing Tax Digital scheme will require retail businesses to keep a minimum data set electronically.

They will be permitted to digitally record sales transaction data based on daily gross takings, rather than recording details of each sale where they account for VAT using a retail scheme.

If the business is on a VAT Retail Scheme, the VAT payable portion should include the standard-rate and reduced-rate VAT due on gross takings for the return period, as calculated by the Retail Scheme.

Where retailers can't reasonably record each individual retail sale, the supply data requirements above for such sales will be replaced by records of daily gross takings for such sales, including:

- cash payments received for retail supplies
- the full value of non-cash (credit) retail sales at the time of supply
- details of any adjustments made to daily gross takings

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Incentives to support retention

On 7 November, HWB will host a breakfast seminar at Southampton Science Park looking at incentives to help you retain key staff.

Alan Rolfe, tax specialist with HWB and Claire Merritt, a partner at Paris Smith solicitors, will identify the tax and legal benefits available to your business to help retain key staff.

Coffee and breakfast rolls will be served at 8:00am and the seminar will be complete by 10:30.

We run a regular seminars programme on a range of topics. To see what we have coming up, visit www.hwb-accountants.com/events



Mental Health first aid training

It's estimated that mental health problems at work cost the UK economy nearly £35 billion last year and despite the raised profile of the issues and its causes, it can still be difficult to address a mental health issue with an employee or colleague.

What is Mental Health First Aid?

Mental Health First Aid (MHFA) is an internationally recognised training course, designed to teach you how to spot the signs and symptoms of mental health conditions and provide help on a first aid basis. The course is delivered by a quality assured instructor and can be attended by people aged 16 upwards.

For more information on mental health first aid for your business, visit <https://mhfaengland.org/>

Taking to the skies for Solent Mind



In September and October, two members of the HWB team took part in a tandem Sky Dive and Wing Walk to help raise funds for our chosen Charity of the Year, Solent Mind. Combined, they are aiming to raise £3,000.

All proceeds have gone toward the many mental health programmes the charity runs from Wellbeing Centres based all over the Solent region to Peer Support and the dementia focused project Remind.

Amninder Rai, Audit and Accounts Senior, one of the staff members who undertook the Sky Dive said: "I've always been into extreme sports, so when the opportunity to raise money for this amazing charity came up I jumped at the chance to do it."

Geoff Rhodes, Managing Director said: "We are extremely proud of Michaela and Amninder for volunteering to do a Sky Dive and a Wing Walk respectively and for helping push our fundraising effort onwards. We also want to thank Solent Mind for a great partnership this year and look forward to what our staff will complete for our new charity of the year."



Scary date! October 31

October 31 is not only Halloween, it has another scary association. It's the date for the filing of your paper 2018/19 self-assessment tax returns.

This is also Brexit Deadline Day! So it could be quite the horror filled day!



Have you paid yours?

The ICO has reportedly issued more than 3,800 penalty notices to businesses of intent to fine as a result of failure to pay the data protection fee.

Charities and organisations with 10 staff or less or a maximum turnover of £632,000 must pay a fee of £40; those with between 11-250 or turnover of no more than £36m should pay £60 and large organisations with over 250 staff need to pay £2,900.

For more information visit: <https://ico.org.uk/for-organisations/data-protection-fee/>

Equity Release

Equity release is a way of staying in your house or continuing to use something with a capital value, while also obtaining a lump sum or a steady stream of income, guaranteed against the asset.

The "catch" is that the income-provider must be repaid at a later stage, usually when the homeowner dies.

In some cases, this early release of a person's estate can be a financing solution to consider for a family business.

For further information
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