

ProActivity

SUMMER 2019



**Foxley
Kingham**
CHARTERED & BUSINESS
ACCOUNTANTS & ADVISORS

Welcome to the Summer edition of ProActivity!

This issue features an in-depth analysis of VAT changes in the construction industry, as well as a useful guide for small businesses facing the problems of late payments (page 4). We also look at how you can ensure your business is in the best possible shape to face the future (page 5).

Following on from the success of the Foxley Kingham Anniversary Foundation we are pleased to continue our support for a number of local charities. This year's Foundation theme is Youth Engagement, see page 7 for more details.

And of course, we still have the usual mix of news and comment. We are delighted to announce that Phil Stevens is joining us as Tax Director and also that Foxley Kingham will soon be moving to new offices. Please see page 6 for more information.

VAT REVERSE CHARGE SHAKES UP CONSTRUCTION

In response to the HMRC further guidance on VAT reverse charge on 7 June 2019, Stephen Mason explains how the reverse charge mechanism will work, who is affected by the new rules, and what practical steps clients can take to ensure they are compliant with the new regulations.

The construction industry has a notoriously complex relationship with tax. The sheer number of different parties involved with any construction or development project, and a historically unwieldy tax framework has prompted HMRC to undertake a number of changes. One of the most significant recent developments will be the introduction of the VAT reverse charge from October 2019.

What is the reverse charge?

The reverse charge is a mechanism to prevent the avoidance of VAT by suppliers who charge and collect VAT from the recipient but fail to account for that VAT to HMRC. The change in regulations shifts the responsibility for accounting to HMRC for VAT from the supplier to

the recipient of goods and services. In broad terms, money paid for the VAT element of invoices will no longer flow between businesses. With each qualifying transaction, VAT will be calculated as a paper exercise and registered on the invoice as a 'reverse charge'. It will be the responsibility of the end user at the top of the supply chain to pay the tax.

The charge will apply to business-to-business supplies of construction services (the same services that are caught by the Construction Industry Scheme (CIS) for direct tax purposes) where the recipient is not the final consumer.

When is this starting?

The changes take effect for supplies made on or after 1 October 2019.



For supplies that commence before 1 October 2019, the VAT reverse charge will apply to invoices with a tax point on or after 1 October 2019.

What defines 'construction'?

With so many different parties involved in the construction industry HMRC has developed a definition of construction services. This is substantively the same as the definition used in the context of the CIS. Therefore, it follows that if a supplier's services are caught by CIS rules, the supplier will need to consider if it is subject to the reverse charge. HMRC has also published guidance on the scope of the reverse charge. For more info contact us or search HMRC for VAT reverse charge for building and construction services.

VAT REVERSE CHARGE SHAKES UP CONSTRUCTION CONTINUED

Who is affected?

The government's original proposal was to apply the reverse charge to labour-only supplies. However, it has extended the rules to include goods supplied alongside construction services. This extension will bring many more construction businesses within the scope of the reverse charge.

There may also be some confusion over which parts of a transaction should be subject to the VAT reverse charge regulations. For example, if a transaction includes the supply of goods and the supply of construction services, will it be treated as a single supply for the purposes of the reverse charge?

In answer to this, we can assume that established case law principles that govern single and multiple supplies will determine whether a transaction should fall under the regulations. However, to complicate matters, while the VAT liability of a single supply is determined in reference to the principal element of the supply, the VAT reverse charge applies to a single supply, even if the construction services element is only a part of the supply.

Who is exempt from the charge?

Certain services are excluded from the definition of construction services and therefore do not come within the scope of the reverse charge:

- Oil, gas or mineral extraction
- Manufacture of building, engineering, heating, lighting, air-conditioning or drainage components.
- Professional services of architects, surveyors or consultants
- Artistic works and signage
- Installation of security systems.

Property developers will also fall within this exception because developers that receive construction services make a supply of an interest in

the property, rather than making further supplies of construction services.

There are other exemptions, such as where the end users of construction services are not making an onward supply of construction services. For example, if a business commissions a construction service to build an office, or a main contractor sells a newly completed building to a customer.

Projects that involve of zero-rated supplies (e.g. the construction of new-build housing) are also exempt, as are transactions when the supplier and recipient are landlord and tenant or vice versa. Normal VAT rules will apply in all exemptions.

However, if any excluded services form part of a single supply that includes construction services, the excluded services will be treated as construction services. It is also worth noting that contractors that are not required to report payment under CIS, end users, and intermediaries do not come within the scope of the reverse charge. These exceptions ensure that the reverse charge only applies to construction services supplied to other construction businesses.

What are the practical implications?

There are a number of measures that clients should adopt and be aware of to ensure that they are compliant with the new regulations.

Invoices: the supplier must show all the information normally required on a VAT invoice, including the amount of VAT due (although this should not be shown as total VAT charged) and annotate the invoice to make it clear that the reverse charge applies and that the customer is required to account for the VAT (see box out).

Review: construction businesses should review the supplies that they make to, and receive from, other VAT registered contractors to establish whether the reverse charge applies. They should also consider whether any amendments are required to their invoicing and accounting systems. This will involve undertaking various checks of the VAT and CIS registration status of the recipients of supplies.

Move to monthly returns: HMRC guidance also acknowledges that the effect of the reverse charge is that some businesses may become repayment traders (that is, their VAT return is a net claim from HMRC instead of a net payment). Repayment traders may, therefore, wish to apply to move to monthly returns.



Where now?

As with all new regulations, the changes may take some time to become the norm. Invoices will need to be restructured (see box out), and accounting systems will have to be adapted to enable reverse charge supplies to be calculated and reported.

There will also be ongoing costs involved in calculating the reverse charge, such as keeping records of all reverse charge supplies; checking the reverse charge is correctly applied; reporting reverse charge supplies on VAT returns; and, crucially, obtaining evidence as to whether or not a customer is an end user.

Foxley Kingham and GKP can offer our clients comprehensive guidance and support to ensure that they are completely compliant in dealing with these changes. For more detail visit <https://www.fkca.co.uk/resources/tax/vat/reverse-charge-vat-construction-services>

Who are end users?

End users are those who receive building and construction services but do not supply those services along with other building and construction services. Under CIS rules, they are required to report their payments to HMRC because they are 'deemed contractors'.

Payments by deemed contractors can be excepted from reporting through CIS, in which case the reverse charge will not apply. It will be up to the end user to make the supplier aware that they are an end user and that VAT should be charged in the normal way instead of being reverse charged.

This should be in a written form that is clearly understood and can be retained for future reference. If the end user does not provide its supplier with confirmation of its end user status it will still be responsible for accounting for the reverse charge.

New look invoices

The new regulations will change the structure and content of invoices. The precise wording is not prescribed in law but the amount of VAT due under the reverse charge rules must be clearly stated but should not be included in the amount shown as total VAT charged.

For example:

- Customer to pay output tax of £X to HMRC
- UK customer to pay output tax of £X to HMRC

Alternatively, the following would also be acceptable, provided that the amount of VAT is shown elsewhere on the invoice, but not in the box for total output tax charged:

- VAT Act 1994 section 55A applies
- Customer to account for VAT to HMRC
- Reverse charge supply – customer to pay the VAT to HMRC

NEWS IN BRIEF



CYBER CRIME HITS 2/3 OF UK SMES A YEAR

The UK's 5.4 million small businesses are collectively the victims of more than seven million cyber attacks a year. Research by the Federation of Small Businesses shows that although 93% of small businesses have some kind of cyber security in place, around 66% have been a victim of cyber crime in the last two years.

Cyber breaches cost the average small business £25,700 while government stats show that the annual cost to business of cyber crime is £21bn.

£80M GRANT TO HELP BOOST SMALL BUSINESS BANKING

Nationwide Building Society, Investec Bank and The Co-operative Bank have been granted a total of £80m from a fund set-up to increase competition for lending to small businesses in Britain.

The Board of Banking Competition Remedies (BCR) allocated £50m to Nationwide, £15m to Investec and £15m to The Co-operative Bank.

The BCR was set up with cash from Royal Bank of Scotland as part of a scheme requiring it to help boost competition in business lending – a condition of its bailout during the 2008 financial crisis.

THE CURRENT TAX SYSTEM IS 'UNFAIR'

UK businesses believe that the UK tax system is fundamentally unfair and want more support to stay compliant, according to new research by the British Chambers of Commerce.

A survey of over 1,000 firms from across the UK found that nearly three-fifths (58%) of respondents think that the UK tax regime is unfair to businesses like theirs. There were also concerns over the quality of service provided by HMRC, with one in two (49%) firms stating that HMRC does not provide the support they need to be compliant.

The survey also highlighted the difficulties caused by the rise in upfront business taxes and the costs involved in the introduction of Making Tax Digital and the changes to auto-enrolment.

LATE IS NOT GREAT

Late payments can be crippling for small businesses. ProActivity looks at why payments might be late and what you can do when the cheque does not arrive.



The late payment of bills is one of the biggest challenges for small businesses. Overdue payments can affect cash flow and can severely disrupt the day-to-day running of your business. In extreme cases it can even push businesses to the brink of bankruptcy. So, what do you do if a payment is late?

The first step is to try to understand why this is the case, as this will help determine how to proceed. There can be legitimate reasons; invoices can be mislaid, or clients may be waiting on payment themselves. A calm approach may give you a better chance of getting your money and preserving your relationship with a client. Therefore, if an invoice is lost, simply replace it. Or, if the client is claiming cash flow issues, ask them to make a sizeable initial payment and arrange a time for the balance to be paid.

BE PREPARED

Ideally you should be aware of when invoices are due so you can email reminders around the due date. All emails must be sent to the correct person and include a copy of the invoice so the client has all the details at hand.

If, after a period of time, a client refuses to pay, you can inform them that you will no longer provide your goods or services. Of course, this only works if you have an ongoing contract. In all cases you can then inform the client that you have a

statutory right to add interest to unpaid invoices of 8% over the Bank of England base rate.

TIP INTO DEBT

You may then have to reclassify the late payment as a debt and treat it accordingly. The most practical move is to employ a FSA registered debt recovery company. At this point you should find out exactly how much this is going to cost and assess whether the debt is worth pursuing. If it is not, you will unfortunately have to bear the cost.

There is also the possibility of legal action. You should inform the client that you intend to take them to court if they do not pay within a certain period of time. If this does not prompt payment, consider entering into mediation. And if this fails, your last resort is litigation. As with all legal action, it is imperative that you consult a relevantly qualified solicitor.

The government is currently examining the problems of late payment, and bodies such as the Federation of Small Businesses are also working hard to lessen the impact of this issue on all business.

Talk to us at Foxley Kingham and GKP if you are having problems with late payments.



WHAT LATE PAYMENTS MEANS FOR BUSINESS

The Federation of Small Businesses (FSB) found that 50,000 businesses fail each year because of late payments. 37% of small businesses get into cash flow difficulties because of them, 30% have had to use an overdraft, and 20% report a slowdown in profit growth.



CREDIT CHECK

The main credit reference agencies in the UK, Callcredit, Dun & Bradstreet, Equifax and Experian can provide a business credit report which will provide a financial overview of a business and let you know whether it pays bills on time, as well as details of any county court judgments made against it.

GETTING YOUR HOUSE IN ORDER

By ensuring that all business operations are running as smoothly as possible, organisations can focus on their core offerings. *ProActivity* outlines a number of areas that can benefit from a watchful eye.

BE HUMAN RESOURCEFUL

HR policies should be reviewed at least once a year to ensure that they are fit for purpose. A broader HR audit could identify any staff training needs and gaps in the skillset of the workforce. Consider checking on levels of sick leave; does the level indicate a problem with any part of the business? Or do people feel supported while they are sick? Also check on annual leave; is everyone abiding by the policies? Are people taking the appropriate amount of time off to ensure maximum efficiency?



WONDERFUL WEBSITES

Gone are the days when you could stick up a webpage with your address and be done with it. So ask yourself, does your website reflect your current brand positioning and how you wish your business to present itself? Is it intuitive to use for a range of clients and interested parties? How does it compare with your competitors? At a basic level don't forget to check if all the links still work and if the contact information is up to date!



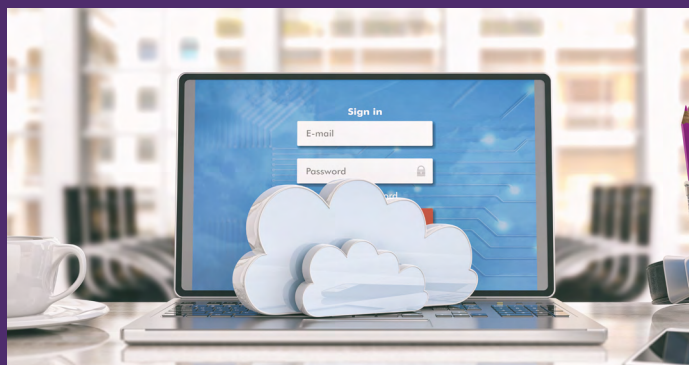
CALLING ALL CLIENTS

Keeping clients happy is paramount in any business. It is always worthwhile taking some time to make sure that you are fostering the right kind of relationships with and gaining and retaining the right clients. Don't shy away from an annual review of clients who owe money or are consistently late settling invoices; building up a picture of which clients you have to constantly chase means that you can direct resources more effectively.



CHECK THE SMALL PRINT

It's worth checking your contracts to make sure that you are compliant with any regulatory changes. This is not only the case for client contracts but for any contract of employment or engagement. Policies and internal procedures also must be up to date and accessible for the relevant stakeholders. And check your insurance and liability; do you have the correct level, and could you get cheaper or more effective coverage elsewhere?



WELCOME TO OUR MTD DROP-IN SESSIONS

All our clients are very welcome to attend one of our free drop-in information sessions on Making Tax Digital. These sessions are designed to answer any questions about the new HMRC regulations and to let you know how we can help.

Please note, once you have Making Tax Digital compliant software in place you must register online with HMRC. Once signed up, VAT returns MUST be submitted using MTD compliant software, as the VAT online services can no longer be accessed.

If you pay VAT by direct debit allow at least 15 working days before your VAT submission.

STEP 1 Sign up online at www.gov.uk and search for "sign up for making tax digital". You'll need your Government Gateway ID and password, company number, VAT number and UTR.

STEP 2 Ensure your gateway registration details are input into your MTD compliant software to enable it to submit future VAT returns.

Our sessions are held at Foxley Kingham (*apart from 4 September which is at Rufus Centre):

| | | |
|-------------------|--------------|-----------------|
| 14 August 2019 | 10am to 12pm | Xero Training |
| 14 August 2019 | 2pm to 5pm | Drop in session |
| 4 September 2019* | 10am to 12pm | Xero Training |
| 23 October 2019 | 10am to 12pm | Xero Training |
| 23 October 2019 | 2pm to 5pm | Drop in session |
| 21 November 2019 | 10am to 12pm | Xero Training |
| 21 November 2019 | 2pm to 5pm | Drop in session |
| 6 December 2019 | 10am to 12pm | Xero Training |
| 6 December 2019 | 2pm to 5pm | Drop in session |

INSIDE FOXLEY KINGHAM AND GKP

WE ARE MOVING!

Foxley Kingham is moving to new offices at Butterfield Business Park in Luton. The new offices will allow for future expansion, with more meeting rooms, break out areas, quiet zones and sufficient on-site parking.

Paul Bithrey, a director at Foxley Kingham said, "Our move to Butterfield Business Park marks the start of the next chapter in our company's story. We have experienced substantial growth over recent years, both in terms of employee numbers and clients, and need new facilities which enable us to provide the best working environment for our team, so we can continue to deliver excellent customer service."

Foxley Kingham celebrated its 50th anniversary in 2018, and has been based in Prospero House, Rothesay Road, Luton since 2000. The firm started in founder John Kingham's home in Butterfield Green Road and it has now grown to become a substantial business with five directors, employing almost 50 staff and serving over 1,000 clients across Luton, Bedfordshire and the southeast of England.

The move will take place in Autumn 2019.

Foxley Kingham is currently based at Prospero House, 46-48 Rothesay Road, Luton, LU1 1QZ. From Autumn 2019, Foxley Kingham will move to 260-270 The Village, Butterfield Business Park, Luton LU2 8DL. We will confirm details with all of our clients.

NEW WEBSITE GOES LIVE

We are delighted to announce that the new GKP website is now online. The site includes details of our firm and has a wealth of other features such as news, expert commentary, and practical guides for your finances.

We have information on tax deadlines, rates and allowances, and a range of interactive tools and links to relevant HMRC regulations. The site also acts as a portal for cloud accounting clients and gives important details about our services for both individuals and businesses.

For more information, please go to www.gkp.co.uk

New Tax Director joins Foxley Kingham and GKP

We are delighted to announce that Phil Stevens is joining us as Tax Director.

Phil is a highly experienced tax expert. His most recent role was as a tax director with boutique London firm Belluzzo International Partners and his career has included time in Sterling Chartered Accountants, RFW Rutherfords and Jeffcote Donnison LLP.

Phil will provide technical tax support to clients and colleagues and will help to expand both the tax departments at Foxley Kingham and GKP.

"I'm looking forward to getting to know the clients and my colleagues, as well as the excitement of a new challenge. My main aim is to enhance the tax planning and advisory service across the firms for all clients."

Phil is an accredited ICAEW probate practitioner and a respected mentor. He is also a keen sports fan, but his main passion is rugby, especially his beloved hometown team of Gloucester.

Aimee hits the heights!



Foxley Kingham apprentice (accounts/ audit semi senior) Aimee Dimmock has achieved the highest marks in the Level 4 Accounting Technician Apprenticeship scheme. The prestigious programme has been developed by the Institute of Chartered Accountants in England and Wales as an entry-level pathway into accountancy.

Aimee also won the Livery Company Prize awarded in collaboration with the Chartered Accountants' Livery Company. This award recognises students who obtained the top three places within the annual order of merit of a role simulation exam.

During her apprenticeship Aimee had to sit six exams, maintain a training file and have quarterly progress reviews. In addition, she was required to submit a portfolio and a reflective statement and sit a role simulation exam. She commented: "Being in the workplace and getting practical experience makes the content easier to understand and apply."

Aimee received her awards at an international prize giving ceremony at the ICAEW Chartered Accountants Hall in Moorgate, London.



Foxley Kingham Anniversary Foundation: Youth Engagement

The Foxley Kingham Anniversary Foundation Trustee Board and Committee are delighted to announce our support of local charity partners on the theme of Youth Engagement this year. The projects run by our partner charities support health, relationships, education, community awareness and cohesion. They also promote the development of life skills and confidence and open up opportunities for young people to gain employment.

Our charity partners:



Luton Town FC Community Trust

Luton Town FC Community Trust is the official charity of Luton Town Football Club. The Trust supports a wide range of initiatives tackling issues surrounding both physical and mental health. The Trust engages with a wide range of ages, including marginalised or disadvantaged groups such as teenagers and young men who are at risk of offending, or already involved in gangs and violence. It has developed a number of projects that to encourage cohesion amongst the diverse ethnic minority groups within the community.



Youthscape

Youthscape is a Luton-based charity for young people, especially those facing a difficult start in life. It helps teenagers who are dealing with anxiety and other mental health problems and supports young people who are getting into trouble at school, often because of what's going on at home or on the streets. The charity was founded twenty-five years ago by a group of local churches and community groups, and its vision remains the same; to help every young person reach their amazing potential.



Marsh Farm Futures

Marsh Farm Futures (MFF) works to promote the regeneration in this area of social and economic deprivation. The charity provides a range of free, subsidised and low-cost services for residents in and around the area from Futures House, its purpose built base.

Local residents are encouraged to develop the skills and confidence to become active decision-makers. This helps build a healthy and a confident community that feels safe and engaged with services such as the police, the local authority and various health agencies.



LORD'S TAVERNERS
Giving young people a sporting chance

The Lord's Taverners

The Lord's Taverners is the UK's leading youth cricket and disability sports charity. Its mission is to enhance the lives of disadvantaged and disabled young people through sport and recreation, and it supports some of the most marginalised and at-risk young people in the UK. The charity aims to give all young people a 'sporting chance' and delivers Wicketz to five hubs in Luton. This is the chance to interact, play, train, compete, learn, have fun and make friends. The charity improves health, social and psychological wellbeing, and empowers volunteers, coaches and teachers to deliver training sessions.

LONDON TO BRIGHTON BIKE RIDE

A seven strong team from Foxley Kingham took on the London to Brighton Bike Ride and raised an impressive £4,151 for the Foxley Kingham Anniversary Foundation. Helen Spokes, from Foxley Kingham said, "It was cold, wet, windy and tough, but a great event to be part of and it's very rewarding to be fit enough to be able to participate and help raise funds and awareness for necessary causes."

If you would like to add to our total, please go to <https://www.totalgiving.co.uk/appeal/flklondontobrighton>



The Foxley Kingham team are L-R Carol Bright, Willie Ellingham, Fiona Plover, Mike Dyer, Paul Bithrey, Helen Spokes and Sam Brown.

Dates for your Diary

9 August 2019 | 10am – 12pm

Business Buzz Luton

The Brache Beefeater, Osborne Road, Luton

14 August 2019 | 10.30am – 11.15am

Grow your Global Following using Twitter Webinar

Venue TBA (Contact Bedfordshire Chamber of Commerce)

15 August 2019 | 11.45am – 2pm

Bedfordshire Business Women Networking Event

Sporting Targets, Bedfordshire

22 August 2019 | 9.15am – 1pm

ACAS – Understanding Maternity, Paternity and Adoption Rights

The Barns Hotel, Cardington Road, Bedford

28 August 2019 | 10am – 4pm

Emergency First Aid at Work – 1 day

Cotton End Village Hall

4 September 2019 | 10am – 12pm

Business Buzz Bedford

Auction Room, 1 Duke Street, Bedford

4 September 2019 | 10am – 4pm

ACAS – Having difficult conversations

The Barns Hotel, Cardington Road, Bedford

9 September 2019

Institute of Directors Herts & Beds Mastermind Group

St Michael's Manor Hotel, St Albans

18 September 2019 | 9.15am – 11am

Connect Over Coffee

Moggerhanger Park, Bedford

24 September 2019 | 10am – 12pm

Buzzard Networking Second Annual Business Fayre

Astral Park Sports and Community Centre, Johnson Drive, Leighton Buzzard

25 September 2019 | 8am – 10am

Business Breakfast with Active Luton

Inspire: Luton Sports Village, Butterfield Green Road, Luton

25 September 2019 | 8.45am – 12pm

The Power of LinkedIn – It's not who you know, it's who knows you

Putteridge Bury Conference Centre, Hitchin Road, Luton

24 November 2019

IoD Hertfordshire, Buckinghamshire & Milton Keynes: Economic Briefing with Professor Joe Nellis

Barclays Eagle Labs, Cranfield University



FK GETS THE FAWLTY TOWERS TREATMENT

Join Basil, Sybil, Polly, and of course, Manuel as dinner is served.

Foxley Kingham is hosting a Fawlty Towers evening this autumn for clients that will let us all experience the hospitality of Torquay's most infamous hotelier!

This high-energy cabaret show includes a three-course meal of comic mishaps, manic mayhem and major mischief. With a glorious mix of audience interaction, scripted scenes and a little team spirit of competition we're in for a treat. Just don't mention the war...

Guests should please note that there is a strictly no riff raff policy!

Keep an eye on our website for more details as they are released <https://www.fkca.co.uk/news-events/anniversary-foundation>

COMING SOON: CHARITY QUIZ NIGHT!

Get your thinking caps on and join us for a charity quiz night in aid of the Foxley Kingham Anniversary Foundation this September. <https://www.fkca.co.uk/news-events/anniversary-foundation>

Disclaimer: Please note that we cannot be held responsible in any way for any consequence arising from the information provided in this newsletter. Whilst every effort is made to ensure that accuracy of the content of all FK publications, no decisions should be taken on the basis of information given without reference to specialist advice.

Printed by Priory Press, Unit 18, Apex Business Centre, Boscombe Road, Dunstable, LU5 4SB.
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