ProActivity
gkp Chartered Accountants
FK FOXLEY KINGHAM CHARTERED ACCOUNTANTS & BUSINESS ADVISERS
ISSUE 11 • WINTER 2020

WELCOME TO THE WINTER EDITION OF PROACTIVITY!

To say that 2020 has been a challenging year is something of an understatement. At Foxley Kingham and GKP, we are acutely aware of the challenges our clients face and are working hard to support every business and individual. *ProActivity* spoke to Paul Bithrey, Director at Foxley Kingham, to find out how the firm and its clients have been faring in these difficult times.

"One of the very positive things about this year is that a lot of our clients have shown huge resilience," says Paul. "The businesses that have been allowed to trade have worked extremely hard to keep going. There is no doubt that incentives and government support have made a big difference – and in some cases made the difference between make or break – but innovation and hard work has also paid off."

However, Paul is realistic about the situation for businesses who have been materially constrained by the pandemic. "The real issue for a business is when the government has said that they must close. And although in some cases the business has been supported, there is no amount of compensation that can make up for those losses.

"The support has currently been extended until March, but it will have to stop at some point. I think we will see the bottom of a dip in the middle of next year."

When that dip comes it will be even more important for clients to make sure they are in the best financial position, and that they know the precise details of their financial situation. This is where Foxley Kingham and GKP can help.

"There has been a raft of business support measures and changes to the rules," Paul comments. "It has been our job to learn about them and help our clients navigate them. I would say that the support that we have given our clients has never been more intense."

A good example has been the payroll team as they worked to support clients dealing with furloughed employees and a range of other issues. "They have done an amazing job," says Paul.

The pandemic has also forced all of us to look at the bigger picture. As Paul explains, "We have had to examine what we do both personally and professionally, as well as evaluate what we need to do to survive in the future.

"Sadly, there have been businesses that have not made it, and there will be more. There are also businesses that have made significant changes and have emerged stronger."

Looking forward to 2021, what can clients do to make sure they are in the best financial shape? The answer is deceptively simple: "Talk to us," says Paul.

"If you are unsure about something, just pick up the phone. You may be absolutely fine, but we are happy to check if there is anything else you should be doing. We can always help."

At Foxley Kingham and GKP, we are committed to working with our clients to help them through difficult times. And it is a role that we relish. As Paul says, "The great thing about my job is that I work daily with clients who get out of bed and say, 'We need to find a way to get things done'. They don't say 'the news is bad, I'm giving up'.

"I never cease to be amazed by how determined and resourceful our clients are. It's a privilege to work with them."

FOCUS ON INSOLVENCY

New Act could offer new hope

Miles Needham, a Partner in Restructuring Advisory at insolvency experts FRP talks to *ProActivity* about the radical changes in insolvency law are designed to help companies through Covid-19.

The Corporate Insolvency and Governance Act 2020 is possibly the most significant piece of insolvency legislation in nearly two decades. It sped through parliament in just six weeks and is a crucial part of the government's measures to help support an economy reeling from the effects of the Covid-19 pandemic.

"There are essentially two tracks to the Act," says Miles Needham "Firstly, the Act ushers in two new insolvency procedures that will aid business rescue and recovery and are the result of a longstanding consultation on insolvency. Secondly, there are short-term measures to protect businesses in the immediate aftermath of the Covid-19 pandemic."

The centrepiece of the Act is the introduction of the Moratorium: court protection from creditor enforcement action for an initial 20 business days, but up to one year, to allow a company to develop a turnaround plan to pay its creditors. The genesis of the Moratorium is to sustain businesses for the benefit of stakeholders by protecting jobs, repaying creditors and preserving the corporate structure for shareholders.

Miles comments, "As a court procedure, there is some concern as to the Moratorium proving to be expensive and therefore out of the reach of smaller SMEs and owner-managed businesses. However, this should not put directors off considering a Moratorium and seeking advice. It may be that other forms of restructuring, outside of formal insolvency, or a CVA (Company Voluntary Arrangement) is the right option for the business".

Whilst many businesses are undoubtedly feeling the financial impact of the Covid-19 pandemic, UK statistics show that insolvencies are artificially low, having been skewed by liquidity pumped into the economy by the government. Miles explains, "We will likely not only see a return to the normal cycle of business failures but also an increase in insolvencies in 2021 as government support is tapered, and we start to see the full financial impact of the Covid-19 pandemic."

So, what to do if your business is heading into difficulties? The best thing to do is act fast. "The earlier you get advice, the more you can do to turn a business around," says Miles. "Experience tells us that it is more difficult to turnaround a business if the business is in distress and your time is taken up with firefighting."

In general, businesses need to plan and be proactive. As Miles comments, "Planning for the future has never been more difficult with such an uncertain landscape but now, more than ever, businesses need to set budgets and forecast cash flows to predict and prepare for any difficulties coming down the tracks."

No matter what legislation is in place there is no doubt that the economic landscape is looking challenging in 2021. By engaging with problems, and seeking the right advice at the right time, businesses have more chance of surviving.

HMRC change could have severe consequences for Director Guarantees

Company directors could be at more risk of personal guarantees being called in during insolvency because of a change in the law.

On 1st December 2020, HMRC became a preferential creditor in insolvencies. Previously only employees and the Financial Services Compensation Scheme (FSCS) were paid from floating charge assets ahead of secured creditors, typically banks and other lenders. The change in the law is likely to mean banks and lenders receiving much lower returns in insolvencies. This will have a significant knock-on effect on director guarantees, as banks and other lenders will resort to calling in personal guarantees where they suffer a shortfall.

"When a business is in distress, directors can face extremely difficult decisions in attempting to chart a route out of danger. In the past, directors may have decided to prioritise buying stock to keep a business trading rather than pay taxes," explains Miles Needham, Partner, Restructuring Advisory at insolvency experts FRP.

The change in the law is going to mean that directors will think twice and may ultimately decide to cease trading rather than risk personal liability from seeking to manage cash flows to save a business.

The change could have other consequences, as Miles explains, "Directors will likely become more risk-averse if a business is in trouble, and lenders may be less willing to provide rescue funding, ultimately leading to more failures." Small businesses could also feel a negative effect of the change if they are creditors in an insolvency. By leaping up the rankings of creditors, HMRC has effectively downgraded smaller creditors and decreased their chances of recouping their costs.

ProActivity would like to thank Miles Needham for his help with this article.

A VIEW FROM FK MEDICAL

GPs have been under unprecedented pressure in 2020. After being thrust into the front line in the Covid-19 pandemic, they have been working in the most trying circumstances, with uncertain resources and constantly shifting restrictions.

Even in these challenging times, long-term systematic changes to the regulations pertaining to GP finances still rumble on. The challenges faced by GP practices have been compounded by the need to keep up-to-date with changes such as the NHS New to Partnership Payment Scheme (see *ProActivity* Summer 2020), the nuanced tax implications of Primary Care Networks, and the Annual Allowance charges on pensions with the resulting relief provided for the 2019/20 tax year by the Scheme Pays process.

In addition to these changes, partners and practice managers have to accept that the pandemic has prompted a significant number of GPs to reassess their working practices. For example, GPs on reduced hours may have increased their workload during 2020 to cope with the combination of increased demand and staff absence due to isolation or illness.

This in itself could have implications on the GP's tax bill and the financial management of the practice. GPs and practices, therefore, need to scrutinise all Total Rewards Statements with even greater care to ensure that all hours have been accounted for. And they need to be sure that payment for increased hours has not tipped any partners or managers into a higher tax bracket.

There is a strong possibility that a number of GPs may be reassessing retirement plans, both in terms of bringing forward or delaying retirement. On a practical point, if a practice has a number of senior GPs or administrators who could be retiring, it will have to be wary of falling foul of the Final Pay Control regulations. These were introduced to stop a practice awarding a pay rise to an individual just before retirement in order to falsely boost their pension. A breach in the regulations can result in a hefty fine for the practice.

Even if the practice does not intend to break the rules, there are a number of hazards that can trip up the most well-intentioned practice management team. These include issues with part-time workers, pensionable bonuses, and retirement due to ill health. (A more detailed article on Final Pay Control regulations will be coming soon.)

The pandemic has had a profound effect on GP practices, not least on the stability of staffing levels. With many GP practices running with reduced administrative capacity due to funding, social distancing, and illness, it is ironic that this is the time where more strategic planning and financial management is needed.

For help and support for all aspects of financial management for GPs and GP practices, please contact FK Medical at accountants@fkca.co.uk.

Spotlight on FK Medical

FOXLEY KINGHAM MEDICAL
CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

FK Medical is a sister firm to Foxley Kingham. We provide specialised and up-to-the-minute advice on all financial matters to a growing number of doctors and consultants across Central and South East England.

FK Medical is headed by Darren Fletcher and Zeeshan Hussain. For more details, please contact us at www.fkca.co.uk.

Our Services include:

- Preparation of annual accounts
- Partnership tax computation and tax returns
- Tax planning for the practice and individual GPs
- VAT returns and planning
- Superannuation certificates and pensions forecasts
- Private fee statements
- Drawings calculations
- Financial performance benchmarking, against other local practices and at a national level
- Pension planning

Key Dates for GPs

December 2020

- End of year certificates for 2019/20 issued by the NHS Business Services Authority
- GPs receive second Total Reward Statement update. (See *ProActivity* Summer 2020)

28 February 2021

- Deadline to complete and return certificates for the 2019/20 NHS Pension Scheme's pensionable earnings and contributions

1 April 2021

- Start of NHS 2021/22 NHS Pension Scheme year

31 July 2021

- Deadline for 2019/20 NHS Pension Scheme year's Scheme Pays election

CONSTRUCTION – STARTING IN REVERSE

The VAT reverse charge is set to hit the sector in 2021

The reverse charge for VAT in the construction industry will come into effect on the 1st March 2021. The change in regulations has been delayed twice due to complications arising from Brexit and the Covid-19 pandemic.

The charge was designed to cut down on VAT fraud. It shifts responsibility from the supplier to the recipient of goods and services for accounting to HMRC for VAT. In the broadest 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.

"We are looking at this from two angles," says Stephen Mason, Director at Foxley Kingham and GKP. "We are very aware of the issues that the smaller contractors will have but have also looked at the questions that larger contractors will have about the new system."

For smaller contractors the biggest issue will be the paperwork; "They must have the right working details and the correct invoices, explains Stephen. "There may be some confusion as they will be invoicing for VAT, but it will not be paid to them." (See box opposite for more details)."

However, Stephen offers words of hope. "Software providers should be able to support contractors by streamlining and simplifying the process. And we can always give guidance."

Larger businesses will face their own challenges with the new process. "The larger contractors have to constantly ask if they are providing services for the 'end-user', and therefore required to charge the VAT," says Stephen. (End users are those who receive building and construction services but do not supply those services along with other building and construction services. They must provide suppliers with confirmation of their end-user status.)

The charge is expected to cause complications in the construction industry. However, as Stephen explains, "The three main issues that arise from the reverse charge are confusions with invoices and paperwork, the changes that have to be made in accounting systems, and how contractors decide exactly where they fall in the chain, as that has implications on who actually pays the VAT."

Foxley Kingham and GKP can offer clients comprehensive guidance and support to ensure that they are completely compliant in dealing with these changes.

What should your invoice look like?

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, an invoice could include the text:

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

Alternatively, any of 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
- S55A VATA 94 applies
- Customer to account for VAT to HMRC
- Reverse charge supply – customer to pay the VAT to HMRC
- Customer to pay VAT to HMRC
- UK customer to pay VAT to HMRC

Practical steps

There are several other practical steps construction businesses can take:

Review

Review the supplies you make to, and receive from, other VAT registered contractors to establish whether the reverse charge applies.

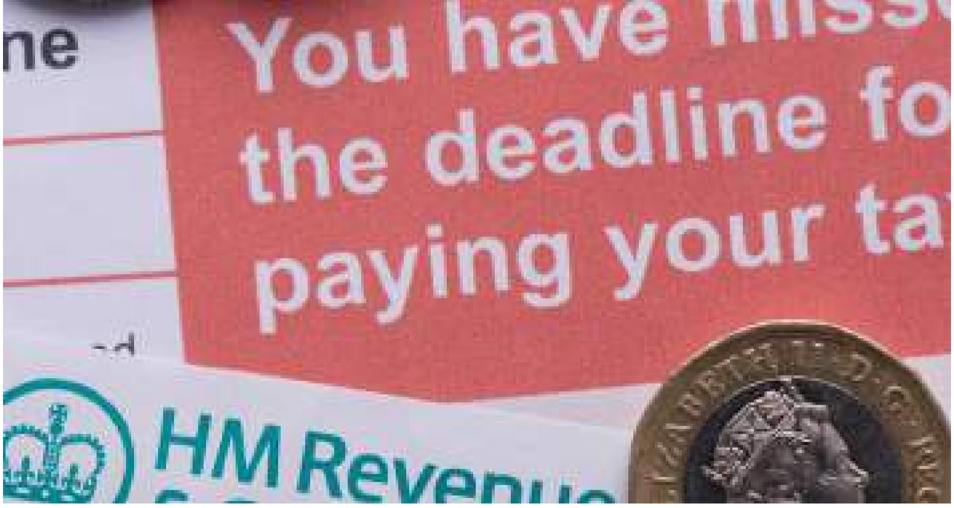
Move to monthly returns

The reverse charge may, in effect, force some businesses to become repayment traders (that is, their VAT return is a net claim from HMRC instead of a net payment). If this is the case, you may wish to apply to move to monthly returns.

Cater for ongoing costs

There will 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.

TAX UPDATE



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Key Upcoming Tax Dates

- **2021 1 MAR** Domestic Reserve Charge for VAT on construction and building services comes into force.
- **2021 31 MAR** Furlough scheme extension planned to end.
- **2021 6 APR** IR35 in the private sector comes into force.
- **2021 30 APR** SEISS grant extension ends.

Late tax returns and penalties

When the deadline is missed for submitting the tax return, a penalty notice of £100 is issued for any returns up to three months late. The penalty increases after three months.

Any tax owed is also due on 31 January, therefore not only will there be a late filing penalty, but there may also be a late payment and interest charges. It is vital that you do not delay preparing your return, and that you provide us with your records in good time.

Self-Assessment and deadline for submission of your personal tax return

For those who need to submit a personal tax return, please remember the filing deadline is 31 January 2020.

Top tips to make the tax return process easier:

- There are no set rules on how to keep your records for your tax return. You can keep paper form records, digital records or as part of a software program. However, HMRC can charge you a penalty if your records are not accurate, complete, or readable. It often helps to keep your records as you go along rather than trying to collate everything at the last minute.
- Ensure that you make us aware of any new sources of income or change in circumstances. This will ensure that a full disclosure has been made and nothing has slipped through the net.
- If you have any queries or are unsure about your obligation to report, we are always here to assist, so please get in touch at accountants@fkca.co.uk or info@gkp.co.uk.
- Any liabilities under £30,000 can be paid in instalments via an online self-service application. More details can be found at www.gov.uk.

If you have not yet provided your tax return information to us, don't forget that you can always use our secure portal to upload your information.
Go to www.fkca.co.uk for more information.

Reminder: CGT now due within 30 days

You must report and pay any tax due on UK residential property using a Capital Gains Tax on UK property account within 30 days of selling. You may have to pay interest and a penalty if you do not report gains on UK property within 30 days of selling.

AIA limit to remain at £1m until 2022

A temporary increase to the AIA (Annual Investment Allowance) has been extended until 1 January 2022. The allowance enables firms to fully offset the cost of qualifying capital items of plant and machinery against taxable profits.

Since 1 January 2019, businesses have received faster tax relief for plant and machinery investments up to £1 million.

As part of the Winter Economy Plan, the Government announced that businesses who deferred VAT due from 20 March to 30 June 2020 will now have the option to pay in smaller payments over a longer period. Instead of paying the full amount by the end of March 2021, businesses can make smaller payments up to the end of March 2022, interest free. They will need to opt-in to the scheme, and for those who do, this means that their deferred VAT liabilities do not need to be paid by the end of March 2021.

NEWS IN ACTION

RBS SCHEME EXTENDED

The Royal Bank of Scotland's (RBS) incentivised switching scheme has now been extended to 30 June 2021. Any RBS customers wishing to receive a dowry payment must apply to their new bank by 28 February 2021.

The scheme is for selected business banking customers and allows them to make an incentivised switch from RBS to a participating bank.

If you are an RBS business customer and would like to know more, please contact us at accountants@fkca.co.uk or info@gkp.co.uk.

Third SEISS grant: deadlines and details

The deadline for the third grant in the government's Self-Employment Income Support Scheme is the 29 January 2021. The grant will cover a 3-month period from 1 November 2020 until 31 January 2021.

It will be a taxable sum calculated at 80% of 3 months average monthly trading profits, paid out in a single instalment and capped at £7,500 in total. This is an increase from the previously announced amount of 55%.

Details of a fourth grant which will cover the period from February until the end of April have yet to be confirmed.

IR35 changes to go ahead in 2021

The reforms to off-payroll working rules will go ahead in April 2021 despite an attempt in parliament to delay the changes by at least two years.

Conservative MP David Davis and Ed Davey MP, who has since been elected leader of the Liberal Democrats, put forward an amendment to the Finance Bill which would have postponed reform until 2023-24. The motion was defeated.

This means that from April 2021 medium and large organisations in the private sector that engage off-payroll workers will be responsible for determining the worker status. Small organisations that engage off-payroll workers are outside the scope of the changes, but it is important to note that the small definition applies to the engaging organisation, not the worker's company.

IR35 rules have been in place since April 2000 and were brought in to ensure those who work 'like employees' pay the same tax and NI as employees. Individuals providing services through an intermediary, usually their own personal service company (PSC), are currently responsible for determining their status but compliance with IR35 is widely known to be low. For more information, please see the Spring 2020 issue of *ProActivity.*

14-DAY LIMIT FOR FURLOUGH CLAIMS

The Coronavirus Job Retention Scheme has been extended until 31 March 2021 and it will be reviewed at the end of January. Claims must be submitted by 11.59pm 14 calendar days after the month the business is claiming for. If this time falls on the weekend or a Bank Holiday then claims should be submitted on the next working day.

Claim for furlough days in	Claim must be submitted by
November 2020	14 December 2020
December 2020	14 January 2021
January 2021	15 February 2021
February 2021	15 March 2021
March 2021	14 April 2021

For more information, or advice on any of these issues, please contact us at accountants@fkca.co.uk or info@gkp.co.uk.

INSIDE FOXLEY KINGHAM AND GKP

Crystal Boston joins Foxley Kingham Board

We are delighted to announce that Crystal Boston has joined the Board of Directors at Foxley Kingham. Crystal joined the firm in 2008 and her portfolio covers a wide variety of industries. Her expertise in property and construction as well as and start-ups has helped to build the firm's strengths in these areas. She will now lead these relationships, as well as expanding her expertise to work with new clients.

Crystal will also champion innovation and the increased and nuanced use of technology within the business and she will continue as an integral part of Foxley Kingham's annual apprenticeship recruitment programme to seek out local talent.

Commenting on her appointment, Crystal said: "I'm delighted to have been offered this opportunity. Working as a senior manager at Foxley Kingham for the last 12 years, I've been able to help grow the business through the development of the client portfolio and my role in the recruitment of new talent. Moving on to this next chapter I hope to further support the development of Foxley Kingham through the refinement of the client journey and continue to provide support to our clients and new recruits."

Paul Bithrey, Director, added: "We're very excited to welcome Crystal to the Board of Directors. Throughout her time with the firm, Crystal has worked hard to support business growth, always bringing new and innovative ways to help us and our clients reach their full potential."

Crystal joins existing Directors Paul Bithrey, Stephen Mason, Darren Fletcher, Tara Aldwin and Zeeshan Hussain, with the support of Associate Director, Steve Sansom in leading the firm.

Introducing... Nicola Watkinson

"I joined GKP as an Accounts/Audit Senior in July, just as the pandemic lockdown restrictions were easing. My two interviews over Zoom weren't without their glitches and it was very strange turning up on my first day and seeing the office and meeting some of my new colleagues for the first time!

After a few days of 'bedding in' I went straight to working from home as the office hadn't reopened since lockdown. I've found remote working to be the most challenging part of a new job. There is so much you absorb when working alongside people such as what their knowledge strengths are, how they tick, as well as the GKP way of doing things. After three months with GKP, I have finally met all my colleagues face to face (at a socially acceptable distance!).

I've spent most of my career in accountancy practice, with a strong leaning towards limited company accounts and audits. However, I've spent the three years before joining GKP in a small manufacturing company. This experience has been invaluable in that I've experienced the challenges of running a business from the ground up.

I've discovered the joys of helping to configure and implement a new ERP system, learning about importing/exporting including certificates of origin and letters of credit, foreign currency forward contracts, human resource management to name but a few.

Now back in practice at GKP, I'm quickly brushing away the cobwebs and am amazed at how everything I've learned over the years has come flooding back. I'm looking forward to getting to know more clients over the coming months from a variety of business backgrounds, adding value to the services we provide where I can, sharing my contacts!

I'm also relishing the chance of learning more from my colleagues, building my knowledge and grasping the opportunities that GKP has to offer me.

Of course, life is not all about work. I have a husband, two children and a dog, so home life is very busy. I keep my sanity by practising yoga and baking lots of cakes. Not necessarily good for my waistline but once we are back in the office, I can share the cakes (and calories) with my colleagues!"

May we take this opportunity to thank all of our clients and for your continued partnership in 2020. We wish you all a very Merry Christmas and happy, healthy, and prosperous New Year!

We will not be sending Christmas cards this year but instead will be donating to the Foxley Kingham Anniversary Foundation.

FESTIVE OPENING HOURS

Foxley Kingham:

24 December – Closed
25 December – Closed
28 December – Closed
1 January – Closed

GKP:

22 December 2020 – 9am – 12.30pm
23 December – 4 January – Closed

Making Tax Digital Phone-in Sessions

All clients are very welcome to call into one of our free phone-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.

Our sessions will be on Wednesday 20 January, Thursday 18 February and Friday 19 March.
All are 2pm – 4pm.

Please see www.fkca.co.uk for more details.

Anyone working towards an end of December deadline for the submission of accounts to Companies House should aim to get signed accounts back to us in good time to allow for any holiday delays and to avoid any late filing penalties.

NON-MTD ELECTRONIC RETURNS TO END

HMRC recently announced that non-Making Tax Digital VAT submissions via software providers will not be supported from April 2021. This means that quarterly VAT periods ending in December 2020, January 2021, or February 2021 will be the last VAT returns you can submit using the old VAT return in your existing accounting software without going through the MTD system.

To prepare for this change, you have two options:

- Register for Making Tax Digital returns and payment with HMRC. In any case, this will become a legal requirement from April 2022.
- If you do not feel ready for MTD, or you are under the threshold or part of a VAT Group, you can generate the VAT amounts using the new non-MTD VAT return in your accounting software. (Please note that you will be required to submit the return manually using HMRC online services or by using MTD bridging software.)

For more information and help please contact FoxKash at accountants@foxkash.co.uk.

MTD for corporation tax to go ahead

The government has announced that Making Tax Digital for corporation tax could be introduced in 2026, with a pilot launched in 2024. The full details of the scheme have yet to be announced.

The move will affect all UK-based companies, as well as non-resident companies and some public bodies. Under the proposed rules, all entities within the charge to corporation tax would need to meet the requirements of MTD.

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