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INSIDE THIS ISSUE

Spring 2021 UK Budget
Get the full low down and the impacts on you shortly after the statement on maco.co.uk

The Spring 2021 Budget – still some surprises

The Spring Budget 2021 featured a corporation tax hike and the freezing of personal tax thresholds, and allowances to help pay for the pandemic. Read more on our website: **maco.co.uk/News/Spring-budget-2021**

A quiet turning of the tax screw.

Just before the Budget arrived on 3 March, it seemed as if the Chancellor would have nothing to say that was not already public knowledge. However, while some of the torrent of leaks were confirmed, none of the pre-Budget pundits correctly predicted the Chancellor's strategy. Instead of cutting borrowing, Mr Sunak increased it sharply in 2021/22 over the estimates produced just four months earlier in his Spending Review.

The Chancellor's approach was:
To stimulate investment in the next two years with extremely generous allowances.

- In effect, for every £1,000 a company invests in new plant and machinery, the government will reduce their corporate tax bill by £247.
- To pay for this and start to repair public finances:
  - From April 2023, when the enhanced investment allowances end, the rate of corporation tax for companies with profits of at least £250,000 will jump by 6%, from 19% to 25%.
  - Many personal tax thresholds, bands and allowances will be frozen until the end of 2025/26.

The big freeze of everything from the pensions lifetime allowance to the inheritance tax nil rate band counts as a stealth tax. Look at the raw numbers and there is no increase in tax –everything stays the same. In practice, the effect of inflation will take its toll. As incomes and wealth rise, thresholds are crossed and tax bands filled more quickly. More people become taxpayers and all taxpayers pay more tax.

A good (or possibly bad) example is the inheritance tax nil rate band, which was set way back in 2009 at its current £325,000 level (now running through to 2026). Had the band been linked to the CPI inflation index, it would be about £90,000 higher in 2021/22. That difference equates to an extra £36,000 in inheritance tax at the standard 40% rate.

In other words, you may think you were spared higher tax bills by the Chancellor, but that is not necessarily the case. Tax planning is still important and will become more so as the freeze drags on to 2026.

Words: Tricia Halliday, Director, Tax

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COVID-19 RELIEF MEASURES EXTENDED AGAIN

The latest, and hopefully last, lockdown is not due to be completely lifted until at least 21 June, so it was no surprise to see Covid-19 relief measures extended in the Budget on 3 March. The furlough scheme will now run until 30 September and there will be two more self-employed grants, plus various other measures.

Furlough (CJRS)
Furloughed employees can continue to receive 80% of their wages for hours not worked, up to a cap of £2,500 per month, until 30 September. By continuing for a few months after restrictions end, the scheme will help businesses slowly recover from the disruption they have faced.

The current level of support will continue until 30 June. In July, the scheme will then only cover 70% of wages for the hours not worked, up to a cap of £2,187.50. This will reduce to 60% for August and September, with a cap of £1,875. Employers will need to pay national insurance contributions and pension contributions throughout.

Self-employed grants (SEISS)
There are to be two more grants; a fourth grant in late April, and a fifth grant in late July. However, extra conditions will apply for the fifth grant.

- The fourth grant will again be worth 80% of three months' average profits (now including results reported for 2019/20) but capped at £7,500.
- The fifth grant will be similar if a business' turnover has dropped by 30% or more. However, if less, the grant will only be worth 30% of average profits (capped at £2,850).

Other measures
A range of additional loans and grants were also extended to provide ongoing relief ahead of the gradual easing of lockdown measures:

- VAT: The temporary reduced rate of 5% for businesses in the tourism and hospitality sectors has been extended until 30 September 2021, with a rate of 12.5% then applying until 31 March 2022.
- Recovery loan scheme: The government will guarantee 80% of loans between £25,000 and £10 million.
- Restart grant: Hospitality and leisure businesses in England will receive a grant of up to £18,000 per premise; up to £6,000 for non-essential retail businesses.
- Business rates relief: The 100% relief for eligible retail, hospitality and leisure properties in England will continue to 30 June 2021, followed by 66% relief until 31 March 2022.

Details of the levels of CJRS support can be found on the **GOV.uk** website.

A YEAR ON – FOUR FINANCIAL LESSONS FROM THE COVID-19 PANDEMIC

There are ways to prepare for exceptional circumstances. Four important financial lessons from the Covid-19 pandemic. As the pandemic enters its second year, what have we learned?

The World Health Organisation declared Covid-19 a pandemic on 11 March 2020, coincidentally the day that Chancellor Rishi Sunak presented his first Budget. At the time, the Chancellor announced a £12bn stimulus to counter the impact of the pandemic. By November, the Office of Budget Responsibility was estimating the cost had reached £280bn.

The last year has been a traumatic one in which much has changed, perhaps never to revert to the old 'normal'. It has also provided some useful financial lessons:

- Make sure you have an up-to-date will – During the first Lockdown the importance of having an up-to-date will (or, in some cases, any will) was highlighted to many people just as it became difficult to arrange one.
- Relying on a state safety net is dangerous – The pandemic saw the number of Universal Credit (UC) claimants more than double to 5.8 million in the year to November 2020. The low level of benefits – even after a £1,000 temporary uplift – was a shock for many of those new claimants, including people who fell between the gaps in the job support schemes.
- Keep an adequate cash reserve – In a world of near zero interest rates, you may be reluctant to leave cash on deposit, earning next to nothing. However, cash gives you valuable flexibility and time to react to changes in circumstances.
- Don't panic – Whether you're an active investor or simply make pension contributions, watching the performance of world markets has been stressful over the last year. The UK's FTSE 100 hit its low for 2020 on 23 March, the day that the Prime Minister launched the first Lockdown. It was a dark time, but any investor who panicked and sold up at that point would have chosen the worst time to pull out. By the end of 2020, the index was 29.4% above the March 2020 all-time low.

Considering these points may allow you to be better prepared for next time?

Words: Tricia Halliday, Director, Tax

Returning From Furlough

As furloughed employees begin to return to work, business owners and managers need to consider both the practical and emotional aspects of returning to "normal".

The impact of the Covid-19 pandemic has been unprecedented. After a full year of lockdown and social distancing, some employees may be fearful of commuting or sharing an office space with other people. Others may be living with a vulnerable or high-risk individual.

Managers need to talk to their team members before they return to work to understand their personal situation and to allay any concerns. The key to successfully returning furloughed employees to work is listening to them and communicating with them.

Action plans should be put in place before furloughed employees return to work. Employees should be engaged and the management team should involve them in creating plans to get everyone back up and running in the new normal.

Return to work plans should include practical aspects such as how social distancing can continue to be observed as well as logistical and operational requirements.

Employers should also check any agreements they have with trade unions or employee representatives, to see if they need to enter into any formal consultation.

In some cases, employees may not want to return to work because they are worried about catching Coronavirus or perhaps they have issues around childcare etc.

If this happens, take the time to listen to the concerns of the particular employee(s) and take reasonable steps such as offering flexible working arrangements or agreeing some temporary leave if the individual(s) are unable to work for a period of time.

If the employee(s) still do not want to go back to work, they may be able to take some time off as holiday or unpaid leave, although the employer doesn't have to agree to this. Guidance on how to manage this type of situation is freely available on **www.acas.org.uk**

Returning to work after furlough is going to be a sensitive time for everyone involved. Employees are likely to be nervous but if managers take the right steps and communicate regularly with their teams, things should go smoothly.

Words: Rebecca Fox, HR Manager

Virtual HR Assistant

Does managing employment and HR related issues take up too much of your time?

Do you often struggle with the ever-changing HR legislation?

Do you often put employee related issues in the "I'll get to that" in-tray but never do?

Do you need a 2nd opinion on an HR issue but don't want to engage a lawyer just yet?

If you have answered yes to any of these questions, we are here to help. Many of our SME and charity clients don't employ a HR Manager as the size of their operation doesn't warrant it. However, that doesn't mean to say that HR issues and questions don't arise. Quite the contrary.

We provide a range of support across leadership and management, assisting to review existing leadership development processes and equip businesses with the tools to promote a positive and productive working environment. We shall also provide support on training and comprehensive HR resources support:

Looking for advice or a 2nd opinion on an employee related or HR issue? Our tailored HR packages have been designed using a best practice approach to help businesses remain compliant and get the best from its workforce.

Get in touch with our HR Manager, Rebecca Fox, to find out more information on our packages or indeed, if you have a one off query, how we can help you to approach and resolve the matter at hand.

Cultivating Creativity

Creative businesses tend to be successful – just look at Google, Netflix or Amazon. So how do you cultivate creativity in your business?

You can't force creativity, but the right environment will enable your team to work in new and innovative ways in order to generate imaginative solutions. Business is all about people. Hiring talented people is the first step in cultivating an innovative and creative business. Look for team members who understand your vision and align with your culture.

Having a team that shares one vision and works together will help the firm run smoothly. This doesn't mean only hiring people who always agree with you - encourage different perspectives as this could generate creative new ideas.

Businesses are becoming more focused on diversity and this can really help to drive creativity. People from different backgrounds may have experience that allows them to come up with new and innovative solutions.

The most creative businesses know this, and put together teams of people with different capabilities, backgrounds and interests in order to encourage different approaches to problem solving. In order to become more creative, your business should celebrate new ideas, encourage different approaches and try thinking outside the box.

Creative businesses tend to have a more flexible approach to work. Some of the most successful businesses have moved away from the traditional 9-5 working day and allow employees to work whenever suits them best. After all, some people are night owls and others are early risers.

Allowing staff to choose to work when they are well rested and performing at their best can only be a good thing. If you show your team that you trust them to work flexibly, they are more likely to feel empowered and this tends to drive employees to perform at a higher level. Finally, make sure you encourage your people to take regular time off.

Nobody can work at 100% all the time. Worn down workaholics don't produce high quality, creative ideas. Communicate with your people and convey how important it is to get some rest and have time off throughout the year. Make it non-negotiable.

Giving your people time to switch off completely will help them to be more creative when they return. After all, some of the best ideas are generated away from work, when thinking about something else entirely.

Words: Rebecca Fox, HR Manager

Inflation: at a turning point?

We could see a jump in inflation soon…
The pandemic has posed problems for the Office for National Statistics (ONS) when it comes to calculating the rate of inflation. For example:

- How do you measure the price of an item or service when a lockdown means it is not for sale? Two good examples are the 'Restaurants and hotels' category, which in 2020 took up almost 12% of the Consumer Prices Index (CPI) and the 'Package holidays' subgroup of the 'Recreation and culture' category which had a 4.2% weighting in the Index.

  In February 2021, the ONS said that in the previous month it had managed to collect only 88% of the prices it had collected before the first lockdown.

- Are the right items and services being measured? All inflation indices measure the prices of a 'basket' of goods and services. The ONS reviews and amends that basket each year to reflect changing spending patterns. This is often a source of humorous headlines, such as the replacement of crumpets by individual fruit pies last year.

  The new 'basket' for 2021 would normally have been based on expenditure in 2019.

  However, that was in the pre-pandemic era and spending patterns changed in 2020, as we all know. The ONS has therefore created a special 2021 'basket' that uses data from both 2019 and where there have been significant changes, 2020.

  As a result, the weighting for 'Restaurants and hotels' and 'Recreation and culture' have both fallen while those for 'Food and non-alcoholic beverages' and 'Alcoholic beverages and tobacco' have risen. Eating and drinking in is the new dining out…

Annual inflation over the last ten years to January 2021 has averaged 1.8%, as measured by the CPI, which means overall prices have increased by almost a fifth since 2011 – bad news for anyone with a fixed income.

Although 2021 started with annual inflation of 0.7%, by May the figure is likely to be nearer to 2% as a result of price rises already built in. These include the 9.2% rise in capped gas and electricity bills and council tax increases of up to 5%.

For all the problems of pandemic measurement, inflation is still out there and needs to be built into your financial plans.

Words: Ian Finch, Chartered Financial Planner

Businesses prepare for long term tax hike

The March Budget provided an immediate sweetener for businesses in the form of a temporary extension to carry back of trading losses, plus, for companies only, a temporary super-deduction for investment in plant and machinery. However, in two years' time, the main rate of corporation tax will rise to 25%.

Trading losses
The period over which businesses can carry back trading losses has been extended from one year to three years:

- For the self-employed, a maximum £2 million of trading losses made in either 2020/21 or 2021/22 can be set against trading profits of the three previous tax years.
- For companies, carry back against total profits is extended to 36 months for loss making accounting periods ending between 1 April 2020 and 31 March 2022. The £2m cap applies to claims beyond the normal 12-month carry back.

Super-deduction
From 1 April 2021 to 31 March 2023, companies investing in qualifying plant and machinery will benefit from a 130% super-deduction. This means that for every £10,000 spent, there will be a £13,000 deduction against profits, saving corporation tax of £2,470. Currently, the tax saving would be just £1,900 within the annual investment allowance.

There is also a 50% first-year allowance for expenditure falling into the special rate pool, but this is less generous than the 100% annual investment allowance.

Corporation tax
From 1 April 2023, there will be two rates:

- A small profits rate of 19% where profits are below a £50,000 lower limit, and
- A main rate of 25% where profits exceed a £250,000 upper limit.

Where profits are between the lower and upper limits, a marginal taper will apply so that the rate of tax is gradually increased from 19% to 25%. However, this means the rate on this band of profits will be an even more punitive 26.5%.

Words: Iain Stirling, Tax Manager

OFF-PAYROLL STATUS COMMUNICATION

From 6 April 2021, any medium or large-sized organisation engaging a worker operating through an intermediary will be responsible for determining the worker's employment status. This status must then be communicated to the worker and to any party contracted with for the supply of the worker, such as an agency.

Although the client (the medium or large-sized organisation) is responsible for determining employment status, it is the fee-payer who will have to operate PAYE if the determination means the worker falls within the off-payroll working (IR35) rules. The fee-payer, as the name implies, is the organisation paying the intermediary, and will often be different to the client. The intermediary will typically be a personal service company, but could also be a partnership, LLP, a managed service company or even an individual.

Status determination statement
Regardless of the outcome of the status determination, the client must provide a status determination statement (SDS) confirming the conclusion and the reasons behind it.

If there is a labour supply chain involved, the SDS must be passed down each stage of the chain until it reaches the fee-payer. This is extremely important, because if an agency receives the SDS but then doesn't pass it on down the supply chain, the agency will be treated as the fee-payer, with responsibility for deducting taxes and paying them over to HMRC. The same for the client, who will be treated as the fee-payer until the SDS is carried out and communicated.

There are other situations where the client can end up being treated as the fee-payer:

- Failure to take reasonable care when making a determination; and
- Failure to respond within 45 days to a disagreement regarding a determination.

Status will have to be re-checked if the working practices of the engagement change or a new contract is negotiated with a worker.

HMRC's guidance to off-payroll working for clients changes in April 2021.

Words: Tricia Halliday, Director, Tax

VAT deferral: new payment scheme

Businesses that deferred VAT payments due between 20 March and 30 June 2020, and cannot afford to pay by 31 March 2021, have the option of joining a new scheme allowing them to pay the deferred VAT over a longer period. The VAT deferral new payment scheme opened on 23 February and will close on 21 June 2021.

The scheme lets a business pay any outstanding deferred VAT in equal instalments without incurring interest or penalties. The number of instalments can be between two and 11, depending on when a business joins the scheme.

Instalment options
To benefit from the maximum 11 instalments, a business needs to join the scheme by 19 March 2021. For later joining dates:

JOIN BY	MAXIMUM INSTALMENTS
21 April	10
19 May	9
21 June	8

Of course, fewer instalments than the maximum can be selected. The first instalment is payable at the time of joining, with a direct debit set up required for subsequent payments. All instalments must be paid by 31 March 2022.

How to join
A business has to opt in to the new scheme. This is done using the business' Government Gateway account, and one will need to be created if not already set up. Before joining, a business must:

- Be up to date with its VAT returns;
- Correct errors on VAT returns as soon as possible;
- Make sure they know how much VAT was originally deferred, and how much is still outstanding;
  - Decide on the number of instalments to pay; and
  - Be able to make the first instalment.

Because of the direct debit requirement, the new scheme cannot be set up by an agent. If a business is unable to use the online service or pay by direct debit, then they should contact the COVID-19 helpline on **0800 024 1222.**

Words: Iain Johnston, VAT Specialist

VAT reverse charge from March

The VAT domestic reverse charge will finally apply to most supplies of building and construction services from 1 March 2021. The rules, whose implementation have been postponed twice, cover standard and reduced rate VAT supplies between VAT- registered sub-contractors and contractors where reporting is required under the construction industry scheme (CIS).

The definition of construction services is based on the CIS definition, with various professional services excluded. However, unlike the CIS, the reverse charge applies to the total supply if any element in the supply is within the definition, subject to a 5% disregard.

Sub-contractors
The reverse charge applies if the following conditions are all met:

- The supply is within the scope of the CIS.
- The supply is standard or reduced rated (zero-rated supplies are excluded).
- The customer is VAT registered.
- The customer is CIS registered.
- The customer is not the end user (the final customer who does not make an onward supply – typically, the property developer).

Sub-contractors will no longer charge or account for output VAT, and invoices must state that the reverse charge applies. Cashflow is likely to be affected for sub-contractors who will no longer benefit from retaining VAT before paying it over to HMRC. Moving to monthly VAT returns could be the best option for managing repayments.

Main contractor
The main contractor accounts for the VAT on the services of sub-contractors as output VAT, but can also usually claim a corresponding input VAT deduction.

The end user will then be invoiced as normal. The main contractor will therefore now be responsible for accounting for the full amount of VAT in the chain.

SUB – CONTRACTOR	MAIN CONTRACTOR	DEVELOPER
No VAT charged, so invoice for the net amount, stating, the reverse charge applied.	Include sub-contractor VAT as both output VAT and input VAT on VAT return.	Invoiced as normal by the main contractor.

Words: Iain Johnston, VAT Specialist

The VAT reserve charge means adjustments for subcontractors and contractors. Detailed technical guidance can be found on HMRC website.

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Questions?

We understand there's lots of information to digest and decisions to make. Why not talk to us and we will help you to look at the potential options for you and your business. Call Iain on **0141 272 0000** or email: **iain.johnston@maco.co.uk**

Words: Euan Ferries, Corporate Advisory Associate Director

LOOKING FOR A BUSINESS GRANT OR EXTERNAL FINANCE TO HELP FUND YOUR EXPANSION?

Applying for grants and funding generally can be viewed as drain on time and resources in the business, and a distraction from running the business and achieving the targets set out in the business plan.

However, many who have been through the process will tell you that they owe their growth to not only the funding they secured, but also the rigour of the funding process.

The application process can be time consuming. However, going through the process can be good for the business.

By analysing what you do, what you want to do and where you want to take the business (i.e. convincing funders that your proposals are economically viable and will lead to sustainable growth for you and a decent return for them) will help you to sharpen your propositions and it can be the catalyst for the development and innovation required to turn your vision and ideas into reality.

How can we help?
Assess your investment plans and the purpose of the funding.

Review the potential for grant funding - we'll also give you an early assessment on the likelihood of securing a grant.

Recommend suitable grants and quantity the potential level of grant based on the scheme criteria and the case for assistance.

Upon identification of the most appropriate potential grants and incentives our team will work with you to prepare the application ensuring that you have the strongest chance of securing and maximising the support.

We have significant experience of helping our clients apply for grants from the like of Scottish Enterprise, the Local Authorities, Scottish Government and UK wide schemes.

The need for external finance can be triggered by a number of factors:

- New product development.
- Start-up funding.
- Building up operations to meet demand.
- Hiring more people to produce, sell, service and manage.
- Buying or leasing new premises.
- Exporting to overseas markets

The funding landscape if an ever changing one, particularly as we emerge out of the Covid pandemic.

As well as grants, we at Martin Aitken & Co Limited have a vast network of contacts in the wider funding arena, both public and private sector, equity and debt so get in touch with us and we'll run through what's potentially available to you.

Support for businesses looking to expand and/ or raise growth finance

Martin Aitken & Co work with Business Gateways (BG) in Glasgow, North and South Lanarkshire, West Lothian and North Ayrshire.

Through our work with BG, we provide SMEs with business growth and scale-up advice covering: business planning, financial systems and procedures, raising funding (equity, debt and grants) and achieving growth through mergers, acquisitions, sales, MBOs/MBIs and business succession events.

BG is actively seeking SMEs and social enterprises with expansion, growth, M&A and business investment projects.

Looking at the Glasgow area specifically, Glasgow City Council/ BG have a team of business consultants in place, covering a range of areas including: strategy, finance, legal, human resources, IT, digital and marketing to help your business grow and to achieve your scale-up objectives.

If you have a business investment project, or if you are looking for advice to take your business to the next level, then get in touch with Mark McRae, Director, as there may well be business support and funding available to you.

It's worth an ask as it may help you to fund the professional fees involved in the project, and indeed it may even make the difference between the project going ahead or stuck to the drawing board.

Words: Mark McRae, Director

Pensions lifetime allowance devaluation continues

Words: Greig McGarvie, Director, Chartered Financial Planner

The Budget announced a five-year freeze to the standard lifetime allowance.

The standard lifetime allowance (SLA) is an important pensions number. It effectively sets the maximum tax efficient value of all your retirement benefits, in the absence of any legislative protections (of which there are many). To the extent that the SLA is exceeded there is a special flat rate tax charge which is 25% if the excess is drawn as taxable income and 55% if it is received as a lump sum.

When the SLA was first introduced in 2006, it was set at £1.5 million, a level which equated to an annual pension income of £75,000, based on a standard legislative assumption of an annuity rate of 5%. The initial legislation set out increases for the SLA to £1.8 million in 2010/11. That proved to be the SLA's high-water mark. It was frozen in the following year and then the first of three cuts were introduced. By 2016/17 the SLA was down to £1 million.

For three tax years from 2018/19 the SLA has been index-linked, but from April 2021 it will be frozen for half a decade at £1,073,100. Had the original £1,500,000 level been index linked, the SLA would now be £2,082,100 – not far short of double the actual level.

The devaluation of the SLA has three consequences:

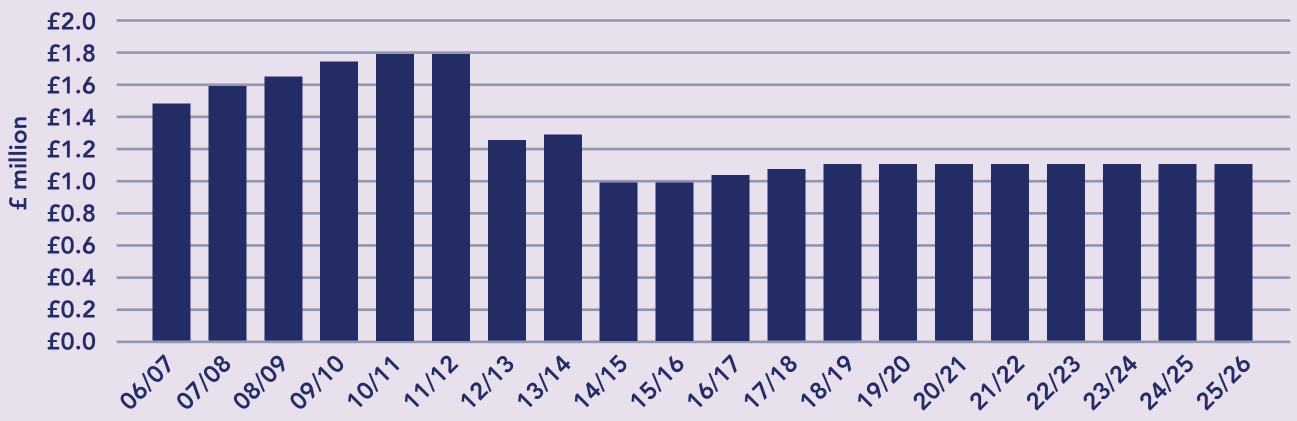
- The pension protected from the SLA tax charge has fallen. On the legislative basis which applies to defined benefit (final salary) schemes, it will now be £53,945. For defined contribution pension arrangements, such as personal pensions, the erosion is greater. Low annuity rates mean that £1,073,100 will buy an inflation proofed income of just over £31,000 a year (before tax) for a 65-year-old.
- More people are being caught by the special tax charge. HMRC's latest (sic) figures show over 4,500 SLA charge payers in 2017/18 against 1,240 five years earlier.
- The legislative protections, some of which date back to 2006, are all the more valuable.

If you think you might be affected by the SLA tax charge, either based on current benefits or when you reach retirement, take advice as soon as possible. You could find that from now on it is best to exclude pension contributions from your retirement planning

The value of your investment and income from it can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

The value of tax reliefs depends on your individual circumstances. Tax laws can change. The financial Conduct Authority does not regulate tax advice.

Lifetime allowance
2006/07-2025/26



WERE YOU BORN AFTER 5 APRIL 1971?

A new consultation paper has set out more details of an increase in the normal minimum retirement age.

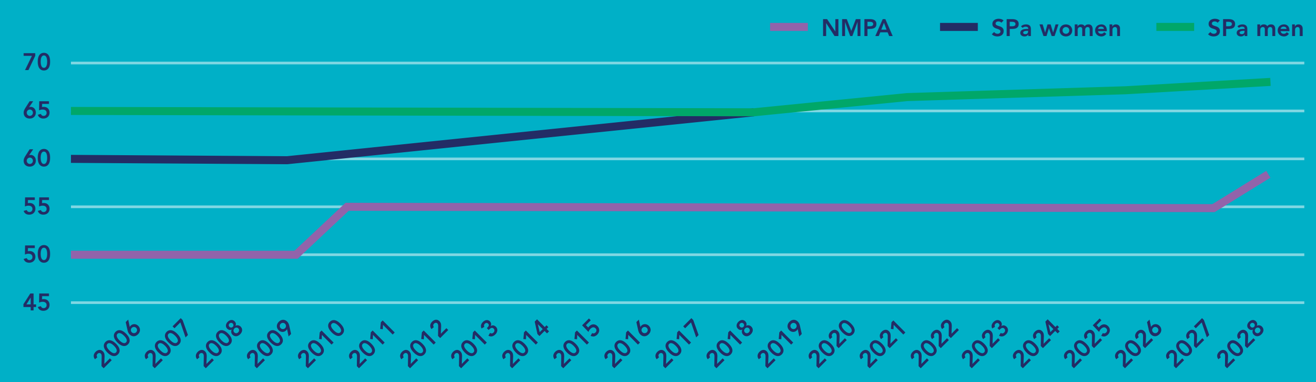
In February the Treasury and HMRC published a consultation paper on implementing an increase in the normal minimum pension age (NMPA) from 55 to 57. The NMPA sets the earliest age at which retirement benefits (lump sum and/or income) can normally be drawn from a pension. The rise to 57 was originally announced back in 2014, but all then went very quiet. Eventually, in September last year, the Treasury replied to a question from the chair of the Work and Pensions Select Committee by confirming the 2014 announcement remained in force: the minimum pension age would indeed rise to 57 in 2028.

Unfortunately, the Treasury minister's response was light on detail – there was no mention of the precise timing in 2028, whether there would be any phasing in or if transitional protection would be available. Given the deep water in which the government has found itself with the increase in women's State Pension ages (SPA), the lack of information was surprising.

The consultation paper addresses the gaps in last autumn's brief answer with the following proposals:

- The NMPA will rise to 57 on 6 April 2028, coinciding with the date on which the state pension age rises to 67 (after two years of phasing in).
- There will be no legislative phasing in for the higher NMPA, although pension scheme providers can choose to bring it in earlier than April 2028. One odd effect of this is that between 7 April 2026 and 5 April 2028 there will be people who reach age 55 and can draw pension benefits but, if they do not do so within that time frame, will have to wait until age 57 is reached.
- You will still be able to draw benefits before age 57 on or after 6 April 2028 if you had the right to do so on 11 February 2021 or are a member of the firefighters, police and armed forces public service pension schemes.

If this change affects your retirement planning, make sure you take advice as soon as possible.



FOCUS ON THE HORIZON

Words: Greig McGarvie, Director, Chartered Financial Planner

Investors will understandably be pondering their portfolios as economic challenges endure. You may have heard the age-old investment dictum – time in the market, not timing the market. If so, recent research has explored the concept, with some very compelling results.

In March 2000, during the height of the dot-com boom, if an investor made an investment of £1,000 in the average investment company and reinvested the dividends, the original investment would have been worth £3,665 as at 6 April 2020, a return of 267%, (here 'investment company' includes investment trusts and other closed-ended investment companies but excludes venture capital trusts and 3i Group plc.) This 20-year period includes the dot-com crash, the global financial crisis and the more recent COVID-19 related market falls.

Commenting on the findings, Annabel Brodie-Smith of the Association of Investment Companies said: "The bursting of the tech bubble and the global financial crisis saw huge falls in markets... However, investors who were able to stay invested or even invest during the downturn would have been richly rewarded over the long term. No one has a crystal ball, but these returns show the power of long-term investment and why it can often pay to have one eye on your portfolio and the other on the horizon."

The value of investments can go down as well as up and you may not get back the full amount you invested.

Improving your sales and business development strategy

In today's challenging trading environment, as well as good cash flow management, a good business development and marketing strategy is essential.

Here are some tips on how you can give your sales an uplift.

Talk to existing customers
Seems straightforward but you would be surprised how little time businesses spend talking to their current customers and getting feedback and valuable insights into why they buy from them and not the business next door.

Your current customers are one of your best sources of information. Your existing customer base can provide you with valuable feedback about what worked and didn't work for them during the sales and after sales process. And more importantly, they can tell you what aspects they value and those that leave them nonplussed.

This type of insight can help you to hone in on the elements that your customers really value in your product or service and this will help you to craft your next sales pitch and promotions accordingly.

Not many of us can take on board and remember more than three or four points about the benefits a particular product or service could provide. So what three points are you going to focus on in your next marketing campaign? The answer: those that your customers value.

Similarly, current customers are an excellent source of additional revenue, especially if you offer complimentary or add-on services to the core product.

Drawing up a simple matrix of your customers and products purchased across your range can help you to identify the gaps and potential cross-selling opportunities.

You've already converted them once. It's easier to cross sell to an existing customer than it is a new one as you have already won their trust.

Seek feedback from customers who went elsewhere
Take the time to ask those who went elsewhere for feedback. Ask them why they chose to go with another product or service provider and what you could have done better to keep their custom.

Any feedback they provide can help you to improve and refine your current sales process. In some cases, speaking to ex-customers may give you a second chance to pitch to them for their next purchase.

It can be difficult to ask customers who have decided to go elsewhere for their views and sometimes it can be a rather unpleasant listen; we can all take things too personally sometimes. But it is better to know where the holes and the gaps are in your offering so that you can fill them - and avoid any of your other customers falling into them.

Take time to actively listen to your clients
Before trying to sell to a client take the time to listen to them, to understand their needs, then offer them a solution. Train your sales team to actively listen and encourage them to ask the right questions in order to get more information from potential buyers.

The best sales teams are solution oriented – they focus on why a customer needs to buy a product or service and then they help them to choose the right solution for their needs.
No one really wants to buy an unbranded, off the shelf solution. Most people want to buy a bespoke solution, or at least to feel that the offering has been tailored to their particular circumstances and situation before they will sign up as a new customer.

Understand the competition
Take the time to understand your competitors, their offerings and their sales strategies. Ensure that your sales team know what sets your product or service apart so that they can handle objections from potential clients. Perhaps the products are similar but your firm offers better service, better back-up or more flexibility.

You can get the direct evidence you need to work this into your pitch by having regular conversations with clients, conducting feedback surveys and by simply observing how your customers use your product and/or what they are saying about it on the social channels – are they your advocates or are they spreading fake news?

Referrals
Encourage your sales team to ask existing clients for referrals. Your current clients are a great asset as they can provide you with referral opportunities.

If you know that a particular client is happy with your product or service, ask them if they know anyone else who may be interested in your current offerings. If a customer sends you a referral, make sure to get in touch to say thank you.

If you successfully win a new piece of business, then go the extra mile and send a thank you card to your client for the referral. Not only will they think your firm is great, they will probably tell some of their friends too.

Words: Gavin Curr, Associate Director

Delivering Customer Value

The overall perception of value is, from a customer's perspective, also influenced by experience.

Understanding what your customers really value can help you to market your products and services more effectively.

Customer value is the perception of what a product or service is worth to the customer. Customers don't buy features - they buy benefits.

Your customers will buy your product or service because of the benefits that they get. If you take the time to understand what your customers' value and what they are willing to pay for, you will be able to market your business more effectively. You may also be able to win new customers from your competitors.

Most businesses make the mistake of thinking about value purely in terms of money.

They create special offers to promote their products and services, but all they are doing is cutting their profit margin in a race to the bottom.

Sure, there is a place in most markets for a lowest priced competitor but this doesn't work for everyone. Take the airline industry - there isn't room for more than a handful of low cost airlines and that is why many of them are in financial difficulty - their costs have gone up, but there is downward pressure on pricing.

Value is about much more than just money.
Put yourself in your customer's shoes - your customers think of value in terms of goals, benefits and results. They are seeking an outcome and this is what drives their purchasing decision.

For example, an accountant might save a customer £6,000 on their tax bill and charges the customer £2,000 for doing the tax work. The monetary value to the customer is therefore £4,000. But what if this is only the beginning?

What if the customer wants to grow their business over the next 5 years. The accountant could add value by providing advisory services to the customer over the next 5 years, to help them to achieve that goal. The customer would be willing to pay for that additional service because it helps them to achieve their goal.

If the accountant in our example is difficult to deal with and the customer has to regularly drive to their offices to sign paperwork, have face to face meetings, etc. the customer will not think that the service is great and may question whether it is worth the money.

Conversely, if the accountant offers meetings over Skype, at a time convenient for the customer and provides documents by email with e-signature capability, the customer may value the convenience and efficient service to the extent that they may even be willing to pay more for that service.

Words: Duncan MacCaig, Director

Live Streaming as a marketing tool

Live Streaming is a great way to market to your target audience, in real time.

During lockdown, many businesses have turned to webinars and online talks as a way to market themselves. Livestreaming is a development of this - but delivery is in real time.

Live streaming is transmitting live video footage over the internet to an active target audience. In the past, livestreaming was typically done on a dedicated platform such as YouTube or Vimeo. Today, social media has expanded the reach of livestreaming to Facebook, Twitter and Instagram.

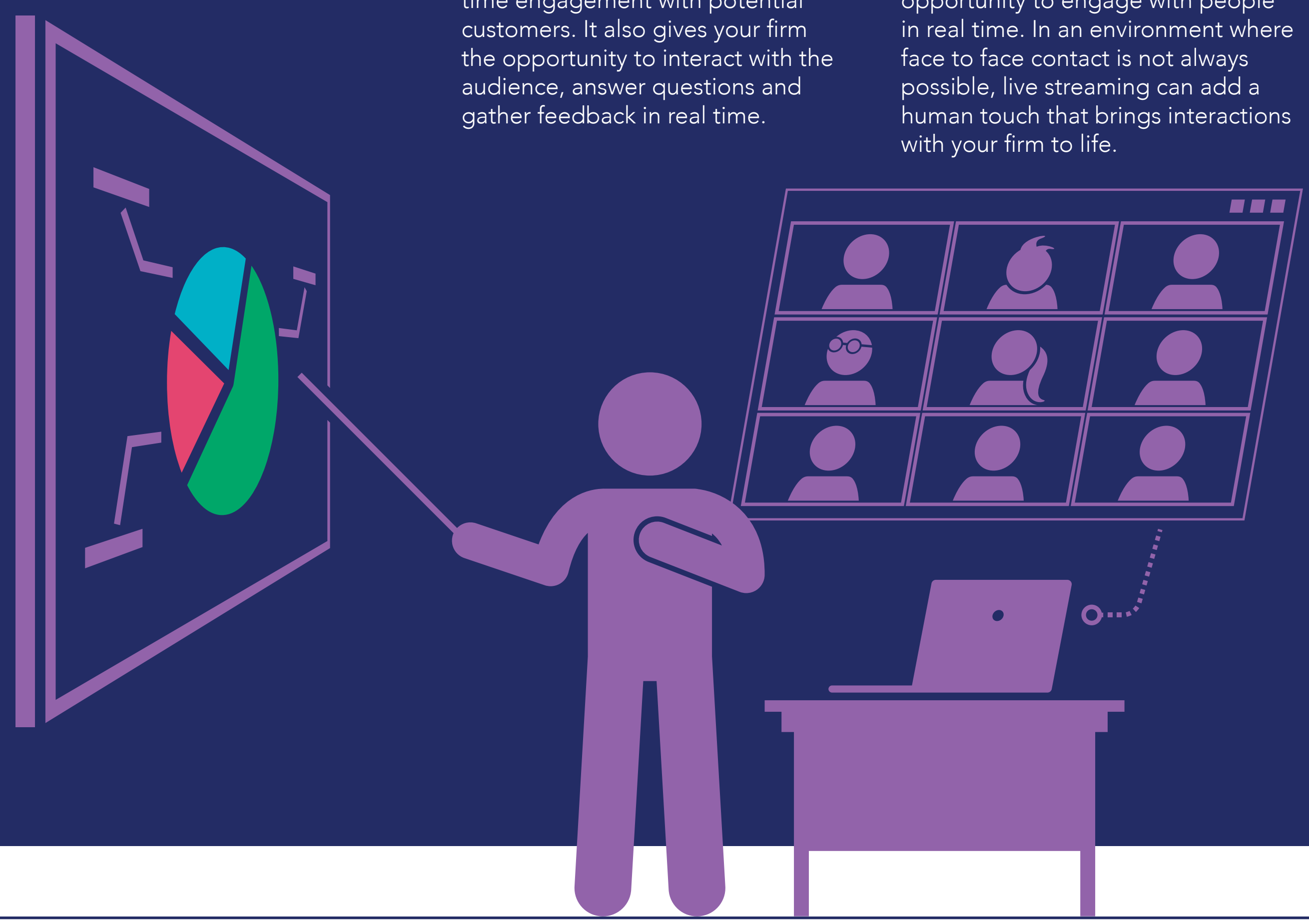
Video is an engaging medium that grabs the audience's attention and allows businesses to engage in brand-building efforts as well as selling products. It's now cheaper and simpler than ever to deploy high quality video and businesses can deliver compelling and emotionally engaging content to consumers and forge a strong brand connection.

The latest smartphones and tablet devices allow users to shoot high quality video that can be used to live stream updates, tutorials and new product launches to customers over Facebook, Instagram, Twitter, and other popular social media sites.

The biggest advantage with livestreaming is that it creates real-time engagement with potential customers. It also gives your firm the opportunity to interact with the audience, answer questions and gather feedback in real time.

Live streaming also gives businesses an opportunity to build trust with potential customers. Modern customers tend to be quite sceptical of pre-drafted adverts and marketing collateral. Brands that engage with audiences in real time are seen to be more authentic. When audiences have the opportunity to see a brand without carefully scripted production, they can see that brand as being more transparent and more trustworthy.

People buy from people. If you create a brand that embraces live interaction with your target audience, you can create more effective engagements with potential customers. In the current business environment, live streaming gives your customers an opportunity to engage with people in real time. In an environment where face to face contact is not always possible, live streaming can add a human touch that brings interactions with your firm to life.



Words: Colette Callaghan, Associate Director

Managing cash and payments

Management of cash is fundamental to successfully running a business at the best of times but now with the impacts of Covid-19 it is even more important.

Here are some quick reminders on what you can do to improve how you manage your cash.

If you have never prepared management accounts and produced a cash flow forecast, now is the time to do it.

This will help you look at your business bank account history and see what funds have historically left the account.

Are they automatic monthly items such as wages or are they variable payments such as suppliers? Work out when you need to make payments and put them in your cash flow.

Work out payments that are critical to your ongoing business in the short term and those payments that, if you didn't make them, would mean that your business couldn't survive.

For example, if you have employees who you need to pay to keep the business running, they must be paid on time. If you have payments which can be delayed, then identify those payments.

HMRC has provided support to businesses by delaying payment of the next tax quarter and recognising that businesses will need time to pay where income has dropped.

Use this opportunity to delay tax payments and preserve cash for those critical payments that keep your business going over the next few months. Remember though that HMRC are only deferring tax payments and it still needs to be paid at some point.

Preserve cash even if you have reserves. Don't think that because you have the money now, you can afford to make payments which do not fall as critical. The landscape may change so plan for the worst-case scenario.

Customers are often reluctant to part with their money, even if it's to pay for your goods or services. As such, it can take a while for them to pay their invoices. Here are a few tips to help you to reduce your debtor's days.

When creating an invoice, think about your messaging. Is the due date easy to see on the page, does your invoice state exactly how much payment is required and have you clearly outlined the various payment options that you accept (such as bank transfers, cash, cheque, etc.)? Options such as "pay now", "pay by instalments" or "pay on the due date" should be clearly set out. Sometimes offering a small discount can motivate your clients to pay on time. Setting this type of incentive out at the beginning of a client relationship can go down well as clients can see the early payment discount as a "value add".

Incentivise customers to pay you on time by charging a fee for late payments.

If you communicate the terms and conditions around late fees clearly, clients will not be surprised if they are charged for late payment. If you are going to charge clients for late payment, it is usually effective to give some sort of warning.

There are a vast array of systems, and add-on applications for your cloud accounting software, available to help businesses to track invoices, monitor payments and manage clients who have missed payment deadlines.

With an automated accounts receivable system, you can keep track of the status of each invoice, who has paid and what is outstanding. You can set up automatic reminders at crucial moments in the payment cycle and significantly reduce your administration time.

If you are thinking about upgrading your accounting software or looking for advice on the best applications to work alongside your cloud software, then get in touch with Kim Matheson to arrange a demo.

Words: Kim Matheson, Business Services Manager

MTD for VAT to be extended to all VAT registered businesses in 2022

Since 2019, the vast majority of VAT-registered businesses with a taxable turnover above the VAT threshold (£85,000) have been mandated to keep digital VAT records and send returns using Making Tax Digital (MTD)-compatible software.

From April 2022 these requirements will apply to all VAT-registered businesses.

If this applies to you and you are not set up for MTD and to send your VAT returns digitally to HMRC, please get in touch with Kim Matheson, Cloud Accounting Manager and she will arrange a demonstration of the options that are available to you to keep you records digitally.

There are also some useful preparing for MTD videos in our video library: **maco.co.uk/guides-resources**

MTD for Income Tax Self-Assessment

It has also been announced that MTD for Income Tax Self-Assessment (ITSA), which was originally intended to start in 2018, will finally be introduced from April 2023 for unincorporated businesses and landlords with total business or property income above £10,000 per year.

Most businesses will have 2 years to prepare and test the service voluntarily prior to its introduction.

In our experience it is best to prepare early and get the necessary software installed and ready to use well ahead of the deadline. Although the MTD timetable has been much delayed and may well get put back again, the direction of travel towards digital record keeping and sending returns to HMRC digitally is without question.

We also know from the experience over the past 12-18 months from migrating many of our clients from spreadsheets and desktop accounting systems onto using cloud accounting software, we've not had any clients make the return journey.

The experience has been revelatory for some and for many others it has made the whole record keeping experience much improved – and quicker. With the built in auto-reminders and easy to use add on apps for recording fiddly things like expense receipts like Receipt Bank.

Words: Mark McRae, Director

Reporting property gains within 30 days

Since 6 April 2020 where UK residential property is disposed of, the resulting capital gain needs to be reported and the capital gains tax paid within 30 days of completion of the disposal.

There have been a number of teething problems with the new online reporting system and HMRC stated that there would be no penalties imposed for late returns, provided the returns were submitted by 31 July 2020.

Taxpayers need to obtain a Government Gateway account and apply for a CGT or property reference number to report disposals, although they can authorise their accountant to report the disposals on their behalf.

Currently only the first disposal may be reported using the online reporting system with any subsequent disposals being reported using a paper return. We have been told that the new system will be fully functional soon.

Some Property Business Owners are liable to Class 2 NICs
Class 2 National Insurance Contributions (NICs) are currently paid at the rate of £3.05 per week by self-employed earners. A person who is liable to Income Tax on the profits arising from the receipt of property rental income will only be a self-employed earner for NICs purposes if the level of activities carried out amounts to running a business. HMRC have recently issued clarification which states that in order for a property owner to be a self-employed earner, their property management activities must extend beyond those generally associated with being a landlord which include, but are not limited to, the following:-

- undertaking or arranging for external and internal repairs
- preparing the property between lets
- advertising for tenants and arranging tenancy agreements
- generally maintaining common areas in multi-occupancy properties; or
- collecting rents.

The HMRC guidance suggests that the ownership of multiple properties, actively looking to acquire further properties to let, and the letting of property being the property owner's main occupation could be pointers towards there being a business for NICs purposes.

A landlord will also be a self-employed earner if any of their activities amount to a trade for Income Tax purposes. This could include, for example, receiving income from other services provided to tenants.

WHO PAYS CAPITAL GAINS TAX?

HMRC has published some interesting research into capital gains tax (CGT).

Here are three CGT questions for you to ponder:

1. How many individuals made enough capital gains in 2018/19 to face a CGT bill?
The answer is just 256,000, according to the latest provisional figures from HMRC – 9,000 fewer than in the previous tax year. Viewed another way that is less than 1% of all income taxpayers. However, over the 10 years since 2008/09 the number of CGT payers has nearly doubled. Now you know that individual CGT payers numbered only about a quarter of a million, try the next question…

2. How much tax did they have to pay in total?
The answer is £8,805m, which is over £3,400m more than was collected in inheritance tax (IHT) in 2018/19. IHT and CGT are both capital taxes, often levied on the same asset, albeit usually at different times. Yet CGT attracts much less criticism than IHT, which has been rated as the UK's most-hated tax.

With the information on how many taxpayers and how much tax was collected, the third question might look easy…

3. What proportion of that £8,805m was paid by the top 5,000 CGT payers?
The top 5,000 – about 2% of all CGT payers – contributed 54.4% (£4,789m) of all CGT paid. They all had gains of at least £2,000,000. Expand the band a little and 18,000 individuals, with gains of at least £500,000, accounted for just under three quarters of the CGT paid.

The answers to these three questions highlight two points which give pause for thought, one to the Chancellor and the other for investors:

- As with some other personal taxes, the amount raised from a small number of the wealthiest individuals is a significant proportion of the total. This means that the results of increasing the tax rate(s) will heavily depend upon how those individuals react. If some of them decide not to realise their gains, the overall tax take could fall rather than rise.
- The annual CGT exemption is £12,300 in 2020/21. Investment returns that are received as capital gains are usually taxed more lightly than those received as income. The relatively small number of taxpayers is a reminder of the current generosity of the exemption.

Have you recently made a breakthrough? Innovation in lockdown

Words: Tricia Halliday, Director, Tax

In response to the lockdown measures and trading restrictions many businesses have changed or altered their products and/or services, business processes, ways of working or elements of their offering in order to get their products to market.

Does this apply to your business? Have you made changes to your products/services, how you produce them or deliver them to your customers? If so, you may well have undertaken R&D in order to make the changes and implement them to get keep your customers satisfied.

If you have been undertaking R&D to develop new products, processes or services during the lockdown and incurred costs you may be able to make a R&D Tax Credits claim.

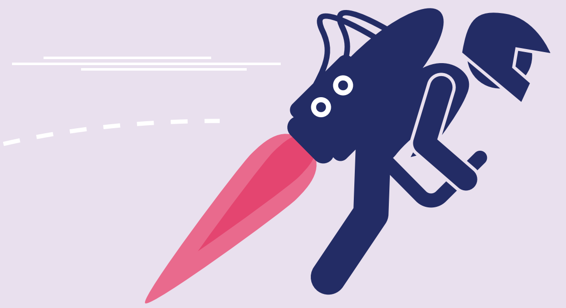
Many companies often think that the R&D Tax Relief Scheme will not apply in their situation or they are sceptical about the potential benefits available to them and view the application process to HMRC as not worth the effort.

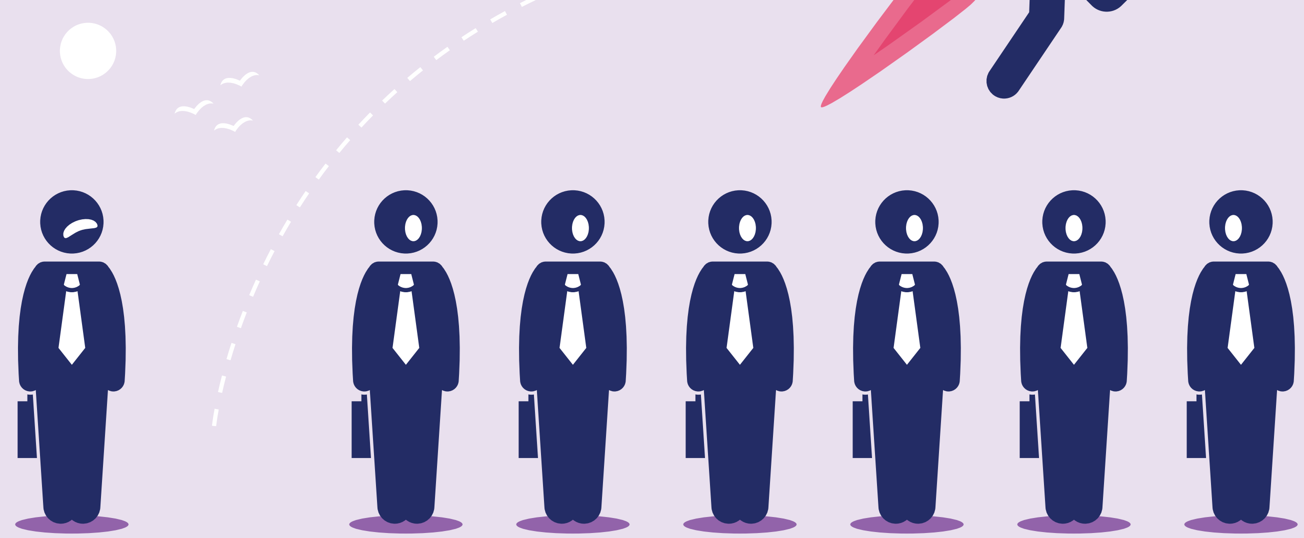
The reality is often very different.
Working with our R&D specialists, we have a proven track record of successfully obtaining R&D Tax Relief for UK incorporated companies from a wide range of industries.

What can you claim?
There are a number of conditions to be satisfied but generally speaking: the salary and related costs for those employees within the company who are carrying out the R&D; the materials used during the R&D process; the cost of power, water, fuels and software used during the R&D; and a % of the R&D sub-contracted expenditure are all expenses which form part of the R&D claim.

How much could you receive? Up to £25 for every £100 of R&D spend can be claimed by SMEs and received as a reduction in your Corporation Tax bill. The average pay out in the UK is just under £50,000.

Want to get started or find out more? Get in touch with me and I will give you an indication of the potential for a claim and an overview of what's involved in the claim process and how we will support you throughout.





Retiring in 2021… or beyond

A recent survey of people who have or plan to retire in 2021 provide interesting insights and all that jazz on intended retirement.

The average age of people planning to retire in 2021 is 60, according to a recently published survey by investment manager, Standard Life Aberdeen. That is six years before current state pension age, which will rise from 66 to 67 between 2026 and 2028.

The average age of people planning to retire in 2021 is 60, according to a recently published survey by investment manager, Standard Life Aberdeen. That is six years before current state pension age, which will rise from 66 to 67 between 2026 and 2028.

Those 2021 retirees will, on average, live for another 25 years if they are men, and 28 if they are women, according to the Office for National Statistics (ONS). A quarter will survive to age 92 and 94, respectively, implying over a third of their life is spent in retirement.

The Class of 2021 report found that 37% of respondents had brought forward their retirement date because of the Covid-19 pandemic – a reminder of the importance of building flexibility into your retirement planning. Perhaps the acceleration of plans also explains why only about two in five felt very confident they were financially ready to finish working this year. The lack of financial confidence also showed up in other responses:

- Nearly half intended to cut their spending to support their retirement.
- Just over a quarter said they would work part-time for the same reason.
- One in five planned to sell their property or downsize to meet their retirement costs.

Those costs may have been underestimated, as the average planned retiree's household spending was £21,000 a year, almost a third less than the average 2020 household income, according to the ONS.

The most concerning statistic was not one directly supplied by the retirees, but the result of an assessment by the survey's sponsor, the Pensions and Lifetime Savings Association.

The Association calculated that even using the £21,000 annual spending target and allowing for the eventual arrival of the state pension, two thirds of the 2021 retirees were at risk of running out of money. The association's estimate was that a savings pot of £390,000 was needed to cover 30 years of retirement expenditure.

All food for thought, whatever your planned year of retirement…

The value of your investment and the income from it can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

Words: Greig McGarvie, Director, IFA, MAFS Ltd.

Tax Planning For Life

2021-22 on maco.co.uk

Our annual Tax Planning For Life guide navigates you through a wide range of tax planning opportunities and wealth planning strategies for all stages and facets of life.

WHAT'S IN THIS YEAR'S GUIDE?

Strategies, tactics and formation to reduce your tax bills.

Working life: dividends, research and development, selling assets, business asset disposal relief.

Capital Gains tax - changes from 6 April 2020 for UK property.

Savings and investments: tips, suggestions and recommendations for the key moments in your financial life.

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