

Wise Words

Spring 2020 | Issue 62

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Leading in the 2020s with a sense of purpose

Advice on how to future proof your business

Wise&Co

Chartered accountants
& business advisers

Pearls of wisdom - in brief



Making Tax Digital

Making Tax Digital's first anniversary is on 1 April 2020. The new approach has meant that VAT registered businesses with a taxable turnover above the £85,000 threshold must submit their VAT returns using MTD compliant software. Some VAT registered businesses, with more complex requirements, had their start date for MTD delayed until 1 October 2019.

In March 2019, the Government announced that they would not be mandating Making Tax Digital for any new taxes or businesses in 2020.

If you are approaching the VAT threshold make sure you sign up for MTD ahead of time and check whether the accounting software you are using is compliant and appropriately set up.

Deadlines and dates for 2020

31 March – Filing due date for corporation tax returns for companies with a 31 March 2019 year end. End of the tax year for companies.

1 April – Start of new tax year for companies- date from which any new rate of corporation tax will apply.

Employment allowance of £3,000 now restricted to employers with an annual National Insurance Contribution less than £100,000. New reporting requirements also introduced.

Deadline for payment of corporation tax for companies with a 30 June 2019 year end*.

5 April - End of the personal tax year 2019/20.

6 April – Start of the personal tax year 2020/21.

*For companies not within the quarterly instalment regime

Continued on page 7...

UK VAT domestic reverse charge for building and construction services

The VAT 'domestic reverse charge' for specified building and construction services, which was due to be introduced on 1 October 2019, has been delayed by 12 months until October 2020. When it comes in, it will affect VAT registered businesses which receive supplies of specified construction services from a VAT registered business where the reverse charge applies. This is because the company receiving the supplies must account for the reverse charge VAT on its VAT return.

The 'domestic reverse charge' has been delayed due to concerns raised by industry representatives that businesses weren't ready. Affected businesses should take action now, taking into consideration not just whether their accounting systems and software can deal with the new approach, but also the impact on other key areas such as cashflow. Businesses which rely on the VAT they collect from customers for working capital before they pass it on to HMRC may need to consider alternative sources of finance or speeding up their payment terms.

Evolving processes. New approaches.

Processes – what does that mean? Technology – another word packed with meaning. One thing is clear though, businesses can't afford to ignore them in our new decade. While we've entered the 'twenties' faced with uncertainty, there are huge opportunities for those who are willing to assess and take calculated risks.

In this edition of Wise Words the team have put together articles which we hope you will find thought provoking and helpful. The way that we work has changed dramatically since the turn of the century and thanks to huge changes in technology and processes, so has the type of advice that our clients need to keep them ahead of the game. In our main feature we focus on some of these challenges faced by business owners and how to address them. The article is complemented by our client case study on Farnham-based software company Pivot Limited, led by Chris Chittock.

Over the last 20 years, the dynamic of the labour market has evolved particularly as many people seek greater flexibility and with it an improved work-life balance. Once again technology has facilitated this approach and made it easier for people to work remotely. But the number of people working in this way may begin to alter in the not too distant future. Although HMRC announced they are reviewing the new off-payroll working rules, more commonly known as IR35, the original version will now come in on 6 April 2021. The number of contractors has flourished, but predictions are that the far reaching effect of the new legislation will result in a decrease. We've highlighted the key issues as well providing tips on what you can do if your business is affected.

Wise & Co's commitment to its clients in these rapidly changing times is as strong as ever, backed up by our increasing range of business services. We're always on hand should you need any assistance.



Sharmini Woodings
Managing Partner

Leading in the 2020s with a sense of purpose



We tend to spend a little time reflecting at the start of a new decade. And the events at the end of the last decade certainly gave business owners cause for a great deal of thought. Whilst we are faced with uncertainty on many levels, the need to remain open minded and agile, especially as far as the bigger picture is concerned, hasn't changed. Here is our advice on how to future proof your business.

Your people remain your biggest asset

People talk a lot about the impact of technology on businesses and their internal processes, but leaders should never overlook the power of their people, especially in terms of their knowledge and ability. There are simply some skills that machines, automation and artificial intelligence cannot emulate, at least for the time being. The perceived reach of new technology can quite understandably make many employees feel uneasy – 'what if I am replaced by a machine?' But, actually business leaders must look to the future and assess what these changes actually mean in terms of new desirable skills. This does not mean that you need to replace staff. It means that you need to take a closer look at the need for re-training and upskilling in your business to reap the benefits of these advancements. Human emotions such as empathy, active listening skills, and certain analytical or problem solving skills are critical and necessary for success.

The old adage that the successful leader surrounds himself with experts

in their own fields remains true. Over and above the need to continually upskill and keep your existing teams ahead of the curve, the labour market is changing in its approach. The gig economy, for example, has arrived and is embraced by many. This new approach to work suits the lifestyles of many people, as well as bringing advantages to businesses especially in terms of hiring very specific expertise, which may only be needed in the short term. However, businesses do have a responsibility to treat their staff fairly. Staff may desire more flexibility but consistency, harnessing and channelling the key skills and knowledge that great teams possess remain vital. To attract and keep the best, businesses need to observe and, to a degree, adapt to different working patterns and priorities.

Be innovative - broad minded and open

Trying new things, taking bold stances, they're all part of the recipe for success. It's 'ok' to change your mind, in fact it's essential and you shouldn't be afraid of doing this if you need to.

The most successful business leaders will spend around 20% to 30% of their time thinking and focusing on strategic planning. In other words, they work 'on' their business by looking up and beyond it, as well as working 'in' their business. Likewise and in doing so, push yourself out of your comfort zone. Don't see problems, see opportunities by seeking out those which are unique. More often than not, it will help you to see the bigger picture from multiple different angles.

Those businesses which prove themselves to be the most flexible and agile will be the ones which flourish. Therefore, harnessing positive energy and actively listening and observing what is happening in the markets may give you the edge you need on your competitors. But, equally keep the decisions you make and your direction of travel under review and measure your results. This includes revisiting challenges you may have encountered in the past to ensure that the way you approached them is still the right one or whether there are any better solutions. We never stop learning. What has brought you this far may not be what you need to enable you to stay ahead of the game especially in a world that seems to be changing so rapidly.

Show you care; you can't afford not to

The business that cares will know success on many levels. From the way you treat your staff to the way you fulfil the expectations of your customers or clients.

It's not just about the quality of your product or service, but also the way in which it is delivered. There are a number of buzz words coined in today's business world which sum this up very succinctly, and the outcome or the "O" and the experience or the "X" do this rather well. No matter what industry sector your business operates in, people who buy from you will appreciate something that is great, even more if the experience that they have of working with you exceeds their expectation. Our case study on page 4 is a great example of this very approach working at its best.



Increasingly the way in which businesses work and operate is coming under increasing scrutiny. This 'accountability' is often given the title 'corporate social responsibility' but regardless of what you call it, it should be an integral part of your business' values and beliefs, which are cascaded down to everyone.

The value of a mentor

Following your dream in the twenty first century may at times seem daunting given the rapid pace of change and a world of uncertainty. Many of the best business leaders will tell you that they owe part of their success to having a mentor. Someone who has already been down the path that you might be embarking on and who will share their experiences, the mistakes they may have made and the pitfalls to avoid. At the same, a mentor should encourage you to be broad minded, to push the boundaries and to see life differently where necessary. Advice isn't everything they can offer as they may be able to introduce you to their network of connections and open the door to a wealth of other knowledge and expertise.

Don't be shy

Don't shy away from new technology and new approaches and processes. Embrace them to help you stay ahead of the game. Be open to new ideas, contradictions and indeed challenges to your way of thinking. They may come from customers and your team.

Wherever they come from, listen to them.

CASE STUDY

Pivot Limited : when the X and the O are a measure of a successful partnership

Pivot's founder, Chris Chittock, was taking a year out following a company flotation and sale when she was approached by a number of contacts asking her to start up another consultancy business. Pivot was created and, with two global brands as clients from its first day of trade back in 2008, Chris and her team hit the floor running.

An award winning business

Pivot is a Farnham-based SAP consultancy that works all over the world. SAP provides innovative software and technologies for business management and is the global leader in its field. The Pivot team deliver a tailored service to their clients and assist the design, build, and deployment of the leading technologies and new best-practice processes so often referred to as digital transformation. The team plays an integral role in every project and has just celebrated putting SAP into 60 countries in 20 months for one global client. Not surprisingly they won a major industry award for their client. No mean feat, this could even be a world record.

Safe pair of hands

The company has experienced steady growth since it began and the team now numbers 60 plus people. Each and every one of them has hands on business and SAP experience which they bring to the fore when working to their clients. Chris' own experience and flair are the result of a career spanning consumer brands and IT where her roles have covered supply chain, retail, customer relationship management, and go-to-market strategies.

FACT FILE

Industry sector: Software consultancy

Location: Farnham and Manchester

Year company started to trade: 2008

Number of staff: 60

Clients: Key clients include Diageo and the Bank of England.

Her focus eventually became driving business value from SAP platforms having led SAP's Enterprise Resource Planning (ERP) launch into the UK. Today SAP is used by the vast majority of major organisations.

Seeing goals through the eyes of their clients

Pivot prides itself on having a different approach to other IT consultancies by working closely and collaboratively with clients so systems and solutions are effectively built hand in hand. The team all have first class communication skills which, as Chris says, are essential when winning the hearts and minds of their clients and encouraging them to

Continued overleaf...

CASE STUDY

Pivot Limited : continued...

embrace change, new systems, and processes. She describes it as immersive and experiential with the consultants working closely on site with the client identifying the building blocks necessary to create the right and most appropriate business processes and platforms.

Chris continues, "It's not all about the software. It's about our consultants helping our clients work directly with the technology so that they get the best business results from it. You can have brilliant technology but if it doesn't work for the business then you've missed the point. We pride ourselves on being 100% client centric and our client's success is central to what we do. Every organisation we work with has SAP central to their business landscape, their crown jewels. So for us, it's about business and relationship building and above all ensuring that the technology does what it's required to do for the business we are working for. That's the only way to guarantee success in every organisation and every industry."

Pivot and Wise & Co – working in partnership

With the business growing quickly and the senior team heavily involved with their clients, Chris decided she needed the support of business advisers who could grow with Pivot. Good communication and an agile team, who would respond and provide both technical and commercial advice as soon as it is needed, were high priorities. With this in mind, Chris introduced herself to Wise & Co's managing partner, Sharmini Woodings, at a local charity event and asked her there and then whether the firm would be willing to act for Pivot.

Sharmini recalls, "Pivot was experiencing steady growth and Chris recognised that she needed someone independent to critically assess the company's own financial and management information systems. She recognised the importance of strengthening its core foundations in order to take it to next level. So, that's where we started."

From the word go, the Wise & Co team got to grips with the business and its goals. They carried out a business health check and one of the team came out and worked closely with Pivot's internal accountant and Chris to improve the business' accounting processes and therefore ensure greater efficiency.

Chris describes Wise & Co as a "safe pair of hands" and values the close working relationship that she has built with Sharmini and her team. Wise & Co adopt a commercial approach, which they combine with their technical accounting and tax knowledge to find the best solutions for their clients.

Wise & Co's forward thinking approach matches Pivot's own. Both teams place significant time and importance on understanding their clients' mind set and developing a relationship founded on trust. In consulting terms, they both deliver the 'all important' "O", or in other words the right outcome for the client, while at the same time giving the client the best possible experience along the way, the "X". Pivot and Wise & Co certainly do this.

IR35

Employ contractors? Don't be caught out and pay the price of IR35

IR35 or the 'off-payroll working rules' has hit the headlines again due to a number of cases involving TV and radio presenters, but all businesses should take note as radical changes to the rules are now expected to come into force from April 2021.

These new rules specifically affect medium and large-sized private sector businesses, but all organisations should be aware of IR35 and their business' responsibility.



What is IR35?

IR35 is applied to people who supply their services via an intermediary, but who are effectively acting like employees of a client. The rules mean that contractors are taxed so they pay broadly the same higher rate amount as if they were employed. However, they do not receive the same employment rights as employees. These people often provide their services to businesses via an intermediary, such as a limited company, a partnership, an unincorporated association or even another person.

Why does IR35 exist?

It was introduced to deal with people who change their employment status to avoid paying certain employment taxes, such as Pay As You Earn (PAYE) and National Insurance Contributions. With the new rules being introduced in 2020, HM Revenue & Customs' (HMRC) goal is for people supplying services to large and medium sized businesses to be put on the payroll, which will remove any need to consider IR35 rules.

Public sector responsibility

Since April 2021, it has been public sector organisations' responsibility, rather than the individual or intermediary, to determine if contractors fall into IR35 or not.

Private sector responsibility

From April 2021, medium and large private sector organisations will have responsibility to determine a person's IR35 status. The tax liability will also pass from the person to the organisation paying them, which in some cases will be a recruitment company. But, if the fee payer fails to do this, the liability moves back to the end-client.

Small entities' responsibility

People working for small companies will continue to make their own IR35 status determination. Care needs to be applied when considering if your business is small or not.

For unincorporated businesses, turnover for the calendar year cannot

exceed £10.2 million to be classed as small. However, these businesses won't be able to use their accounts unless they have a 31 December year end and will therefore need to manually calculate their turnover for the 12 months to 31 December before the start of each new tax year.

For a company the definition of small looks at your accounting period and relates this to the tax year that starts after the Companies House filing deadline for those particular accounts. So, for example a company with an October 2019 year end (which would therefore have had an accounting filing deadline of 31 July 2020 at Companies House) would need to use those figures for the tax year 2021/22, which starts in April 2021.

Working out IR35 status

HMRC developed an online tool 'Check Employment Status for Tax' (CEST). It is intended to help public sector workers determine their IR35 status, but they are also encouraging private sector workers to use it. They claim that CEST will provide an IR35 status determination in 85% of cases. However, it has been heavily criticised and regarded by some as flawed as it overlooks certain key aspects of IR35 legislation and the decisions in the courts of IR35 cases.

What happens if a contractor has IR35 status?

If a contractor is deemed to have IR35 status, then the organisation which has hired him or her is obliged to deduct PAYE and National Insurance Contributions as they would for employees.

Putting contractors on the payroll

Adding people to the payroll of large and medium-sized businesses, removes the need to consider IR35 rules. However, it does bring other legal obligations, such as employment rights.

Passing on costs to contractors

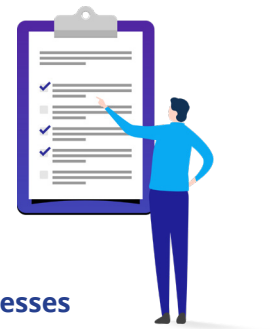
Treating people supplying services as if they are caught by IR35 might be

tempting for companies to mitigate the risk of an erroneous assessment. But the costs are high and fewer people will be happy to be paid less to cover these potential costs, meaning they can lose good people.

Professional advice

The IR35 rules are complicated and open to interpretation. Those businesses and workers who are unsure about IR35 rules should seek advice from their tax adviser. Or they can use the HMRC's IR35 help facility: <https://www.gov.uk/government/organisations/hm-revenue-customs/contact/ir35-enquiries>

The recent cases focusing on media personalities have highlighted the contentious nature of IR35. Private sector businesses should ensure that they have adequate systems and processes in place to cope with the changes in April 2021. Don't get caught out, seek professional advice.



Tips for businesses

- Review overall exposure to the new IR35 legislation
- Understand your business' size classification
- Consider how many contractors it engages
- Establish a process to assess and determine contractors' employment status
- Review the company's policy on engaging and working with contractors
- Assess internal systems, for example the company's HR function, payroll systems, payroll staff and their ability to adjust to the new obligations.

Deadlines and dates for 2020 continued...

14 April – Deadline for payment and forms CT61 for quarter ended 31 March 2020.

30 April – Due date for ATED return and amounts owed for the year 1 April 2020 to 31 March 2021.

Filing due date for corporation tax returns for companies with a 30 April 2019 year end.

1 May – deadline for payment of corporation tax for companies with a year end of 31 July 2019*.

3 May – Deadline for submission of printed Form P46 for cars for quarter ended 5 April 2020.

31 May – deadline for giving employees their P60s.

Filing due date for corporation tax purposes for companies with a 31 May 2019 year end.

1 June – deadline for payment of corporation tax for companies with a year end of 31 August 2019*.

30 June – Filing due date for corporation tax purposes for companies with a 30 June 2019 year end.

*For companies not within the quarterly instalment regime.

Our topical blogs

There have been so many developments and unfortunately space in Wise Words is limited. However, we have a wide range of topical blogs on our website, which you may find helpful. Here are a few suggestions and the relevant links.

High-value dealers – significant changes impacting your business www.wiseandco.co.uk/news-views/high-value-dealers-significant-changes-impacting-your-business/

Charity trustees and how to recruit them www.wiseandco.co.uk/news-views/recruit-charity-trustees/

Strong Customer Authentication – stronger security for the online economy <https://www.wiseandco.co.uk/news-views/strong-customer-authentication-stronger-security-for-the-online-economy/>

A word in your ear – our team news

It's been a busy time at Wise & Co since the last edition of Wise Words. We've had ten new joiners, four new babies, eight people have passed exams and four members of staff have celebrated significant work anniversaries clocking up a total of 90 years between them!

A warm welcome goes to ...

James Sargent and Ben Newman, who have both joined our tax department. James is a tax senior and Ben is a tax assistant. James was previously with another local firm having originally started his career in personal tax with HM Revenue & Customs. Outside of work James enjoys watching sport, going to the cinema and travelling to see new places both here and abroad. Ben worked for a London based firm of chartered accountants as a tax administrator before he joined Wise & Co. It was his first job after graduating from university with a degree in biological sciences. He now plans to further his tax career by studying for this Association of Taxation Technician exams. In his spare time, Ben enjoys horse riding and in particular show jumping. Katelan Axe is our third new joiner in the tax team, where she has been appointed as a tax junior.

We've had seven people join our audit, accounts and bookkeeping teams. We welcome Robert Hurst, Chloe Williams, Jamie Morris, Billy Thorne, Jake Hobbs, Viera Synovcova and Katy Bleakley. We wish them all lots of luck as they juggle their exams with their day to day client work.

Welcome also goes to Laurence Reeves who has joined the Wise & Co team as an IT Technician. Laurence has accumulated wide experience



over the years having worked for a large software company as well as for a range of other businesses. He likes nothing more than getting stuck into a challenging issue with Windows. When he's not at work, Laurence enjoys playing the piano, spending time with his young family and reminiscing about the days when he used to ride motorbikes!

Congratulations to our long serving employees

Whilst some hoped that their work anniversary might slip under the radar, our partners were all set and ready to celebrate their Wise & Co milestones. Sylvia Talbot has clocked up 30 years in our secretarial team and Maxine Bedford was managing partner, Sharmini's, very first recruit, and she is still with us 25 years later! Liz Sandford celebrated 15 years with us. Having first started in our management accounts department, she moved to our audit and accounts team where she remains today having become a manager. Yvonne Harman joined Wise & Co twenty years ago and became the firm's training manager soon afterwards. We did a quick calculation and worked out that Yvonne has trained around 50 trainees since she joined the firm, playing a significant role in their chosen career path.

Baby news ... and the next generation of accountants perhaps!

And four of the Wise & Co team have welcomed new babies over the last few months – three girls and a boy in total. Our congratulations go to Vicki de Piano, Ben Ashbee, Alex Barney and to Luke Silvester. All the babies and parents are doing well!

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