

Wise Words

Autumn 2022 | Issue 64

Support and advice to make your business stronger

More efficient, productive
and resilient

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THE OPENING LINE

Welcome to this 64th issue of Wise Words!

I am delighted to start on the cheerful note that Wise & Co has been in business for 50 years in 2022, and we are celebrating meeting and working with many wonderful clients in that time.

Over the past 50 years, as a training firm we have played home to hundreds of colleagues, some of whom have stayed but all of whom have contributed to the Wise & Co story. They have all been strongly committed to the firm's ethos of providing our clients with a premier service which covers all areas of compliance and advisory work.

What we have learned over the years is that difficult business conditions and economic challenges come and go and we have always aimed to help clients maximize opportunities and build in business resilience for rainy days.

In this our 50th year, my partners and I would like to thank our clients for their loyal support. We look forward to working together as we stride into 2023.

In this issue you will find tips on how to make cost savings, do 'more with less' and be more productive, as well as key updates to help you plan ahead.

Do contact us if we can help you.



Sharmini Woodings

Managing Partner

AUTUMN STATEMENT REVIEW

Chancellor Jeremy Hunt provided his much-anticipated Autumn Statement on 17 November. We take a look at the key points and what they mean to businesses.

It is worth discussing your individual situation with a financial adviser before taking action on the changes outlined here.

Personal Taxation and wages

Tax bands and rates

Below is a chart setting out changes to income tax levels in England, Wales and Northern Ireland from April 2023. Note that the top 45% additional rate of income tax will be paid on earnings over £125,140 from 6 April 2023.

Income tax levels in England, Wales and Northern Ireland from April 2023

Band	Rate	Current	New
Basic rate	20%	£12,571 to £50,270	Frozen until 2028
Higher rate	40%	£50,271 to £150,000	£50,271 to £125,140
Additional rate	45%	Earnings over £150,000	Over £125,140
Personal allowance*	0	First £12,570 earned	Frozen until 2028

*Reduced by £1 for every £2 earned between £100,000 and £125,140

Tax on dividends

The dividend allowance on unearned income is currently £2,000 but will reduce to £1,000 from April 2023 and to £500 from April 2024. The rates, increased from April 2023, will remain in place as 8.75%, 33.75% and 39.35% for basic rate, higher rate and additional rate taxpayers respectively.

Employment

- The National Minimum wage for people aged over 23 will increase from £9.50 to £10.42 an hour from April 2023.
- National Insurance (NIC) is frozen until April 2028.

Business tax

Support worth £13.6 billion has been announced over the next five years to help firms with business rates, including a mixture of freezes and reliefs.

- The level at which employers start to pay Class 1 secondary NICs for their employees is fixed at £9,100 from April 2023 until April 2028.
- Corporation Tax rate will be increased to 25% for companies with profits above £250,000. Companies with profits between £50,000 and £250,000 will be subject to marginal rates. Thresholds will be split between associated companies, mostly those under common control. It is worth considering whether it would be more beneficial to pay bonuses rather than dividends now, for businesses having to pay the 25% Corporation Tax.
- The £1 million Annual Investment Allowance in respect of capital allowances will be made permanent.
- Research and Development (R&D) tax relief for SMEs will reduce from 130% to 86% and the credit rate from 14.5% to 10%. The R&D Expenditure Credit will increase from 13% to 20%.
- Company car rates will increase by 1% annually and this is set until 2028. Car and van fuel benefits and van benefits charges will increase in line with CPI. The Chancellor has announced electric vehicles will no longer be exempt from Vehicle Excise Duty from April 2025.
- The VAT registration threshold of £85,000 will remain in place until April 2026.
- Import taxes have been removed on over 100 goods for two years to reduce costs.
- Plans for an online sales tax have been scrapped.

Capital taxes

- The annual allowance before Capital Gains Tax is paid will be cut from £12,300 to £6,000 from April 2023 and to £3,000 from April 2024. No changes have been announced to Business Asset Disposal Relief.
- Inheritance tax (IHT) thresholds have been frozen until April 2028. The Nil Rate band for IHT remains at £325,000 until then and the main residence Nil Rate band has been kept at £175,000 until 2028. The threshold when the relief is tapered continues to be £2 million until at least April 2028.

If you would like to chat through what the Autumn Budget changes mean to you or your business, do contact us.



THE ENERGY BILL RELIEF SCHEME EXPLAINED & TIPS ON REDUCING ENERGY COSTS

With winter coming, we look at the government's Energy Bill Relief Scheme and consider other ways that companies can offset the effects of unprecedented energy price rises.

On 21 September the government announced the [Energy Bill Relief Scheme \(EBRS\)](#) to support households, businesses and public sector organisations. Through the EBRS, the government is providing a discount on wholesale gas and electricity prices for all non-domestic customers (including all UK businesses, the voluntary sector like charities and the public sector such as schools and hospitals).

Customers do not need to do anything to benefit from the scheme - a p/kWh discount will automatically be applied to bills, initially on energy usage between 1 October 2022 and 31 March 2023.

The discount applies to fixed contracts agreed on or after 1 April 2022, as well as to deemed, variable and flexible tariffs and contracts.

The government has set a Supported Wholesale Price – expected to be £211 per MWh for electricity and £75 per MWh for gas, less than half the wholesale prices anticipated this winter – which is a discounted price per unit of gas and electricity.

This is equivalent to the wholesale element of the Energy Price Guarantee for households. It includes the removal of green levies paid by non-domestic customers who receive support under the scheme.

What price reduction will my business get?

- Non-domestic customers on existing fixed price contracts will be eligible for support as long as the contract was agreed on or after 1 April 2022. Provided that the wholesale element of the price the customer is paying is above the Government Supported Price, your per unit energy costs will automatically be reduced by the relevant p/kWh for the duration of the Scheme.

Customers entering new fixed price contracts after 1st October will receive support on the same basis

- If you're on default, deemed or variable tariffs you will receive a per-unit discount on energy costs, up to a maximum of the difference between the Supported Price and the average expected wholesale price over the period of the Scheme.
- The amount of this Maximum Discount is likely to be around £405/MWh for electricity and £115/MWh for gas, subject to wholesale market developments. Non-domestic customers on default or variable tariffs will therefore pay reduced bills, but these will still change over time and may be subject to price increases.

- A parallel scheme based on the same criteria and offering comparable support will be established in Northern Ireland.
- Larger energy-using businesses on flexible purchase contracts will receive a reduction based on their contract and will also be subject to the Maximum Discount.

Support if you're not connected to the grid

Equivalent support will be provided for non-domestic consumers who use heating oil or alternative fuels instead of gas.

What will happen after March 2023?

The government will publish a review into the operation of the Scheme in three months to inform decisions on future support after March 2023.

What other help can businesses get?

1. Check that you are using all the reliefs available. For example, the Employment Allowance has increased from £4,000 to £5,000.
2. Take advantage of government loans and grants to help fund the purchase of energy-efficient equipment. For example, switch to renewable energy sources such as solar panels. Funding can be obtained according to category/your location but broadly covers Renewable energy, sustainability, energy efficiency grants, sustainable innovation and Green jobs.



Finally, carry out an energy audit to monitor the amount of power you use in your workplace. And remember to:

- Turn down your heating and air conditioning system as much as you can.
- Turn off equipment when you're not using it.
- Replace inefficient/old devices and appliances.



MAKING TAX DIGITAL (MTD) & PROPERTY INCOME

From 6 April 2024, individuals who receive trading or property income will need to comply with the rules under [Making Tax Digital for income tax self-assessment \(MTD for ITSA\)](#), unless you are exempt.

This means that instead of filing one tax return annually, individuals in scope must use compliant specialist software and keep records to make quarterly submissions under MTD from 6 April 2024. [HMRC maintains a list of MTD for ITSA compatible software here.](#)

What are the rules for MTD and property income from April 2024?

Individuals who receive over £833 turnover (not net profit) per month (or possibly lower if you have other sources of rental or trading income) will usually be within scope of MTD.

This includes landlords and many who don't consider themselves to be a business, like those who only own one rental property or who are retired.

Those in scope must use HMRC-compliant software to:

- Keep digital records of your income and expenses, including the amount, date and category of each transaction.
- Submit quarterly updates of your income and expenses to HMRC.
- Prepare and submit an end of period statement (EOPS) after the end of the tax year.
- Use 'digital links' to transfer any information between the software used to achieve the above.
- Complete a 'final declaration', bringing in any other non-MTD sources of income, tax reliefs, etc and calculate your tax liability for the year.

A landlord with an annual turnover below the VAT registration threshold (currently £85,000) is required just to provide the totals of all income and all expenses in their quarterly updates and EOPS, rather than breaking these down by category.

Exemptions

Taxpayers who are already exempt from MTD for VAT will also be exempt from MTD for ITSA automatically. The other exemptions are:

'Digital exclusion' – it is not yet possible to apply for exemption on the grounds of digital exclusion, but we expect the government to release more information on this soon. Generally this will apply where it isn't reasonably practical for you to use digital tools to comply with MTD due to age, disability, remoteness of location or any other reason.

If your total **trading and property income amounts to no more than £10,000 a year** you are exempt automatically and you do not need to apply for exemption. HMRC will be able to check your status via your self-assessment returns.

Executors and administrators, trustees, non-resident companies and foreign businesses of non-UK domiciled individuals are exempt.

Points to note

General partnerships that only have individuals as partners do not come into scope for MTD for ITSA until April 2025. Other partnerships (such as LLPs and those with corporate partners) will be required to join MTD at a future date to be confirmed.

It has not yet been clarified on how jointly-owned property will be handled under MTD. We await further information from HMRC but it is likely to be the case that those who just jointly own and let out a property will come under scope for MTD on property income from April 2024. But those with an existing trading partnership that provides additional business services won't come into scope of MTD until April 2025.

In the meantime, it would be wise to **contact your tax advisor and take steps to be ready for MTD**. This should include ensuring you have a system that is MTD - compliant.



SAVING BUSINESS COSTS by outsourcing your IT

This coming winter, SMEs are contending with a perfect storm of challenges, from staff shortages to the cost of living and energy crisis. This can mean that it is not possible or practical to have a dedicated IT department in house.

Yet if your tech isn't working well across your business, it can cause at best, disruption – or a lot worse in terms of downtime and the higher potential for cyber incidents.

Outsourcing your IT requirements to an experienced and trusted company can therefore be a sensible investment.

7 sins that are avoided by outsourcing your IT

1 You and your staff are fed up of IT problems

You know that feeling of frustration when something goes wrong with your technology – maybe you can't log in and you're up against a deadline – whatever it is, you just want it to be fixed fast and by a friendly team. If your staff know they have an expert to call on for their IT issues, they will feel less stressed and be confident that help is always at hand.

2 Targets are being missed

With your IT systems working with them rather than holding them up, staff will be able to get on with their daily tasks, unhampered by downtime and systems which are slow or inflexible. This will improve productivity and your ability to keep up with the needs of your clients.

3 Your old tech is holding your business back

Technology never stops evolving and an outsourced provider will be able to provide you with relevant new offerings and services that keep your business competitive, agile and scalable.

4 Your business isn't keeping up with competition

Having up-to-date and efficient technology is attractive to clients, prospects and staff. And when you're recruiting you'll be able to demonstrate that you are a forward-thinking business and can offer a good working experience to prospective employees.

5 Too many mistakes are being made

When you have joined-up systems that mean your staff don't have to repeat tasks and can collaborate and communicate with colleagues and clients easily online, there is less chance of errors being made. This will be a good thing for your reputation!

6 Hybrid working is causing issues

Outsourcing your tech ensures you get the right IT for efficient and secure working wherever you are.

7 You don't know if your cyber security is robust

This is probably the most vital service of all. An experienced outsourced provider will spend time – and have the resources – to keep your business as safe as it possibly can be against the rising tide of cyber crime. They will offer services like regular network health checks, 24-hour systems monitoring and critical incident support.

Find out more from the Wise & Co IT team!

The Wise & Co IT team has been providing a personal and practical approach to IT solutions and support to clients for over 20 years.

We can advise on the whole range of IT support issues, including cloud services, licenses, server management and monitoring, file storage management, remote technical support, repairs, cyber security challenges, business continuity and disaster recovery.

Get in touch for a chat about how we can help you.

Focus on Postponed VAT Accounting (PVA)



We look at the benefits of PVA, where a business chooses not to pay VAT at the border on its imported goods but defers payment, reporting it on its VAT return instead.

How you might benefit from Postponed VAT Accounting

UK companies importing goods into the UK worth more than £135 must pay import VAT. Since Brexit this also applies to goods imported from the EU. To help businesses with this change, the Government introduced the Postponed VAT Accounting (PVA) scheme on 1 January 2021.

With PVA, rather than paying VAT on goods at the border and reclaiming it on your VAT return later, you can 'postpone' the import VAT charge and declare and reclaim it on the same VAT return afterwards.

The government introduced PVA to try and lessen the impact that import VAT has on cash flow and to avoid goods being held in customs until VAT is paid.

It's important to note that the PVA scheme is optional so, if you prefer, you can still pay VAT upfront at the border – but you must get monthly C79 reports from HMRC if you do. However, if you defer the submission of Customs Declarations, then postponed VAT Accounting is mandatory.

Who is eligible for the PVA scheme?

Any business that is registered for VAT in the UK can use Postponed VAT Accounting (PVA) but you must be importing goods for use in your company.

Businesses in Northern Ireland are still considered part of the EU VAT area, so do not need to pay import VAT on goods imported from the EU. The reverse charge will still apply. However, Northern Ireland businesses can use Postponed VAT Accounting for imports from elsewhere.

How to use PVA and complete the VAT return

To use Postponed VAT Accounting, your business must be registered for the Customs Declaration Service and you will need:

- EORI (Economic Operators Registration and Identifier) number.
- UK VAT registration number (VRN).
- A 'G' in box 47e for the method of payment for import VAT.

You must account for the VAT on your VAT Return for the accounting period which covers the date you imported the goods.

If you have a government gateway for HMRC already, and a linked EORI number, the Monthly Postponed Import VAT Statements (MPIVS) should be available by the 6th of each month. Each statement shows the total import VAT postponed for the previous month.

It's important to keep your MPIVS as a record – you will need to remember to download them within six months from issue as they are only available online for six months.

You will need to complete three boxes on the VAT return:

Box 1

Include the VAT due in this period on imports accounted for through Postponed VAT Accounting. This information will be on your monthly statement.

Box 4

Include the VAT reclaimed in this period on imports accounted for through Postponed VAT Accounting.

Box 7

Include the total value of all imports of goods in this period, excluding any VAT.

If you're using the [Flat Rate Scheme for small businesses](#) and are accounting for import VAT on your VAT Return, for VAT Return periods starting before 1 June 2022, you must add the value of the imported goods to the total of all your supplies before you do the scheme calculation.

For VAT Return periods starting on or after 1 June 2022, you should not include import VAT accounted for using postponed VAT accounting in your flat rate turnover. The VAT due on any imports should be added to box 1 of the return after you have completed your Flat Rate Scheme calculation.

[Full details of the PVA scheme are on the government website here.](#)



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