

+ more news

Welcome to our winter newsletter. We hope you find it interesting and helpful. For more information on any of the matters covered, please get in touch.

Finance team player RfM steps in to provide short term financial management support

When a highly qualified member of staff decides to leave, timing their exit to correspond with the arrival of their replacement isn't always possible. If you have a gap in cover for a financial management role, an experienced RfM accountant can step in to ensure that the finance side of running the company isn't disrupted.

Bridging the gap in financial management

In autumn of last year, a valued client came to RfM Consultant Paul Newsham for advice after receiving notice that their finance manager was leaving. They realised that, with the time it takes to advertise, interview and select the right candidate, the company could be left with a gap in financial expertise for several weeks, if not months.

Our client's business encompasses a number of companies operating across the property and construction sectors. Paul suggested that a member of the RfM team who has relevant experience in industry could be a great fit to bridge the gap in cover. The benefit of this over, say, sub-contracting a freelancer or contractor, would be familiarity with the business and the senior management team, and our understanding of the financial position of the company.

The business owners agreed with the approach and Lee Tomlinson was put forward as the man for the job.



RfM Director Designate, Lee Tomlinson, stepped in to bridge the gap in financial management

Lee, who is Director Designate at RfM's Preston office, began his career in practice before moving over to industry where he spent eight years in commercial finance roles. He returned to practice at RfM in 2015 and regularly draws on the experience he gained in industry.

Financial oversight

Following a brief handover period with the outgoing finance manager, Lee got straight to work to ensure that there was continuous financial oversight. Working internally – at the businesses premises and within the finance team – Lee started to build a clearer picture of the business' finance function. He soon identified some areas that could be improved relatively quickly.

"As the accountants acting for a business, you have a good idea of the financial position. But you don't always see what lies behind the figures; which operational processes are contributing to – or hindering – success. Once I was in the role, it didn't take long before I was able to identify some inefficiencies in the current finance processes," explains Lee.

"I started by giving other members of the finance team responsibility for some of the operational tasks that the finance manager had been carrying out. I did this by matching tasks to the appropriate skills. My logic for doing this was two-fold. Firstly, the team were certainly capable and, with a little extra training, could easily manage the additional responsibilities. Secondly, this meant that the incoming finance director would be freed up to allow them to take a higher level strategic role and play to their strengths."



Opportunities for development

Lee was also keen to support the team to develop their skills and spotted opportunities for doing so. "One of the team members in particular is very keen to develop and progress as a finance professional. I encouraged them to think about taking further qualifications which they have decided to do in the near future with the support of the business owners."

Lee's time in the role will come to an end in a few weeks time but not before he provides a thorough handover to the new finance director.

"Because of the scale and nature of this business, it would be impossible for the company to continue to operate effectively without support from someone with the right skills and expertise. Whilst I have only held the mantle for a relatively short period, I have ensured that it's been "business as usual" – financially at least. And I will be handing over with a finance function that runs more smoothly than it did before."

Transferable skills

Lee has enjoyed his time working in-house and feels that he has also gained from the experience. "Whilst the accounting and finance knowledge I have is transferable to many different industries, I have really enjoyed the opportunity to develop a more in depth understanding of this particular sector. I'll take the knowledge I've gained with me to support other, similar businesses."

You do not need to be a client of RfM Accountants to benefit from this level of support from us. If you need short term strategic financial support due to a gap in cover, or perhaps to trial the need for a permanent position, we can help. Please get in touch.

Employee rights: the Parent Bereavement Bill



When an employee experiences a bereavement there will often be knock-on consequences in the workplace. They may need to take time off with no notice or be less able to perform their work effectively. The laws relating to employees and the death of a dependant are changing. Here's what you need to know.

According to research, at any given time, one in every ten employees is affected by bereavement. As an employer, it is helpful to be clear on their rights and any entitlement to paid leave.

Employment Rights Act

The law governing this area is the Employment Rights Act. Under current legislation, employees have the right to take a 'reasonable' amount of time off without pay in the event of an emergency involving a dependant. This would include time off to make arrangements on the death of a dependant.

What is 'reasonable' in this context, however, is not defined in the legislation. Such an arrangement would usually be agreed between employer and employee on an ad hoc basis. The involvement of Acas or an employment tribunal would usually be a last resort in resolving disputes in such cases.

New legislation

The new, government-sponsored Parental Bereavement (Pay and Leave) Bill is set to change the law for employees who suffer the loss of a child. The Bill, which got its second reading in Parliament in autumn 2017, will ensure they receive paid leave for the very first time.

Kevin Hollinrake MP, the sponsor of the Bill, commented, "This is such an important Bill for parents going through the most terrible of times. There is little any of us can do to help, but at least we can make sure that every employer will give them time to grieve."

You can find helpful advice on this area in the Acas good practice guide to managing bereavement which is available to read online at www.acas.org.uk.

For further guidance on this or any other employment law matter, please get in touch.

Making Tax Digital brings digital VAT returns

In early 2017, the government announced that the first businesses to enter the new Making Tax Digital (MTD) regime would be those operating above the VAT-registration threshold. We now have more details about what those businesses will have to do, and when.

We are expecting detailed rules outlining compliance to be in place by April 2018, with a view to a start date of 1 April 2019. HMRC and the software houses have much work to do within that time frame to ensure a smooth start to the scheme.

Digital accounting records

From the start date of 1 April 2019, businesses over the VAT threshold (currently £85,000) will be required to keep digital records of all business transactions. They will also be obliged to use software that is compatible with MTD functionality to provide the information for their VAT returns to HMRC. The digital records must be kept for a period of six years.

Compatible software will be able to connect to HMRC via an Application Programming Interface, creating VAT returns and supplying HMRC with information digitally. HMRC intend to gather data on a voluntary basis as well, to monitor compliance, and also to provide information from their end. The accounting software will therefore also need functionality to manage this two-way flow of information.

Providing information to HMRC quarterly is one of the cornerstones of Making Tax Digital. Although VAT-registered businesses already supply VAT information every quarter, it is not always supplied digitally. HMRC may be underestimating the changes required for the many businesses who use spreadsheets to submit returns.

According to HMRC, the VAT account will link the underlying records and VAT return. This could pose problems where a business uses more than one software system, or spreadsheets. Businesses using spreadsheets will require add-on submission software.

Certain types of businesses will not have to keep digital records. These exceptions are broadly in line with the current rules for electronic VAT returns. Members of religious societies, insolvent businesses, and those who 'for reasons of disability, age, remoteness of location, or any other reason' can not, will be exempt. There is a right of appeal if HMRC refuse exemption.

All businesses will have to keep and preserve their 'designatory data' digitally. This includes the business name, principal place of business, VAT registration number, details of any VAT scheme used, the VAT account, and information about supplies made and received.

Accounting schemes and returns

HMRC say, "The information contained with the VAT return will be generated by pulling information from the digital records. This information will contain as a minimum the nine boxes required for the VAT return, but can also contain a specific data set of supplementary information – all of which will be pulled from the digital records." The procedure to correct errors will mostly be as at present.

Any business that currently submits monthly returns or non-standard returns will continue to do so. Likewise, users of the annual accounting scheme can continue to do so. In both cases, the requirement for digital records and returns will still apply.

Retail scheme users will not have to record details of each sale transaction electronically. Rather, they will be allowed to record sales data based on daily gross takings. For those using the Flat Rate Scheme, the requirement for digital record keeping will 'mirror' current requirements.

It will also be possible to submit VAT information more often than the VAT return cycle requires, for example to inform HMRC of a change in circumstances. Long term, HMRC are working towards a scenario where income tax updates are also made quarterly and digitally.



Monitoring your VAT position

As we get closer to the rollout of the MTD VAT regime, it is more important than ever to keep track of business turnover. A business operating over the VAT threshold will enter a more complex regime. It is also a good time to take stock of your accounting systems and assess their fitness for Making Tax Digital. **For advice on VAT or moving your record keeping to a cloud accounting system, please get in touch.** Contact details for all our offices are on the back page.

FOCUS ON: National Minimum Wage

NMW: Are you compliant?

Breaking the rules for the National Minimum Wage can be costly. Potential large fines and negative publicity could damage your reputation as an employer. Now is a good time to check if your business is compliant.

The price of not paying NMW

The National Minimum Wage (NMW) has repeatedly hit the headlines. Most recently, the Department for Business, Energy and Industrial Strategy (BEIS) named and shamed 230 employers who had not been paying their employees NMW and National Living Wage (NLW). Retail, hairdressing and hospitality all featured among the most non-compliant sectors.

Thanks to intervention from BEIS, more than 13,000 low-paid employees will be getting a total of £2 million in back pay. The combined cost for employers who were found to have broken the rules, however, was much higher. Between them, they received record fines of £1.9 million. Business Minister Margot James said there was a clear message to employers: "The government will come down hard on those who break the law."

Common employer errors

BEIS reports that employers repeatedly make common mistakes with NMW. These include deducting money from employees to pay for their uniforms, not taking overtime into account and wrongly paying apprentice rates to workers.

So, what do employers need to know about NMW to keep on the right side of the law?

NMW and NLW – the basics

By definition, NMW is the minimum pay per hour that most workers are entitled to by law. The actual rate paid is based on age and whether the individual is a worker or an apprentice.

NLW applies to working people aged 25 and over. From 1 April 2017, the rate is £7.50 per hour for those aged 25 and over. Apprentices under 19, or those aged 19 or over who are in the first year of an apprenticeship should be paid £3.50 per hour. There

are changes to NLW rates expected from April 2018, and employers may need to plan for these now.

The Low Pay Commission is the body that reviews NMW/NLW rates but HMRC are responsible for policing the system. Employers who do not pay NMW/NLW can be faced with court action. Currently, the penalties for non-compliance are 200% of the back pay due to workers. The maximum penalty per worker is £20,000. The penalty may be reduced by 50% if the unpaid wages and fine are both paid within 14 days.

Most workers are entitled to NMW/NLW, including pieceworkers, home workers, agency workers, commission workers, part-time and casual workers. There are also rules regarding agricultural and horticultural workers which differ slightly for England, Scotland and Wales.

Groups that are not entitled to NMW include self-employed individuals, volunteers, company directors, family members, and people who live with an employer and carry out household tasks e.g. au pairs.

The starting point for calculating pay for minimum wage purposes is total pay in a pay reference period – before deducting income tax and National Insurance. Some payments are not included, such as loans and pension payments.

To complicate things further, there is also a proposed hourly rate called the Living Wage. This figure is set independently by the Living Wage Foundation and not connected to the government. Any employer who pays this does so entirely voluntarily.

To discuss NMW in relation to your employees and payroll, please get in touch.

Bank Referral Scheme off to a promising start

When it comes to raising finance from traditional lenders on the high street, many small businesses can hit a dead end. A new government initiative designed to address this problem – the Bank Referral Scheme – has made a promising start.

The Bank Referral Scheme was launched in November 2016. Effectively a business finance 'matchmaking' scheme, the initiative aims to give small businesses who are turned down by the large high street banks access to an alternative panel of lenders.

The banks that have signed up to the scheme can provide unsuccessful applicants with a 'next step' by circulating their details to four funding platforms. These in turn can put them in touch with alternative finance providers. According to figures recently released by the Treasury, the scheme has already enabled some 230 small businesses to access the funding they needed.



Alternative lenders

"Over the past 9 months, 230 small businesses, from beauticians to forklift truck training companies, which were rejected for loans by some of the UK's biggest banks, have gained £3.8 million from alternative lenders," the Treasury reports.

The British Bankers' Association has published a useful fact sheet, Understanding Bank Lending Referrals to Finance Platforms, which provides more detail on the eligibility criteria and process. It is available to read online at www.bba.org.uk.

Funding and finance plan

If you are unsure what means of funding is best for your business, **we can help by assessing your needs and developing an individual funding plan.**

Changes to pensions auto enrolment duties

The Pension Regulator (TPR) reports that 136,000 small employers began complying with their pensions auto enrolment duties in the first part of 2017 alone. So many more workers are now saving for their retirement with help from their employers. But it doesn't stop there; more changes to workplace pensions are coming in 2018.



The phased rollout of auto enrolment ensured small and micro employers had plenty of time to prepare ahead of their 'staging date'. On 1 October 2017, the regime entered a new phase. From this date, any employer taking on staff for the first time immediately comes within the rules for auto enrolment. If you employed staff before 30 September 2017 you will have different deadlines which you can check online at www.thepensionsregulator.gov.uk.

Your auto enrolment duties

The first step is to assess which of your employees must automatically be enrolled, based on age and earnings. Briefly, staff aged between 22 and State Pension age, and earning over £10,000 pa (£833 per month or £192 weekly), must be enrolled in a workplace pension scheme. To be compliant, the employer and employee must both make regular contributions to the scheme. The minimum amount that must be put in is also specified in the auto enrolment rules.

An employer's auto enrolment responsibilities do not stop there. If staff do not need to be enrolled in a scheme, the employer must make a declaration of

compliance. Ongoing duties include keeping track of the age and earnings of all staff each time they are paid and managing requests to leave or join a scheme. Every three years, employers must also go through the re-enrolment process with staff who have opted out.

Increased contributions

The next major change to the auto enrolment regime will come into effect from 6 April 2018. On this date, the minimum contribution will increase to 2%. It will rise again to 3% from 6 April 2019.

TPR is committed to rigorously checking compliance among employers. Those who break the rules risk being fined and also being named and shamed on the TPR website. TPR has also warned that employers who fail to provide information required for its investigations will be prosecuted. As a case in point, it is already taking action in at least one instance where the employer deliberately did not give staff access to a scheme.

For advice regarding workplace pensions and auto enrolment, please get in touch.

Property problems: Should you be classed as a landlord?

You may not think of yourself as a landlord but HMRC may have other ideas...

Every now and then, HMRC run campaigns targeted at specific business sectors to encourage people to check their tax affairs and bring them up to date. Their latest initiative is aimed at individual landlords who let out residential property abroad or in the UK. As part of this let property campaign, HMRC have published guidance which highlights the ways in which landlords sometimes make mistakes.

The accidental landlord

One of the most common mistakes is that people often just don't think of themselves as landlords. This situation can arise, for example, when someone inherits a property and then lets it out. You would also be classed as a landlord if you moved in with a partner and then rented out their old house, or if you rented out a flat just to cover the mortgage payments. In all these cases, as a taxpayer, you

should make HMRC aware of a change in your circumstances. And you should be mindful that any income received from rent could be liable to tax.

Common problems

HMRC also reports several other problem areas. For example, when property is bought as an investment and rented out, or where the matrimonial home is let following a divorce and both partners move elsewhere.

You would be considered a landlord if you were to relocate for your job and rent out your house. HMRC also need to know if you move into a care home and let out a house to help with care home fees.

Unexpected problems can also occur with investment property which is jointly owned or when buying a property for a child at university, if other

students also live there and pay rent informally. Members of the Armed Forces who let out a home in the UK whilst posted abroad, and people living in tied accommodation who let out a house, should also keep HMRC informed.

The property allowance

On the positive side, individuals (not partnerships) who let out property on a small scale can benefit from a new allowance – the property allowance – as of 6 April 2017. This follows a number of changes that have made buying property to let less attractive. It is worth noting, however, that the allowance only gives relief for up to £1,000 of rental income in the tax year.

To discuss the tax implications of letting out a property, please get in touch.



Chartered Accountants

RfM Preston 01772 431233
RfM Ulverston 01229 582149
RfM Barrow 01229 820003
RfM Fylde 01253 790527

Accountants

RfM London 02073 985685

Chartered Management Accountants

RfM Morecambe & Lancaster 01524 566190
RfM South Lakes 01539 445412



Email enquiries@rfm-more.co.uk
www.rfm-more.co.uk

Generally, RfM refers to the network of member organisations, each of which is a separate and independent legal entity. Member organisations are not members of one legal partnership and are only liable for their own acts and omissions, and not those of each other. **Disclaimer:** This newsletter is published for the information of clients. It provides only an overview of the regulations in force at the date of publication and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this newsletter can be accepted by the authors or RfM.

RfM is not authorised under the Financial Services and Markets Act 2000 but, because we are licensed by the Institute of Chartered Accountants in England and Wales, we are able to offer a limited range of investment services to clients if they are incidental and / or complementary to, or arise out of, the other professional services we have been engaged to provide. It is our policy to refer investment business, excluding corporate finance work, to Financial Advisers, authorised and regulated by the Financial Conduct Authority. The Financial Adviser will take full responsibility for compliance with the requirements of the Financial Services and Markets Act 2000.