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Interaction
Recruitment

Finance Leaders Update

Wednesday 21st October 2020

Welcome

James Pinchbeck, Marketing Partner – Streets Chartered Accountants

Interaction
Recruitment

The Accountancy and Finance Recruitment Landscape

Doug Greer, Division Director (Accounting and Finance) – Interaction Recruitment

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What might have been in the Budget and what can you do now...

Luke Prout, Tax Partner – Streets Chartered Accountants

Agenda:

- Summary of the March 2020 Budget

- The Budget that wasn't…

- Summary of current Covid-19 measures

- Changes to the Annual Investment Allowance (Dec 2020)

Summary of the March 2020 Emergency Budget:

• Entrepreneurs Relief – Reduced to £1M (and a change of name!)
– Loss of £900,000 in tax on disposals above £1m
– 20% (and this could increase)

• Small changes to capital allowances (SBA's to 3%)

• 100% Allowances on Cars (Under 50 g/pkm)

• R&D RDEC increase to 13%

• Employment Allowance increase to £4,000 pa

• CT to remain at 19% (Was due to reduce to 17%)

• The start of the COVID tax and support measures

The Budget that wasn't….

- Due to be held in the Autumn of 2020
- Cancelled due to inevitable 2nd wave of the pandemic
- Winter Economy Plan to announce further measures (which has significantly evolved)
- Now likely to be Spring 2021

Predictions

Free mandate, but still politically sensitive

- U-turn on Living wage increase – Was supposed to reach £9.21 but companies will struggle to pay it. – Deferred for now

- Class 4 NIC – Increase from 9-12% - Mr. Hammond's U-turn to pay for the self employed. There could be further measures to pay for the Self-employed grants.

- Fuel Consumption at an all-time low, so an increase to fuel duty especially with the green policy in mind

- Corporation Tax – (was due to go down to 17%) now could increase to 24% with the possibility of a reduced rate for small companies.

- Capital Gains Tax aligned to Income Tax rates (Currently 10/20/28%)

Tax lock

- Passed in 2015 (for the duration of the parliament)
  There was an election in 2019!
- Manifesto to retain – but it is now not law?
- Income tax (Freeze)
- VAT (Capped at 20%)
- National insurance

Corporation tax – Historic rates

From April 1st	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Small Rate Profit Limit	300,000	300,000	300,000	300,000	300,000	N/A	N/A	N/A	N/A	N/A	N/A
Small Profit Rate of Tax	21%	20%	20%	20%	20%	20%	20%	19%	19%	19%	19%
Standard Rate of Tax	28%	26%	24%	23%	21%	20%	20%	19%	19%	19%	19%

Corporation tax

- Could increase to 24%
- Small companies rate back
- CHIC status back
- Non corporate distributions?
- Bring profits forward
- Defer expenditure. Unless you see the next slide!

Current Covid-19 Measures

- BB, CBILS and other loans – Repayments increased to 10 years
- Self Employed Support (SEISS) – Grants Closed on the 19th October
- Universal Credits
- Self Assessment Deferrals – Time to pay arrangements
- VAT Reductions – Extended to March 2021
- Job Retention Bonus £1,000
- SDLT - £500K
- Job Support Scheme
- Furlough
- See the Streets Website for detailed Guidance

Annual Investment Allowance

The Annual Investment Allowance ('AIA') allows businesses to obtain 100% tax relief for expenditure on Plant and Machinery

Until 31 December 2020, businesses will receive relief for the first £1,000,000 of qualifying expenditure, then, from 01 January 2021 this reduces to £200,000 per annum

Allowances need to be pro-rated if your year end spans this.

Example - *A company with a 31 March 2021 year end*

The AIA for the period will be:

- 1 April 2020 to 31 December 2020 – £1,000,000 x 9/12 = £750,000.
- 1 January 2021 to 31 March 2021 – £200,000 x 3/12 = £50,000.

This gives a total Annual Investment of £800,000 to 31/03/2021

Annual Investment Allowance - Trap

Business Year End	Maximum AIA for 2021 Year End	...of which the maximum available after 01/01/21
31/01/21	£933,333.33	£16,666.67
28/02/21	£866,666.67	£33,333.33
31/03/21	£800,000.00	£50,000
30/04/21	£733,333.33	£66,666.67
31/05/21	£666,666.67	£83,333.33
30/06/21	£600,000.00	£100,000.00
31/07/21	£533,333.33	£116,666.67
31/08/21	£466,666.67	£133,333.33
30/09/21	£400,000.00	£150,000.00
31/10/21	£333,333.33	£166,666.67
30/11/21	£266,666.67	£183,333.33
31/12/21	£200,000.00	£200,000.00

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The pandemic and year end reporting

Robert Anderson, Audit Partner – Streets Chartered Accountants

The pandemic and year end reporting

The impact of Covid 19 on the Financial Reporting, compliance and external audit

- Timing of the pandemic
- Key areas affected
- Going concern
- Reporting requirements
- Looking forwards

Timing of the pandemic

- When was the impact of Covid-19 on the business known?
- Was it Pre year end or Post year end?

Timeline

- 31 January 2020 - first two cases of Covid-19 in the UK were confirmed
- 28 February 2020 - first British death was announced in Japan
- 5 March 2020 - first death in the UK was reported
- 23 March 2020 - lock down was announced

Year end

- December – post year end event?
- March – pre year end event?
- Effects of a second wave – end of August

Events after the end of the reporting period

….are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

There are two types of events:

a. those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the end of the reporting period); and

b. those that are indicative of conditions that arose after the end of the reporting period (non-adjusting events after the end of the reporting period).

Adjusting

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- Settlement of a court case creating a liability
- Impairment of debtors and stock
- Calculation of profit sharing or bonus payments
- Discovery of Fraud or error

Non Adjusting (but disclosure required)

- Decline in market value of investments
- Fire
- Restructuring

Covid – 19

If post year end – non adjusting, but disclosable

If pre year end – effects will need to be considered

Key areas affected

- Valuation of tangible fixed assets
- Valuation of other fixed assets
- Overall impairment of assets
- Debtor and stock provisions
- Disclosure of loans
- Strategic/Directors Reports

Valuation of tangible fixed assets

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- Freehold vs Investment Property
- Directors vs Professional
- Consider in advance of the year end
- Intangible assets

Valuation of other assets

- Value in use
- Residual values
- Useful economic life

Overall impairment of assets

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- Loss making units or businesses

- Discounted NPV

Debtor and Stock provisions

- Increased uncertainty

- Disclosure of significant judgement and estimates

Disclosure of loans

- Change in repayments pre and post year end
- Breach in covenants
- True and fair override
- Going concern assessment

Strategic and directors report

- Fair review of the business
- Principle risks and uncertainties
- Going concern
- Plans for the future

Disclosure

- In accordance with legislation
- In order to show and true and fair view
- Over disclose
- Go back to basics
- Consider who your stakeholders are
- Ensure based on up to date information

Going concern

The ability to continue for the foreseeable future being at least 12 months from the date the financial statements are approved.

Not everyone is having a bad time

- Activities in demand
- Sources of income
- Level of borrowings
- Level of reserves
- Level of government support

Going concern assessment

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- Produce 12+ month forecasts
- Consider cash flow requirements
- Potential breaches in banking covenants
- Perform sensitivity analysis

Responsibilities

- Going Concern is the directors' responsibility
- Auditor review the directors' assessment

Disclosure – Accounting policy

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- Not a going concern – alternative basis
- Materially uncertainty – disclose
- No uncertainty – no disclosure?
- In the middle?

Audit Report

- In agreement – modifications/clean audit report
- Disagree – potential qualification

Reporting

Reporting - When to sign

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- Known unknowns vs unknown unknowns
- Will waiting make it more certain or uncertain

Reporting - When to file

- Automatic 3 month Companies House extension
- Consider credit ratings

Looking forwards

- Be clear what was known at the year end
- Monitor your forecasts
- Considering funding requirements prior to the year end
- Consider any work of experts
- Consider audit arrangements

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The pandemic and year end reporting

Robert Anderson, Audit Partner – Streets Chartered Accountants

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The UK's withdrawal from the EU

What businesses need to do now
and post 1st January 2021

Gerry Myton, Partner & Head of Indirect Tax – Streets Chartered Accountants

What issues will we be covering:

- Brexit landscape
- Urgent issues to address
- Importing from and Exporting to the EU
- Issues for Distance Sellers
- Mini One Stop Shop issues
- An interesting VAT case (unrelated to Brexit)

Brexit Landscape

- 71 days to the transition period ends

- It doesn't matter what kind of customs union is in place, or whether there is a free-trade agreement. After Brexit, "full customs declarations will be required….."

- Negotiations with EU about FTA is all about duty, not VAT or compliance related!!

- Business has 71 days to address these VAT and compliance issues

Importing from and Exporting to the EU post 1 January 2021

New Border Operating Model for the control of imports and exports of goods between the EU and UK excluding Northern Ireland (‘GB’ or ‘Great Britain’)

Exports

Who will be the exporter of record for the goods leaving GB and responsible for the customs paperwork and export clearance, transport, insurance and other issues relating to the export. Incoterm per contract - DDU? Fiscal Representative/PVA/Incoterms (will come back to these)

Get your paperwork right to ensure exports are zero rated! Paperwork include sales invoice, customs declarations, bill of lading documents and transport documents

Exports - Who will complete the export declaration:

Yourself - Will require the purchase of commercial declarations software which will enable you to complete your own declarations and file with the UK National Export System (NES).

Apply to HMRC to register for NES and for a ‘badge’ for HMRC's online customs systems: CDS and CHIEF

Customs intermediary - Recommended

Exports - Exit declaration requirements

Irrespective of who complete the export paperwork, you will need to compile the following information:

Customs export declaration submitted to NES which will then issue unique consignment number. This is required for the goods to be exported from GB and clear customs.

- Commodity code
- Departure point and destination
- Consignee and consignor
- Nature, amount and packaging of the goods
- Transport method
- Any certificates and licenses (export license required for chemicals

Exports - from UK equal Import into EU!

EU import processes must be completed to ensure your freight forwarder and transport provider will accept the shipment.

If suppling on DDP this will be you. This includes:

- Applying for an EU EORI number
- Secure any necessary import licences
- Completed EU customs import declarations for the EU member state of import, and this is filed with the relevant country's customs system
- Apply for deferred VAT / Postponed VAT to ensure you do not have to pay import VAT. If you are clearing the goods, consider an EU VAT registration with fiscal representative

Imports

- **Determine the Importer of Record** - i.e. who is responsible for the clearance requirements. This includes customs import declarations, import duties or tariffs and import VAT. Assume DAP for what follows.

- **Get a UK EORI** - must be entered onto all UK customs declarations and similar paperwork. HMRC has already issued these to all UK VAT registered businesses with international trade. UK and EU businesses importing goods should apply to HMRC if they do not already have a number.

Imports

- **Import License Required?**

- **Import VAT/Duty obligations**
  You will need to plan how you wish to settle UK import duty. DAP will require use of a duty deferment account or pay on arrival. Defer the import VAT payment via postponed VAT accounting.

Imports

- **Defer your customs declarations to 1 July 2021?**

  The UK is permitting importers to defer the completion of customs declarations and paying tariffs for most imports until 1 July 2021.

- **Decide how you will complete import declarations:**

  Yourself - Will require the purchase of commercial declarations software but get trained to use it!

  Apply for a CHIEFS ‘badge’. This is HRMC’s import online registration system.

  Customs intermediary – recommended

Imports

- **Calculate UK import tariffs**

  Any goods coming into the UK will be subject to duty. The UK has published its proposed UK Global Tariff which provides levies by product – simplified with rounding down when compared to EU tariff. This will help you understand what payments are due, manage your cashflow and consider passing on the charge to your eventual customer.

- **Apply for a Duty Deferment account**

  You will need a Duty Deferment account to allow you to postpone duty payments till the end of the month of importation. This is then settled by Direct Debit from your bank account. You may also use this for VAT if you wish to defer – this is an alternative to Postponed Accounting. HMRC is dropping the requirement for a comprehensive guarantee to enable more businesses to benefit.

Imports

- **Ensure your EU exporter is ready**

  You will need to check that the EU exporter, if it is not you, is ready. This includes them having an EU EORI number, obtained any EU export licenses and submitted export declarations in the country of the goods' departure.

Imports

- **Moving the goods – paperwork and import taxes**

  If you have deferred the customs declarations, you must first update your own import records ready for when you do complete the declarations (1 July 2021 deadline). Then complete the supplementary declaration – or have your customs intermediary do so.

  HMRC will debit your duty deferment account after your supplementary declaration has been received. Your VAT can be declared in your VAT return via Postponed Accounting. If you are not UK VAT registered, then you will have to pay the duties to customs before they will release your goods.

EXPORT **DUTY** **VAT**

	INCOTERM 2020	LOADING ON TRUCK (CARRIER)	EXPORT CUSTOMS DECLARATION	CARRIAGE TO PORT OF EXPORT	UNLOADING OF TRUCK IN PORT OF EXPORT	LOADING CHARGES IN PORT OF EXPORT	FREIGHT TO PORT OF IMPORT	UNLOADING CHARGES IN PORT OF IMPORT	LOADING ON TRUCK IN PORT OF IMPORT	CARRIAGE TO PLACE OF DESTINATION	INSURANCE	IMPORT CUSTOMS CLEARANCE	IMPORT TAXES
ExWorks	EXW	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
Free Carrier	FCA	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
Free Alongside Ship	FAS	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
Free Onboard Vessel	FOB	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
Cost & Freight	CFR	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer
Cost Insurance & Freight	CIF	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer	Seller	Buyer	Buyer
Delivered at Terminal	DAT	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Seller	Buyer	Buyer
Delivered at Place	DAP	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer
Carriage Paid To	CPT	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer	Buyer
Carriage Insurance Paid To	CIP	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Buyer	Buyer
Delivery Duty Paid	DDP	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller

Postponed import VAT Accounting

- Available to all VAT registered importers from 2300hrs on 31 December 2020;
- Not mandatory and no authorisation required:
- Provide EORI and VAT Registration number on customs declaration
- No C79's if using PVA;
- Declare and recover on VAT return; and
- Review deferment account limit and guarantee amount as VAT no longer needs to be deferred.

E-Commerce – Distance Selling B2C

As a third country from 1/1/21, the UK is excluded from the Distance Selling simplification

1/1/20 - 30/6/20

Default is that customer will need to make arrangements to pay the import VAT before they can take delivery of the goods! Not user friendly!!

Discuss whether their carriers are prepared to manage the importation into the EU of packages for EU consumers and potentially pay the import VAT on their behalf so that deliveries can be made after payment of the import VAT; or

Consider holding stock within the EU for the fulfilment of orders from EU consumer customers. This will require an EU VAT registration in the member state where the stock is located and potential distance selling registrations in other EU member states depending on the volume of sales. May require the appointment of a tax representative

E-Commerce – Distance Selling B2C

Post 1/7/20

One stop shop (OSS) – For businesses which sell stock held in the EU to consumers the one stop shop will allow them to use a VAT registration in a single member state to file a VAT return declaring and paying output VAT at the appropriate rates on sales to consumers in all 27 member states.

Simplification established by EU – delayed by Covid19

Import one stop shop (IOSS) - For businesses selling stock from outside the EU to EU consumers, the IOSS will allow them to register for VAT in one member state and declare and pay output VAT on sales to consumers in all 27 member states.

Digitised Services – Mini One Stop Shop (MOSS)

- Lose access on 31 December
- Register for non-Union MOSS in one EU Member State
- €10,000 limit for registration
- OSS from 1/7/20

Fiscal Representative

- UK businesses and E-commerce sellers may have to appoint a fiscal representative
- Fiscal representation is a special type of VAT agent for foreign businesses who is responsible for reporting of VAT and is jointly and severally liable for VAT debts
- Increased cost to doing business – Belgium being particularly aggressive
- 19 of the 27 EU states require some form of fiscal representation

Interesting VAT case

- ECJ and Vodafone
- Termination/compensation payments – subject to VAT
- UK always treated as outside the scope
- HMRC dispensed with its guidance – retrospective effect – want VAT declared going back 4 years
- All compensatory payments subject to VAT – dilapidations/loss of profit claims might be caught

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