

A+E+L
MARKHAMS
CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS



AEL MARKHAMS NEWSLETTER

Summer 2018

HELLO

WELCOME TO THE AEL NEWSLETTER



Marc Bennett

Joint Founding Director

Marc has over 25 years' experience growing the profitability & capital value of Owner Managed Businesses.

Business Owner #1: "Are you busy?"

Business Owner #2: "Yes I'm really busy."

Business Owner #1: "That's great, you must be making enormous profits"

Business Owner #2: "Errm...actually no, I'm too busy"



*Recognise the above?
This recurring conversation
between business owners takes
place every minute of every day.*

Building a sustainable, profitable, and world class business is hard enough without the added distractions of new regulations on Making Tax Digital, Data Protection (GDPR) and Employee Pension provisions to name just 3.

The purpose of this newsletter is not to solve all your commercial problems in one go. That would be impossible.

However hopefully reading through the articles below will shed some light on the important areas of your business so that you can worry less, do less and spend more time on the areas of your business that really matter.

As always, if you wish to discuss any of the items further, or simply for a sane voice to talk through growing your business to the next level, feel free to call us.

MAKING TAX DIGITAL



WRITTEN BY

Pratul Shah

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Making Tax Digital (MTD) is happening in April 2019 and there is no getting away from it!

MTD is an important part of the government's plans to make it easier for individuals and businesses to get their tax right and keep on top of their affairs especially cash-flow. This could mean the end of the annual tax returns, which has given millions sleepless nights especially in January.

Everyone in the UK now has access to their own personalised digital tax account and these are being regularly expanded and improved. HMRC's ambition is to become one of the most

digitally advanced tax administrations in the world; sounds simple but there have already been a number of system issues stalling the start of MTD.

HMRC want taxpayers to get their tax right and reduce the amount of tax lost through avoidable error. Accordingly, businesses will be mandated to use MTD from April 2019; however, this will only apply to businesses who have a turnover above the VAT threshold (currently £85,000). Smaller businesses do not require to use this system from then, although they can choose to do so voluntarily.





There are four foundations of MTD, namely:

1. BETTER USE OF INFORMATION

HMRC believes that MTD provides significant benefits to both businesses and individuals. Digital tax accounts for all will mean that taxpayers can review the information which HMRC holds and be able to check at any time whether their details are complete and correct. HMRC can then use this information to tailor the services it provides.

2. TAX IN REAL TIME

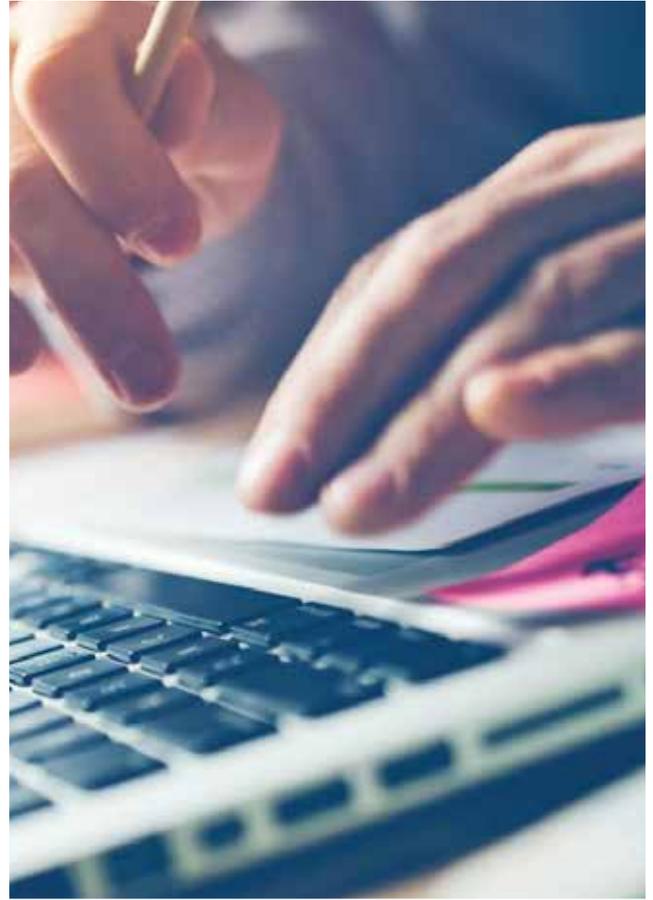
Businesses and individuals will not have to wait until the end of the year or even longer to know how much tax they should pay. AEL Markhams will be able to securely show each client their up to date tax statement via our website together with copies of current and past accounts and tax returns.

3. A SINGLE FINANCIAL ACCOUNT

Currently, most taxpayers cannot see all their liabilities and entitlements in one place. HMRC are hoping that, by 2020, clients may see a comprehensive financial picture in their digital account, just like they can with online banking.

4. INTERACTING DIGITALLY WITH CLIENTS

AEL Markhams will be able to interact with HMRC digitally to provide real time access to a digital account which will present them with an increasingly personalised picture of their tax affairs, along with prompts, advice and support.



How will this affect me ?

Businesses and individuals will have to prepare six returns annually when MTD comes into play.

There will be:

- a) Four returns prepared by AEL Markhams
- b) An HMRC return which will 'populate' figures into the return based on information which it has received from employers, bank and building societies and other government departments
- c) A final return, prepared by AEL Markhams, which will "sweep up" any figures not already included in the previous returns such as accruals, prepayments and other relevant adjustments.

Please contact **Pratul Shah** to discuss any aspects of Making Tax Digital.

GENERAL DATA PROTECTION REGULATION

(GDPR)



WRITTEN BY

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On the 25th May 2018 the United Kingdom will go through the biggest change in two decades regarding data protection rules.

The amount of data we capture in our everyday lives has increased rapidly since 20 years ago, hence the need for increased regulation.

The change is called European General Data Protection Regulation (GDPR). This changes the way businesses handle the information of their customers leading to increased regulation of data. For some smaller businesses this may be a big change, however for some just a step change.

What is GDPR?

It is a new stricter framework for data protection laws, replacing the 1995 initiative. It is designed to harmonise data privacy laws and gives further protection and rights to individuals.

Don't we already have data protection laws?

Yes - in the UK we have the Data Protection Act 1998, which sets out how your personal information is used by organisations. The new GDPR framework will change how personal data can be used.



Who does the GDPR apply to?

GDPR applies to 'controllers' and 'processors'.

A controller determines the purposes and means of processing personal data. A processor is responsible for processing personal data on behalf of a controller.

If you are a processor, the GDPR places specific legal obligations on you; for example, you are required to maintain records of personal data and processing activities. You will have legal liability if you are responsible for a breach.

However, if you are a controller, you are not relieved of your obligations where a processor is involved – the GDPR places further obligations on you to ensure your contracts with processors comply with the GDPR.

The GDPR applies to processing carried out by organisations operating within the EU. It also applies to organisations outside the EU that offer goods or services to individuals in the EU.

The GDPR does not apply to certain activities including processing covered by the Law.

Is my company going to be affected?

Yes - both personal and sensitive personal data are covered by GDPR

Personal data - This is information that can be used to identify a person (name, address, DOB etc).

Sensitive personal data - This comprises of genetic data, sexual orientation, religious views etc. This all can relate to information collated through automated processes.

Pseudonymised Data - This is data that is created by taking identifying fields within a database and replacing them with artificial identifiers will now fall under the GDPR Law.



Summary of some of the BIG Changes:

ACCOUNTABILITY AND COMPLIANCE

Companies will be more accountable for handling personal information. Companies should ensure that they have policies, assessments and documentation on how data is processed.

Under GDPR, any breach of data regulation must be reported to the country's data protection regulator. In the UK the Information Commissioner's Office (ICO - The UK's independent authority set up to uphold information rights in the public interest, promoting openness by public bodies and data privacy for individuals) MUST be informed within 72 hours of the company finding out.

For large companies / organisations with more than 250 employees there must be documentation on why individuals information is being collected and processed and any security measures in place.

Any company that processes a large amount of sensitive personal data must appoint a data protection officer. In some situations consent must be given by an individual to process data. This must clearly be justified.

ACCESS TO YOUR DATA

Individuals will have a lot more power to access information held about them. Currently there is a Subject Access Request (SAR) in place where a £10 charge can be applied if an individual wishes to access information held about them.

Under GDPR this will be free and the information must be given within one month. The individual will also have more control over automated process of data. An explanation of the decision must be given.

The power to erase data will also be given in some circumstances. If it is no longer needed for the purpose it was collected, consent withdrawn or if it was unlawfully processed.

GETTING IT WRONG COULD BE VERY COSTLY

If an organisation doesn't process an individual's data in the correct way or if there is a breach of information they will be fined.

Breakdown of fines-

- Smaller offences- up to €10m or 2% of global company turnover (greater of)
- Serious offences- up to €20m or 4% of global company turnover (greater of)

However, depending on the situation a stern letter may be sufficient as the ICO wishes to work with companies rather than against them if the organisation has shown awareness of GDPR.

The ICO and FCA have recently published a statement addressing concerns that FCA rules may be incompatible with the GDPR.

Getting Ready for GDPR

Companies / organisations should first determine whether they process personal data as a "data controller" or "data processor". Once that is determined the ICO has provided checklists to understand and access compliance with GDPR.

These checklists for data controllers and data processors can be found on the ICO website.



The ICO has also provided a 12 step guide on their website to take action NOW:

<https://ico.org.uk/media/1624219/preparing-for-the-gdpr-12-steps.pdf>



The main provisions are:-:

- Awareness – Determine how aware your senior management are of the impacts of the GDPR;
- Determine whether you need to designate an individual in your firm to take responsibility for data protection compliance;
- Existing information – Determine what personal data you currently hold;
- Privacy notices – Determine whether you're required to update your privacy notices;
- Subject Access Requests – Determine whether you can meet the new timescales as above;
- Consent – Review your processes on how you seek, record and manage consent;
- Breaches – Ensure that you have processes to detect, report and investigate breaches;
- International – Consider international aspects and whether you know your lead supervisory authority for data protection;

There will be a varying impact on all businesses, for example some businesses may not need a data protection officer. In Summary GDPR is coming and you will need to be ready.

Please contact Vishal Shah
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WORKPLACE PENSION

ARE YOU ALL IN YET?



WRITTEN BY

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Don't Ignore the Workplace Pension



It hasn't gone unnoticed that our blue furry friend, 'Workie', has been earnestly doing the rounds on our TV's since 2016, scaring both adults and children alike, courtesy of the DWP.

There is a good reason that Workie has been very busy...

If you're a small business employing up to 50 staff, you might like to know that February was the deadline to have a workplace pension in place.

By the time you read this you should have completed your workplace pension tasks, or at least arranged for a third party – your financial advisor or payroll agent for example, to have completed these for you.

As a reminder, here are the more salient points of workplace pension:

- Workplace pension, also known as auto enrolment, is a legal obligation for enrolling your staff into a workplace pension scheme.
- Contributions must be at least 5% of qualifying earnings, with at least 2% of that contributed by the employer;

- From April 2019, this will increase to 8% with at least 3% contributed by the employer;

- Employers can choose to defer contributions for up to 3 months for new employees. This provides a handy breathing space to budget for the anticipated additional costs, and to align any probationary periods;

If you're not experiencing any smug satisfaction that you've complied, then it's definitely time to have a chat with your financial advisor or payroll provider.

The Pension Regulator, the government body tasked with overseeing workplace pensions, will soon be dropping rather stern reminder letters onto the doormats of employers not complying with the rules.

So in summary, get on with it!

VAT

ARE YOU PAYING TOO MUCH?



WRITTEN BY

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An important area in the field of VAT is partial exemption.

Businesses making both taxable supplies and exempt supplies may not be able to recover all of their input VAT. Indeed, one of the conditions for recovering input VAT is that there is a direct and immediate link to a business' taxable supplies or a clear intention to make taxable supplies.

Partial exemption is commonly associated with businesses in the health, property and finance sectors and calculations must be made on a quarterly basis to determine how much input VAT should be recovered / disallowed in each quarter. It is also a requirement to compute an annual adjustment for the respective VAT year. Upon calculating the annual adjustment,

some of the VAT disallowed in the previous VAT year may be recoverable or there may be VAT payable to HMRC.

Partially exempt businesses will be familiar with the fact that to be De Minimis, the total input tax relating to exempt supplies must be less than or equal to £625 per month on average and less than 50% of total input tax. Most partially exempt businesses apply the standard method (net taxable sales / net total sales) when calculating their input tax recovery position but there are other special methods that can be used such as methods linked to floor space. Approval from HMRC is required if a business would like to apply a special method.

Please contact the VAT department at AEL on: 020 7433 6946 for more advice on saving VAT and operating partial exemption.



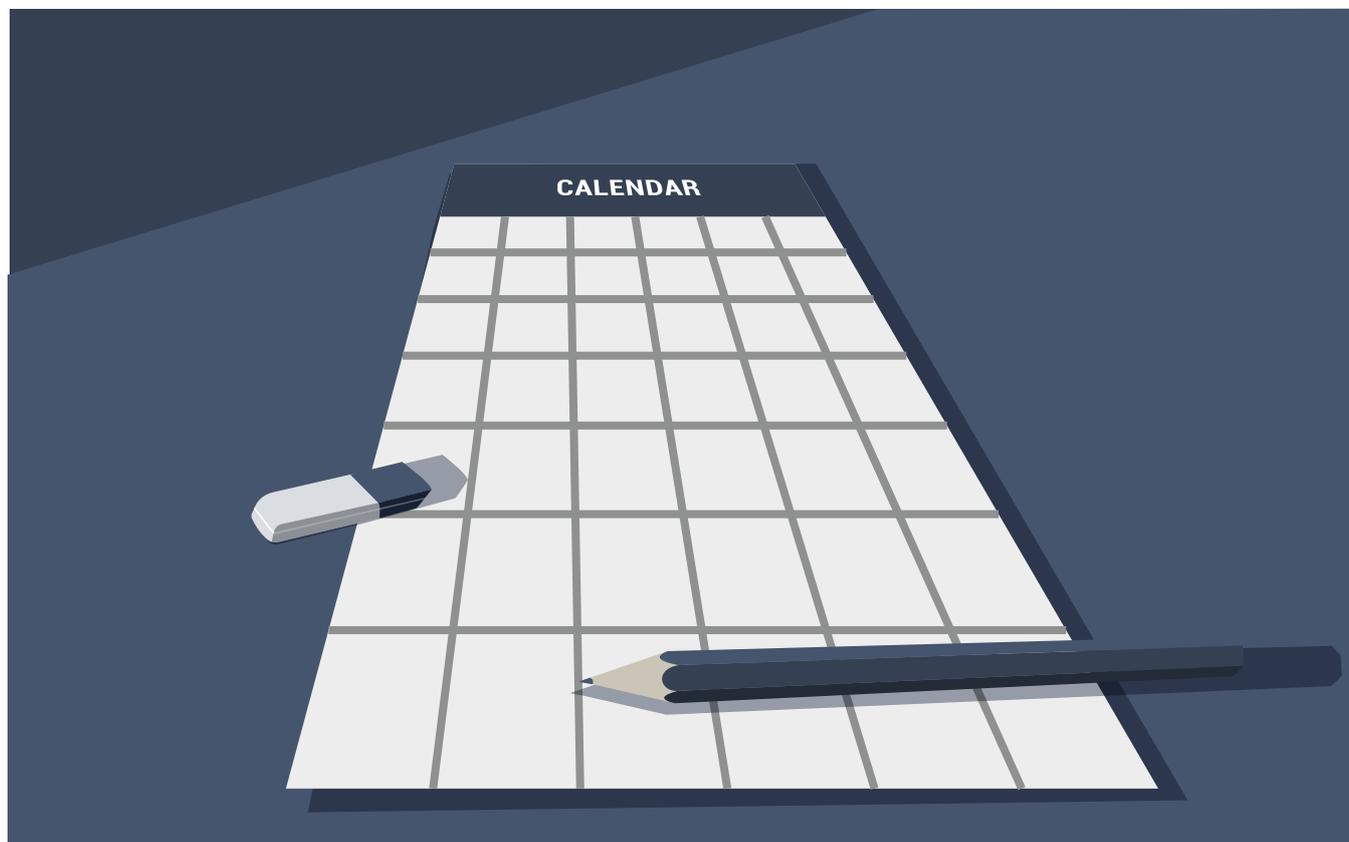
KEY DATES

2018

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7 June 2018	VAT returns and payments due for Accounting Quarter period ending 30 April if filed online.	7 July 2018	VAT returns and payments due for Accounting Quarter period ending 31 May.
19 June 2018	Deadline for postal payments remittance of PAYE, NICs and CIS to HMRC.	14 July 2018	Income tax due date for the CT61 period to 30 June 2018.
22 June 2018	Deadline for electronic remittance of PAYE, NICs and CIS to HMRC.	7 August	VAT returns and payments due for Accounting Quarter period ending 30 June.
30 June 2018	Filing date for Company Tax Return Form CT600 for period ended 30 Sept 2017.	22 August 2018	Deadline for electronic remittance of PAYE, NICs and CIS to HMRC.
6 July 2018	Forms P11D benefits in kind to be filed with HMRC.		

Please see the AEL Markhams website for further details WWW.AELMARKHAMS.CO.UK.



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