

Sickness issues for SMEs

While the Office for National Statistics (ONS) has reported a drop in average sickness absenteeism, to just over four days per year, this issue still remains a costly and operationally challenging one for the SME. Minor illnesses, such as coughs and colds, accounted for 34.5% of working hours lost in 2017.

"Every employer wants to support members of their team when they are unwell, but that support does have financial and logistical implications," warns Michaela Johns, Director.

"SSP can no longer be reclaimed and those who pay contractual sick pay over and above SSP can experience escalating costs and problems. There are some basic management steps that can be taken to protect your business.

"Maintaining formalities is key and that can sometimes be challenging in an SME environment. Keep formal, GDPR compliant, records of all absences and communications around them. Monitor those records and be prepared to take action on them."



Key processes to have in place

Contracts, handbooks and logistics

It is strongly advisable to have an HR specialist draft employment contracts, investing in preventative measures can save money in the long term. Staff handbooks and the actions you take should support and reinforce your contractual requirements.

Sickness notification

Notification is required, early on their first day sick, and also an estimate of when they think they may be well enough to return. If less than seven days a self-certificate is acceptable but longer periods need a 'fit note', officially a Statement of Fitness for Work, from their GP.

On their eighth day off, they must provide a GP certificate with the reason for absence and how long they are 'signed off' for.

Fit for work scheme

The doctor may suggest adjustments to accommodate a return to work, perhaps working from home or part-time.

This may support a successful return more quickly.

Return-to-work interviews

The objective is to establish the reason for absence, check the employee is well enough to return and if there is anything an employer can do to support them. It is often an effective disincentive to casual absenteeism.

Short-term illness

Have a recognised point to begin the process of tackling frequent short-term sickness. Some employers use the Bradford Factor, a simple recognised formula that enables a weighting to unplanned absences such as short-term sickness, GP appointments and emergency childcare.

Long-term illness

This is where an employee is off sick for a continuous period, usually around 4 to 6 weeks or more. All employers should have a policy on long-term illness. An employer can ask for detailed medical information, the extent of the incapacity and a prognosis. Consulting with the employee, you can be expected to make reasonable adjustments to accommodate their return in the foreseeable future.

If no return can be foreseen, then an employer can consider termination on the basis that the employee is incapable of fulfilling their contract of employment.

"As we head into the summer months, sickness absenteeism is likely to ease - that seems as good a time as any to implement contractual provisions and best practice provisions ready for the winter of 2019."

Digital Deadline 1 April 2019

1 April is the deadline for Making Tax Digital (MTD). All businesses with turnover more than the VAT threshold (£85k) must store financial records digitally and submit VAT returns from MTD-compatible accounting software.

Switching to Xero is simple, cost effective and brings with it improved efficiency and management information. For information on switching contact Andrew Kershaw.



VAT Domestic Reverse Charge in the Construction Industry

The collection and charging of VAT in the construction industry will change dramatically under draft legislation due to come into effect on 1 October 2019.

Under the new arrangements, designed to combat unscrupulous contractors and their handling of VAT, a supplier or subcontractor will not charge VAT on those services falling within the definition of "construction operations". The main contractor will, instead, effectively charge the VAT to itself and recover it as Input Tax, under a process known as the VAT Domestic Reverse Charge.

In simple terms this new Domestic Reverse Charge (DRC) will only apply to those services that are currently subject to VAT at the standard or reduced rate and are already reported under the Construction Industry Scheme rules.

However, unlike the Construction Industry Scheme (CIS), the VAT charge is levied on the whole contract value, not just the labour element.

The affected supplies will include a wide range of services, including the construction, alteration, repair, demolition, painting and decorating, cleaning and finishing of all types of property.

If there is any reverse charge element within a supply, then the whole supply will be subject to the charge.

Certain supplies remain unaffected by the DRC and for these items VAT will still be charged by the subcontractor as usual. This includes supplies to an "end user", local education authority or charity, and most supplies to a business in connection with its own business premises.

If there has already been a domestic reverse charge supply on a construction site, and if both parties agree, the charge will apply to all subsequent supplies on that site between the two parties.

"In its simplest form, the new Domestic Reverse Charge will apply to the listed construction services, but in practice, contractors might find it simpler to insist that subcontractors reverse charge all services," explains Alan Rolfe, Senior Tax Manager. "The main contractors will not incur a VAT burden as the amount incurred under the reverse charge will be fully recoverable, as their onward supplies will be taxable under the zero, reduced or standard rate."

There are three main drawbacks to

the new system. Firstly, the contractor and subcontractor need to determine and agree the appropriate VAT treatment for each supply. Secondly, the subcontractor will likely suffer a significant cashflow disadvantage from receiving only net of VAT payments under the DRC and, finally, there may be a significant administrative overhead in implementing the new procedures.

HMRC policy states that it will be the end user's responsibility to declare that they are an "end user" in writing and if they don't, they will still be responsible for accounting for the reverse charge. Practically, this may cause issues because consumers or VAT registered businesses are unlikely to know about their obligations under the charge.

For more information on our services, contact:
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Charity Taxation

New measures are being introduced in April to reduce administration for charities in two areas.

Currently charity shops using the Retail Gift Aid Scheme must send letters to donors annually if their goods raise less than £20 a year. Under the Gift Aid Small Donations Scheme, this has been reduced to once every three years.

Charities with income between £20k to £50k have a new upper limit of trading before they incur a tax liability - increased from £5k to £8k. For those with turnover of more than £200k the limit increases from £50k to £80k.

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Business rates on the high street

In a bid to support the beleaguered High Street, the Government is reducing retail business rates for those with a rateable value below £51,000 for two years (from April of this year). This reduction represents a third for many retail properties, subject to state aid limits.

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Arthur Bell



SMEs missing out on the employment allowance

Many businesses handling their own payroll are missing out on the benefit of an employment allowance introduced some years ago.

"I'm visiting businesses, undertaking reviews and audits of payroll data all the time," explains payroll specialist James Alesbury. "It's clear that the Employment Allowance introduced in 2014, which allows eligible employers to offset up to £3,000 of their Class 1 NIC, is still something that many SMEs aren't aware of.

"It's one of a number of immediate savings we can make for a client looking to outsource their payroll function to a professional team. Then, of course, over time we monitor and advise of changes in the laws on payroll and auto enrolment which can benefit a business or ensure they are compliant."

For an audit of your payroll data including help with backdating claims where appropriate contact James in the payroll team.

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James Alesbury

Reminder: CGT allowance exemption rises from 6 April 2019

The CGT annual exempt amount for an individual, rises from £11,700 to £12,000 from 6 April.



ATOL reminder

As an ATOL reporting accountant, we are best placed to service the requirements of any ATOL registered business.

For further information or a free initial meeting, please contact Alan Williams on 023 8046 1204.



Avoid Landfill Tax penalties on your business waste

Have you dealt with your waste correctly?

That's the question every business should be prioritising amid a significant overhaul of government legislation around the lawful disposal of waste.

New legislation, introduced with effect from April 2018, changed the Landfill Tax regulations and means all businesses are potentially in the scope of Landfill Tax if they allow their waste to be disposed of at unauthorised waste sites.

The revised laws also brings hauliers, brokers and landowners within the scope of Landfill Tax if they are involved in the disposal of waste at an unauthorised waste site. Tax and penalties of up to £178 per tonne can be charged on unauthorised disposals of waste – and this can be retrospectively charged in some cases.



An eight-point checklist for businesses looking to lease premises or invest in commercial property.

- ✓ **Lease clauses**
Review lease clauses carefully so you are aware of conditions – can you fit air-conditioning or solar panels, can you sub-let etc.
- ✓ **Dilapidations**
If leasing, take photographic evidence of the condition of the property so it can be referred to when you leave and make sure you agree dilapidations while you're still in the property so can control costs by having any works done by your contractors.
- ✓ **VAT**
Look at transfers of going concern to understand what VAT you should pay and when.
- ✓ **Find a solicitor with good property experience**
If you're buying or leasing a commercial property, getting all the legal paperwork in order at the start will ensure you save time when you exit the property.
- ✓ **Ownership**
Carefully consider if the property should be owned by:
 - you as an individual
 - your company or holding company
 - your SSAS or SIPP pension scheme
- ✓ **Business Rates Review**
Having a review will make sure you are getting the best deal and will allow for any contributing factors to be considered which may result in a reduction.
- ✓ **Tenant's Improvements**
If you plan on making improvements to the property, ensure your insurance policy covers "Tenants Improvements" so in the event of a claim, the damage and repairs are covered.
- ✓ **Clauses**
Always consider break clauses and notice periods. It's not always easy to know exactly where your business will be in five to 10 years' time, but it

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Corporate tax specialist joins the team

Corporate tax specialist Richard Thorpe-Manley has been appointed as Senior Tax Manager, bringing with him more than 20 years' experience in advising UK and global businesses on tax affairs.

Joining the practice from an international Research and Development firm, Richard has also worked at three of the top six accountancy businesses and specialises in R&D Tax Credits, Corporation Tax, Charity Tax, Capital Allowances and Share Restructuring.

If you would like specialist support please contact Richard directly:
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Richard Thorpe-Manley

R&D tax credits restricted

The Government is undertaking consultation on a proposal that loss-making businesses will have their rights to R&D tax credits restricted to three times the company's total PAYE and NIC liability for that year.

Seminars

We run a series of seminars throughout the year on a range of topics from technical updates to soft skill enhancements.

For more information on our current seminars, please visit <https://www.hwb-accountants.com/events/> or to register interest in future events, please email marketing@hwb-accountants.com.

*If you would like to receive an electronic copy of this bulletin in the future please email marketing@hwb-accountants.com



Solent



Solent Mind HWB Charity of the Year 2019

The HWB Charity of the Year for 2019 is Solent Mind, the mental health charity which supports thousands of people across Hampshire. All the money raised will go towards supporting Solent Mind, including their Wellbeing Centres in Eastleigh, Fareham, Portsmouth, Winchester and The New Forest.

With an ethos that no-one should face a mental health problem alone, the charity works to empower people of all ages through a range of activities, including yoga sessions, sports clubs, poetry and art therapy. It also works with schools in the region to support young people experiencing mental health issues.

Michaela Johns, said: "We're incredibly proud to pledge our support for Solent Mind, a charity that provides vital mental health services and information to a huge number of people in the region."

"Mental health awareness is now firmly on the agenda and we're pleased to be able to work in partnership with such a supportive charity that helps a wide cross-section of people through inspirational projects."

Victoria Hall, Head of Business and Corporate Relations, from Solent Mind, said: "we are delighted to partner with HWB. The commitment from HWB to both fundraise for our services and raise awareness of mental health locally is fantastic. We look forward to our partnership developing throughout 2019."

If you would like to help us in our year-long fundraising campaign for Solent Mind please contact Vicky Holman on 023 8046 1211 or Vicky.holman@hwb-accountants.com

www.solentmind.org.uk

Academy Schools Forum

HWB's Academy Schools specialists have announced new dates in our popular series of Academy Schools Forums. The events are an opportunity to catch up on a range of relevant topics from legislation changes to key deadlines.

The forums are scheduled to take place this year at Eastleigh, on **Wednesday 3rd July and Monday 9th December**. Next year's first forum takes place on **Monday 16th March**. All sessions run from 12pm to 2.30pm.

All academy schools are welcome to take part in these free forums. To register, visit www.hwb-accountants.com/events

Ho ho ho... ha ha ha!

Sparkford Chemicals Director Tim Gibbons came up with a cracking Christmas joke to win HWB's festive cracker competition!

“Elves sue Amazon over Christmas deliveries, for breach of Santa Clause.”

Tim wins a £500 prize, half of which will go to his chosen charity Crisis, which supports the homeless in cities across the UK.

Sparkford, established in 1966, has been trading for over 50 years in the sale and distribution of a range of chemicals and fuels and has been a full-service client of HWB's for over 15 years.