



# citroen wells

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# citroenews

## Autumn 2018 inside this issue...

- ▶ Funding your business's needs
- ▶ Spotlight on mental health in the workplace
- ▶ Making the most of Gift Aid
- ▶ Business Round-up
- ▶ Web Watch
- ▶ Reminders for your diary



## Considering enhanced capital allowances

**Businesses which invest in energy-saving plant or machinery may be able to take advantage of an additional tax break.**

Capital expenditure is covered by the Annual Investment Allowance (AIA), which gives full tax relief for capital expenditure in the year of purchase, and covers most plant and machinery up to an annual limit of £200,000. Where expenditure exceeds the AIA, the balance is dealt with via an annual writing down allowance (WDA). The main WDA is currently 18%.

There are, however, some types of expenditure which are only eligible for a WDA of 8%. There are also separate rules for cars, which do not qualify for the AIA.

In addition, there may be occasions when a business could benefit from Enhanced Capital Allowances (ECAs).

### What is an ECA?

ECAs are designed to encourage investment in energy-efficient equipment, the initial cost of which often can be more expensive than other products. ECAs offer accelerated tax relief by giving a 100% capital allowance in the year of purchase. A business can therefore benefit where total capital expenditure is more than £200,000.

An ECA may have the effect of turning an accounting profit into a tax loss. Where an ECA claim by a company (but not an income tax business) creates or increases a tax loss, the loss attributable to ECAs can be surrendered for a cash credit.

The loss can only be exchanged for a cash credit if it has first been relieved against other profits, including group relief. In other words, where the unrelieved loss would otherwise be carried forward an exchange for a cash credit is possible. The cash credit was 19% until 31 March 2018 but has now reduced to two-thirds of the corporation tax rate in force for the accounting period. The maximum cash exchange is either the company's PAYE and national insurance liabilities for the year in which the claim is made, or £250,000 if greater.

ECAs are claimed via the corporation tax return or income tax return and it is important to keep records of any purchases or installation costs.

### Qualifying energy-saving technology

ECAs are available on the purchase of specific high-performance energy efficient equipment, such as boilers, electric motors, air conditioning and refrigeration systems. Water-efficient technology products such as taps, toilets and industrial cleaning equipment are also eligible.

The Energy Technology List (ETL) identifies particular products which perform to ultra-high levels of energy efficiency. A full list of qualifying products can be found here: <https://bit.ly/1qG4ItG>.

The Water Technology list consists of 14 categories of water technologies on which ECAs can be claimed, and can be found here: <https://bit.ly/2HLy1hj>.

The list of eligible assets is updated frequently. Claims for ECAs can sometimes fail as a result of misinterpretation of exactly which products qualify, and it is important that the list is checked when relevant expenditure is made.

**We can help with claiming enhanced capital allowances, as well as advising on the timing of capital expenditure. Please contact us for further advice and assistance.**



# Funding your business's needs

If your business is performing well and making a healthy profit, you may be looking at funding options to grow and develop your business. It's also important to ensure that you are making the most of the available tax reliefs and incentives. Here we consider some key financial pointers that could help you to take your business forward.

## Considering sources of finance

It is best to consider a number of different finance sources, as this will allow you greater flexibility in the long term. These might range from using retained profits in the business, to external sources such as overdrafts, loans, mortgages, share issues (for a company), assistance from government-backed schemes and from regional authorities, and venture capital.

Lenders usually require some form of security, such as a fixed or floating charge over your business assets. You should be careful of risking your personal assets, such as your home, if the lender requests personal guarantees.

When seeking funding for your business, it is important to consider carefully the most appropriate funding source, and to present a well-prepared proposal to your potential lender. We can help you create a detailed business growth plan, tailored to a carefully selected lending source, to ensure you have a greater chance of being approved.

## Available tax reliefs

The Office of Tax Simplification (OTS) recently revealed that many small businesses are not aware of the tax reliefs and incentives that are available to them, due to the complexities of the system. Here we outline some of the key options that may be available to your business:

**Incorporation Relief** can be used if you decide to transfer your unincorporated business into a company in exchange for shares for the business owner, without incurring capital gains tax (CGT) at the time.

**The Seed Enterprise Investment Scheme** helps companies to raise money when they first start trading by offering tax relief for investors who subscribe to new shares in the company.

**The Enterprise Investment Scheme** helps companies to raise money when they are looking to grow, by offering tax relief to the subscribers of new shares. Companies can receive up to £5 million each year, up to a maximum of £12 million in the lifetime of the company (£20 million for knowledge-intensive companies).

**Venture Capital Trusts (VCTs)** are large investment groups that are listed on the London Stock Exchange, and have qualifying trading companies that they invest in. Investors subscribe for shares in a VCT, which then provides financial help to develop.

**Employee Ownership Trusts** can be used to raise finance from employees by encouraging them to buy shares in the company.

**Gift relief** on business assets such as shares in the business ensures that gains can be held over until the individual receiving the gift disposes of it.

**Business Property Relief and Agricultural Property Relief** can give you up to 100% inheritance tax relief on business or agricultural assets if you pass them on to your successor in your lifetime.

**Entrepreneurs' Relief and Investors' Relief** provide a 10% CGT relief on the sale of qualifying business assets or shares in a qualifying business, up to a lifetime limit of £10 million (for each relief).

**Enterprise Management Incentives** can benefit companies and employees where the company's assets are £30 million or less, and companies are looking to grant options over shares to employees.

**We can help you to identify the costs and tax implications of different sources of funding, while ensuring that you are claiming all of the tax allowances and reliefs that are available to you. For more information, please get in touch.**



## Spotlight on mental health in the workplace

Recent research has suggested that 48% of UK workers have suffered from poor mental health, while the potential annual cost to employers could be as much as £1,400 per employee. Here we offer some key strategies to help ensure positive mental health in the workplace.

### ✓ Spotting the signs

Possible indicators of mental health issues might include (but are not limited to): a change in an employee's behaviour; a decline in their quality of work or ability to focus on a task; an increase in absence or sickness; or a change in their physical appearance.

### ✓ Managing the issue

You should aim to foster a healthy and positive working environment, and ensure managers have an approachable, open attitude to discussing mental health issues. Train managers on how best to approach the subject of mental health, and promote the use of employee wellness action plans.

### ✓ Carry out a mental health 'risk assessment'

Develop a mental health action plan that identifies any risks, and puts forward proposed solutions. You should then follow this up, by evaluating how effective a solution has been in managing mental health concerns.

### ✓ Encourage staff to seek expert help

There are a range of services designed to help individuals with their concerns, including mental health charity Mind, mental health services provider Rethink Mental Illness and the NHS initiative Mindful Employer.

**When it comes to mental health in the workplace, the sooner problems are identified and strategies put in place the better, for both employee well-being and productivity.**



## Making the most of Gift Aid

Recent research from HMRC has suggested that small charities and some sports clubs are missing out on £600 million in additional funding, with a third of donations failing to add Gift Aid.

### Who does Gift Aid apply to?

As well as charities, Community Amateur Sports Clubs (CASCs) can also take advantage of the Gift Aid scheme, meaning that for every £1 donated, the CASC or charity can claim an additional 25p.

### The Gift Aid small donations scheme

The Gift Aid small donations scheme (GASDS) allows charities to bypass some of the red tape, with modified rules applying to small donations made after 6 April 2017.

Under the scheme, a charity could potentially benefit from a maximum additional payment of £2,000 per year. It is not necessary to know the identity of donors, or to collect Gift Aid declarations. However, there are still a considerable number of rules relating to record-keeping and banking procedures, and it is important to be aware of these when making a claim.

GASDS can be used for cash donations of £20 or less, or contactless card donations of £20 or less collected on or after 6 April 2017.

There are a number of factors impacting on how much can be claimed, including:

- the amount of eligible small donations received
- the cap on the amount that can be claimed under GASDS
- how much Gift Aid has been claimed in the tax year (the 'matching rule'); and
- whether the charity or CASC is connected to another charity or CASC.

The maximum annual limit on donations is £8,000. The matching rule specifies that the amount of GASDS top-up that can be claimed depends on the amount of Gift Aid donations received and successfully claimed in that tax year. The maximum is the lower of £8,000 or 10 times the total Gift Aid claim. So, if a charity has received £100 in Gift Aid donations, it can claim on £1,000 worth of small donations

through GASDS, so £250 in top-up payments. Where a charity has a 'community building', slightly different rules apply.

### Qualifying for GASDS

To qualify for GASDS, the charity or CASC must have successfully claimed Gift Aid:

- in respect of gifts made to it in the same tax year in which the GASDS claim is being made
- without having received a penalty in the last two tax years.

For GASDS claims on donations collected before 6 April 2017, additional rules still apply.

GASDS cannot be claimed for donations for which a valid Gift Aid declaration is made, membership fees, or a £20 portion of a larger gift.

### Making a claim

Details to record include:

- the amount collected, including denomination of notes
- date of collection
- confirmation that no single donation was more than £20
- where there are contactless donations, records produced by the contactless terminal.

Such records should be preserved for six years from the end of the tax year to which they relate. Note also that the rules require small cash donations to be banked. If donations are used to cover expenses before being banked, the charity or CASC will not be able to claim under GASDS.

This is for general guidance only, and further rules apply, including in relation to community buildings, where charities (but not CASCs) may be able to claim more on donations.

**We can advise on the tax rules governing charitable giving. Please contact us for further assistance.**





## Business Round-up

### Business urges government to reform Apprenticeship Levy

In response to the publication of official apprenticeship statistics, business groups have urged the government to reform the Apprenticeship Levy.

The organisations, including the Confederation of British Industry (CBI), the Institute of Directors (IoD) and the Federation of Small Businesses (FSB) have called on the government to reform the initiative before it costs UK firms ‘millions’.

The Levy was introduced in April 2017, and is paid by employers with a pay bill of more than £3 million per year. It stands at 0.5% of the pay bill, although an annual allowance of £15,000 also exists.

Apprenticeship Levy funds must be used before April 2019 – at this time, they will begin to expire.

Employers who do not plan to use all of the funds in their apprenticeship service account can now make a transfer to another employer, with the aim of allowing larger employers to support other employers.

The CBI has urged the government to introduce ‘greater flexibility’ to the system, and for ministers to ‘loosen the rules around how Levy cash is spent’. Meanwhile, the IoD has suggested that businesses should be given longer to spend the money to ‘ensure that it is spent on the most valuable apprenticeships’.



### Business group warns UK small firms ‘unprepared for business interruption’

The Federation of Small Businesses (FSB) has warned that the majority of UK small firms are ‘unprepared’ for the risk of disruption to the business posed by both internal and external threats.

Data published by the FSB revealed that 65% of small businesses do not currently have any plans in place to deal with an interruption to the firm or its supply chains. Some of the most common risks to businesses include: customers who fail to pay for goods or services; the loss of key members of staff; cybercrime and its associated threats; and severe weather and transport issues.

The FSB has urged larger businesses to assist smaller firms with forward planning. It has also called on local governments and authorities to emphasise the need for small businesses to put continuity plans into place.

Mike Cherry, National Chairman of the FSB, has called on small business owners to establish clear strategies in advance to help them to deal with potential threats.

Commenting on the issue, Mr Cherry said: ‘By implementing continuity plans, small firms can prepare for many of the sudden changes that can impact on them directly and their supply chains.’

‘Given the likelihood that an enterprise will encounter some sort of business interruption issue more than once in their life, it is key to resilience that firms are encouraged to consider all risks that they could face.’



## Web Watch

### Essential sites for business owners.

[mentorsme.co.uk](http://mentorsme.co.uk)

Online gateway for small and medium-sized businesses looking for mentoring services.

[entrepreneur.com](http://entrepreneur.com)

Advice and guidance for entrepreneurs across the globe.

[www.great.gov.uk](http://www.great.gov.uk)

Government site dedicated to assisting UK businesses with trading overseas.

## Reminders for your diary

### September 2018

- 1 New Advisory Fuel Rates (AFR) for company car users apply from today.
- 19 PAYE, Student loan and CIS deductions are due for the month to 5 September 2018.
- 30 End of CT61 quarterly period.

### October 2018

- 1 Due date for payment of Corporation Tax for period ended 31 December 2017.
- 5 Deadline for notifying HMRC of new sources of

taxable income or gains or liability to the High Income Child Benefit Charge for 2017/18 if no tax return has been issued.

- 14 Due date for income tax for the CT61 quarter to 30 September 2018.

- 19 Tax and NICs due under a 2017/18 PAYE Settlement Agreement.

PAYE, Student loan and CIS deductions are due for the month to 5 October 2018.

PAYE quarterly payments are due for small employers for the pay

periods 6 July 2018 to 5 October 2018.

- 31 Deadline for submitting ‘paper’ 2017/18 self assessment returns.

### November 2018

- 2 Deadline for submitting P46(Car) for employees whose car/fuel benefits changed during the quarter to 5 October 2018.

- 19 PAYE, Student loan and CIS deductions are due for the month to 5 November 2018.