

Watson

Accountants • Business Advisors

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BREXIT

How could the vote affect you and your business?

Following the UK's historic decision to leave the European Union, many of our clients are naturally wondering how the Brexit vote will affect their business and their personal finances.

Despite a current climate of uncertainty, the UK economy nevertheless remains strong and the result of the Referendum will not have an immediate impact on any tax and business legislation, at the time of writing this article.

However, significant changes are likely to come into effect in the future.

We would like to reassure you that we will be keeping on top of any changes and working to minimise the potential impact and indeed take advantage of any opportunities arising for you and your business.

Having in place a proper tax and financial

planning strategy is always important but this is now even more the case. As your accountants, we are ideally placed to offer expert, proactive advice on your business and your personal finances, from dealing with tax and compliance issues, to support with financial forecasting and strategic planning.

Whatever the future holds, we will continue to assist with your business, tax and financial planning needs, both now and in the years to come.

For further information on the potential tax implications of Brexit please see pages 3 and 4.

Please contact us if you should require further assistance.

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- BUSINESS DEVELOPMENT SERVICE
- CORPORATE STRATEGY SERVICE
- OUTSOURCED MANAGEMENT ACCOUNTS
- TAXATION
- ACCOUNTING & AUDIT SERVICES
- PAYROLL
- SOFTWARE SUPPORT & TRAINING
- LITIGATION SUPPORT
- COMMERCIAL BROKING & ADVISORY SERVICE

Contact us

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ARCHAIC ANNUAL RETURNS

Companies House introduce the new Confirmation Statement

As of 30 June 2016 companies are no longer required to file an Annual Return. Instead, they must file a "Confirmation Statement".

Unlike the old Annual Return, there is no set date when a Confirmation Statement must be filed by but you must do so at least once every twelve months.

As well as the details that were disclosed on the old Annual Return, the new Confirmation Statement will have to include certain information from your register of persons with significant control.

The filing cost remains the same i.e. £13 online or £40 on paper.

From **30 June 2016** you will need to file a Confirmation Statement once every twelve months instead of an Annual Return. As well as providing the details that were disclosed on the old Annual Return you must include information that is on your register of persons with significant control.

HELP OPTIMISE CASH FLOW

Summer seasonal businesses are approaching their busy time of year. How can a simple piece of advice help manage cash flow?

PEAKING

Fair weather businesses such as gardeners, marquee hirers, cafés and ice cream parlours are starting their busy seasons; however because their cash flow is also seasonal, tax payment dates can often cause a problem. For example, a self employed gardener is required to pay his tax bill in January when cash flow is poor.

OPTIONS

If the business is operated through a company, it can pick its own payment date. This is because Corporation Tax is due nine months and a day after the end of the accounting period in question rather than on a specific date.

Many businesses seem to opt for 31 March as

a year end because it coincides with the end of the UK financial year. This gives a tax due date of 1 January which isn't necessarily good for a seasonal business.

If a year end of 31 August is chosen instead, the tax due date shifts to 1 June - when cash flow is likely to be better.

This doesn't have to be done on commencement of the company either - accounting periods can be changed easily at any time.

REMEMBER - *If your business is operated through a company, you can shift your tax due date by choosing a year end date carefully. This can be helpful for seasonal businesses which may wish to align the tax payment with busy periods.*

BREXIT - THE POTENTIAL TAX IMPLICATIONS

Now that the UK has voted to leave the EU what are some of the potential key tax implications for your business?

It is impossible to accurately determine the impact of Brexit as the terms of the exit haven't been negotiated yet. Thankfully, much of the UK's tax legislation is independent of EU influence so will be largely unaffected. However, there are a few notable exceptions that could affect your business.

At the time of writing there will be no emergency Budget in the immediate future.

VAT

Probably the EU's most significant influence over the UK's tax system is with regard to VAT which is essentially an EU driven tax.

• WHAT IS UNLIKELY TO CHANGE?

Once the UK leaves the EU it may no longer be obliged to have a VAT system. However, we are fairly certain that VAT won't be abolished as it's such a hefty revenue raiser for the Treasury.

• WHAT COULD CHANGE?

- ◇ Freedom from strict EU VAT rules would mean that the Treasury could change which goods or services are eligible for reduced rates or exemptions. For example, as touted by the Leave campaign, it may decide to remove the 5% VAT charge on domestic fuel (although we think this is unlikely as the Chancellor needs as much money as he can get).
- ◇ There could be changes in how HMRC interprets current VAT legislation because interpretations of the VAT rules would no longer be bound by decisions made by the CJEU (Court of Justice of the European Union).

- ◇ Depending on the terms the UK is able to negotiate with the EU, sales of goods to and from the UK may no longer be able to use the EU's acquisition and dispatch system (accounted for on VAT returns). Instead there may be the imposition of "import" VAT - this VAT is likely to be recoverable but there may be an unwelcome cash flow cost for the period between the import and recovery for many businesses. So it may be worth considering how much more working capital you would need to finance the potential cost of a potential import VAT cost.

CUSTOMS DUTY

If Brexit results in the UK leaving the customs union, exports between the UK and the EU would need to go through customs and customs duties may be levied. This would put your business at a disadvantage compared with competitors within the EU.

WITHHOLDING TAX ON INTERCOMPANY DIVIDENDS, INTEREST AND ROYALTIES

At the moment, where a parent company in one EU member state receives dividends, interest or royalties from a subsidiary company in another member state, there's no withholding tax.





• WHAT COULD CHANGE?

Once the UK leaves the EU, a group of companies with a parent company in the UK and subsidiaries in EU member states, or with a parent company in a member state and a subsidiary in the UK, may become subject to double taxation on dividends, interest and royalties unless a Double Tax Agreement (DTA) prevents this.

Luckily the UK does have DTAs with all the other EU member states, but be aware that not all provide for a 0% withholding tax. For example, there is a 5% withholding tax on royalties paid to Luxembourg. You may want to look at whether it would be better overall to have foreign branches rather than foreign subsidiaries in the future.

Also, consider whether your current group structure will trigger withholding tax under the UK's DTAs and, if so, whether they would be large enough to justify a group restructure.



SOCIAL SECURITY CONTRIBUTIONS

At the moment, if a UK worker works in another EU member state, they are only liable to pay social security contributions in that member state. Unless the UK agrees to be part of the EU system, workers may be liable to two lots of social security contributions - in the UK and in the EU member state that they are working in. If you have a large number of employees working in the EU, this could significantly increase your staff costs.

Luckily the majority of the UK's direct tax legislation will be largely unaffected by Brexit. But if you import or export goods, then you could be facing import VAT charges and customs duties in future. And if you have employees working in the EU, you could end up being liable to two lots of social security payments.



EMPLOYING A YOUNG PERSON

Statutory requirements for under 18s

A friend's 17-year-old son has asked whether you have any work that he could do during school holidays and at weekends. If you employ him, are there any statutory rights that are specific to the under 18s?

YOUNG WORKERS

If you have never employed anyone under the age of 18 before, you will want to know if those who fall into this category have any special statutory rights before you say "yes".

REST PERIODS

Generally speaking, 16 and 17 year olds must not work for more than eight hours in any given day or in excess of 40 hours per week. In relation to rest periods, they must have:

- at least twelve hours of uninterrupted rest within any 24 hour period in which they work
- a rest break of at least 30 minutes if a shift will last longer than 4.5 hours; and
- at least two consecutive days off per week (unlike workers aged 18 years or older, these cannot be averaged over a two week period).

NIGHT TIME WORKING

Those under 18 **must not**, under any circumstances, work for an employer between the hours of midnight and 4.00am. In addition, they are not generally allowed to work after 10.00pm or before 7.00am unless they are employed in agriculture, retail trading, postal or newspaper deliveries, a catering business, hotel, restaurant, bar or bakery. If so, they can be asked to work between 10.00pm and midnight and 4.00am and 7.00am where there is no appropriate adult worker available. For those who are under 16, there are far stricter rules on rest breaks and night working.

RULES ON PAY

Under the NMW (National Minimum Wage) Rules, a younger worker who is aged 16 or 17 years (but not an apprentice) is entitled to be paid at least £3.87ph. This will rise to £4.00ph on 1 October 2016. This rate applies regardless of whether the younger worker is part time, full time or employed on a casual basis.

INDUCTION AND TRAINING

Finally, it is important to remember that younger workers will often have limited work experience. To help them adjust as quickly as possible, provide a clear and effective induction which includes information on their job role,

their duties and responsibilities, what exactly is required of them, how they fit into your business and who they should approach if they need any help.



OUR AMAZING FUNDRAISERS

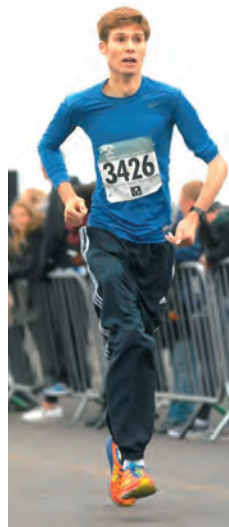
From marathons to scaling mountains our team will take on anything in the name of charity

AL'S HALF MARATHON

Huge congratulations to Alex Moore for completing the grueling Hastings Half Marathon earlier this year.

Al who suffers with debilitating health issues and battles autism faced the challenge head on.

The first seven and half miles of the course saw Al climb steep hills and negotiate narrow pathways when unfortunately his hip began to hinder him. Undeterred he jogged and walked the rest of the way.



Hastings Half 2016 © SussexSportPhotography.com

Above: Alex

Al said 'I wasn't going to let the pain hold me back, when I reached the finish line the crowd gave me a big cheer' and further added 'I would like to thank everyone for the support you gave me and the sponsorship'. Al raised a whopping £570 for Demelza Children's Hospice.

Congratulations Alex!

"We really are so proud of our team here at Watsons. Such a cohesive group of individuals that come together to either participate in such fabulous charitable events or to support their colleagues in their efforts."

There have been numerous fundraisers so far this year, sadly we are unable to highlight all given the limited space but WELL DONE to all who have gone the extra mile".
The Directors

WATSONS TAKE ON COLOR RUSH

After a few weeks of training Donna Nottingham, Sam Chown, Alex Bow and Lauren Scott took part in the Color Obstacle Rush 2016 which took place back in April. The event was a 5km course which included 20 obstacles and paint stations.

This was one challenge on Donna's 'Big Birthday' list, she said 'this year I want to challenge myself to achieve various things, having lots of fun along the way'. The group decided to link this with raising money in support of Chestnut Tree House and Jo's Cervical Cancer Trust for which they raised an amazing £325 and £277 respectively. Donna also completed a three hour boxathon in aid of Ovarian Cancer Action raising £282.

Well done to you all!



Left to right: Donna, Sam, Lauren, Alex

Dates for your Diary

1 October 2016	Due date for payment of Corporation Tax for period ended 31-12-2016
31 October 2016	Last day to file 2016 paper Tax Return
1 January 2017	Due date for payment of Corporation Tax for the period ended 31-3-2016
31 January 2017	First Self Assessment payment on account for 2016/2017
	Capital Gains Tax payment for 2015/2016
	Balancing payment for 2015/2016 Income Tax/Class 4 NICs due
	Last day to file 2016 Tax Return online
2 March 2017	Last day to pay balance of 2015/2016 tax and Class 4 NICs to avoid automatic 5% penalty
March 2017	Budget speech by Chancellor of the Exchequer
31 March 2017	End of Corporation Tax financial year