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2023 - a year to change?

Reflecting back on the last few years, they have been about reacting and evolving. Lockdowns, unprecedented demand, suppliers closing at short notice, customer demands changing, IT developments and staff shortages have all been overcome.

Will 2023 be the year the industry capitalises on being resilient and resourceful? With rising interest rates, and unpredictable energy bills, businesses need to keep on their toes to adapt where able. Coupled with a constantly evolving society, those businesses who can set themselves apart from the crowd are those most likely to do well this year.

Using a generic search engine to look for 'travel trends 2023' brings up a range of priorities for the 2023 traveller. To touch on just a few we expect to see this year:

• Inclusivity / open approach to diversity. With over 1.3m people in England and Wales identifying as LGBTQ+, providing a welcoming / friendly experience open to all will set a business apart.

• Hay-cations (you heard right) an even more rustic experience out in the wild countryside, where less is more - great news for converted barns, farm diversifications etc.

• Technology - with remote table top ordering via apps becoming the norm in many restaurants and app/phone booking a pre-requisite, what's next to enhance the experience? Apps to control in room heating, order room service, book meals, in room QR codes as an equivalent to 'what's on brochures' in lobbys...

• Eco credentials - visibility, knowledge and sincerity? Today's travellers are discerning, and not fooled by broad eco statements. The devil is in the detail, can you stand behind your credentials?



Jackie Kirsopp
Tourism & Hospitality Manager

We are looking forward to working with our clients to see what the year brings. ■

Time to sell?

Selling a business

Selling your business whether that is a hotel, guest house, restaurant, pub or something else is an exciting time but one that you need to prepare for to ensure that you maximise both the chances and the price of a sale.



Stuart Bell
Partner

A little information follows but be aware that all business sales are different so it's crucial that you get the advice specifically relevant to yours from the off.

Planning & Timescales

Do not underestimate the time it may take to sell your business. Dependent on the type of business you are selling, 18 months to 3 years is much more likely than finding a buyer within a few months which is why it is really important to plan ahead.

Ways to sell your business

You should be aware that there are many different ways in which you can potentially sell your business and it is important that you get advice prior to doing so, as the tax consequences can vary dependent on the makeup of the sale.

Business Profitability

The focus of the majority of potential buyers is profitability so recent profit levels need to be as high as possible. It is much easier to sell actual profits rather than potential profits. Is the business currently trading to its full potential? Is it possible to increase your level of turnover and/or reduce your business costs?

Management / Staff

Can the business operate without you? The less work you have to do in the business at the point of sale, the more attractive proposition it will look to buyers. It's also important to keep any staff records up to date maintaining up to date contracts of employment and job descriptions.

Financials

You should be maintaining up to date financials regardless, but it is even more important to do so in the lead up to a potential sale. A quick turnaround on formal accounts is expected and keeping financial records up to date is vital as management accounts are more than likely to be requested.

Marketing

Having a clear system of marketing that can be turned up or turned down as required is beneficial to a sale. In terms of marketing materials, it is important that you separate you as a business owner from any marketing (domain name / photos / videos etc) prior to any business sale.

Advisers

It's important that you have professionals who know your field (accountant/solicitor/estate agent) in place prior to any potential sale.



Potential Buyers

Depending on the type of business you are selling, you may need to consider who you are looking to sell the business to. Have you thought about selling to your current management team or your employees? Have you got any growing competitors that might be interested in your business? Or does your business need marketed by a specialist agent?

Selling Process

The process of selling a business isn't quite as straight forward as finding a buyer and agreeing a price. If only it was that simple! The first document will ordinarily be the Heads of Terms which is effectively a detailed sales agreement so that there are no surprises for either side of the transaction after the day of sale. Then will come the Due Diligence process, providing genuine information about the business to the potential buyer, which is not always straight forward and often a tedious exercise for the seller. The time frame from agreeing a price with a buyer to the point of sale is invariably months rather than weeks.

Ensuring that the business is setup in the most tax efficient manner for a sale can potentially give you thousands of pounds of tax relief and we have specialists at Dodd & Co that can help you with all the aspects of planning involved in selling your business ensuring you get the best possible financial result. ■



VAT – Common pitfalls in the Hospitality Industry...

The past few years have seen many VAT changes hit the hospitality sector. Changing the VAT rate for hospitality businesses three times in two years due to the pandemic certainly created some additional complexities in making sure systems could cope with and use the ‘right’ VAT rate.

Software and Automation

The increase in the widespread use of accounting software (to comply with MTD rules) has simplified VAT processing for many businesses. However, incorrect classification and calculation of VAT can still occur and is sometimes harder to spot when the ‘computer does it for you’.

A simple example of this is where rules / automation can be set up to automatically assume all purchases of a particular ‘type’ e.g. laundry and cleaning, have input VAT included at 20%. If a new supplier is used that isn’t VAT registered, the system may (incorrectly) assume that the costs for this new supplier include VAT.

Our message - use the systems to automate and save time, but do check individual entries and always sense check before submitting your VAT return.

UK VAT / Not UK VAT?

Another area where we often see businesses rely on software pre-set VAT rates incorrectly is in relation to booking agent commissions.

VAT is often automatically reclaimed on agent commissions without considering if UK VAT has been charged. In many cases booking agents don’t have a fixed establishment in the UK and as such UK VAT is not commonly charged. Instead, the reverse charge mechanism should be applied (subject to the hospitality business confirming they are a business for VAT purposes, perhaps by supplying their UK VAT number to the booking agent).

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Jo Coleby
VAT Technical Manager

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Our message – be careful when dealing with reclaiming VAT on booking agents as many (of the big ones) are not UK businesses.

Tax Point

We often get asked about when to account for VAT on certain items e.g. deposits. This all depends on the ‘tax point’.

The tax point is generally the earlier of the monies being received or the invoice date, unless in the unlikely event the date of stay occurs before either of these. Each receipt, be it full payment, a deposit, part payment or a final payment will therefore each have its own tax point date. This often leads to the VAT due on a hotel booking being spread over a number of VAT returns.

The correct identification of the tax point is equally as important when considering if a business has exceeded the VAT registration threshold. The rolling total calculation should be based on the individual tax points rather than the date of the stay.

Our message – assess if your computerised accounting system is applying VAT at the right ‘point’ in time, especially in relation to deposits and part payments.

Flat Rate Scheme

Many businesses in the hospitality industry find it beneficial and more cost effective to be registered under the Flat Rate Scheme.

Whilst cloud accounting software may deal with the Flat Rate Scheme calculations for you, again, it isn’t foolproof and there is a common misconception around booking agent fees.

Under the Flat Rate Scheme, VAT is charged to customers on all sales at the normal VAT rate (i.e. your invoices look the same as before using the scheme) however you pay over VAT to HMRC based on a set proportion (usually 10.5% for hotels / 12.5% for catering services / 6.5% for pubs) of your total sales income.

A very common misconception is where booking agencies deduct their fees first and only send on net income (after commission). In this case, the flat rate scheme proportion is still applied to your gross total sale – the figure before they deduct commission.

If any of the above has raised questions that you would like to discuss further, then please speak to your usual Dodd & Co contact. ■



How changes to **INVESTMENT TAX** could impact you!

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WEALTHCARE



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Capital Gains Tax - what did the chancellor say? While he announced that Capital Gains Tax (CGT) rates will remain unchanged, the Annual Exempt Amount (AEA) will reduce from its current level of £12,300 to £6,000 from April 2023 and to £3,000 from April 2024.

It's also been announced the dividend allowance will be reduced from £2,000 to £1,000 in tax year 2023/24 and then £500 in tax year 2024/25.

Ahead of the April deadline, you should review your arrangements and make sure you are holding and managing your investments in the most tax efficient way possible.

The first thing to consider is: Are you making the most of your individual savings account (ISA) allowance? Given that gains made within an ISA are tax-free and ISA investments are not subject to dividend tax either- this one is a no-brainer. Moving investments into an ISA, with a generous £20,000 allowance, protects future dividends and gains from the clutches of HMRC, and there is no requirement to declare them on a tax return.

If you own investments outside an ISA and have not used all your allowance, you can consider a "Bed & ISA", which entails selling your non-ISA investments and buying them back within an ISA. You can also do the same with a personal pension, pensions remain a highly tax efficient way to invest.

Before proceeding with a "Bed & ISA" or "Bed & Pension" transaction, there are a few things to consider. Firstly, these transactions are not exempt from CGT, you will still have to pay CGT if you generate gains above the allowance. But since the allowance will be reduced from next year, acting now is a way to protect future gains and minimise the bill. With markets, in many cases, still lower than last year, the timing might prove reasonable, before a recovery boosts your gains.

Rebalancing portfolios while restricting capital gains to the AEA will become more challenging, especially for larger portfolios e.g. a portfolio of £120,000 will only take a capital gain of 5% to use up their AEA in 2023/24 and 2.5% from 2024/25.

The announced changes will also impact trustee investments. Trustees are entitled to an annual exempt amount of half that available to individuals. So, while currently trustees have an AEA of £6,150, going forward this will reduce to £3,000 in 2023/24 and £1,500 in 2024/25.

For individuals and trustees who are going to end up paying more CGT under the new regime it is perhaps worth considering other investments which are not subject to CGT. Investment bonds for example provide more flexibility around when gains arise and who they are assessed against. Is it even more important to get independent financial and tax advice now! ■

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Business tools that can save **YOU** time, money or both!



Kristina Gash
Cloud Accounts Manager

Tired of data input?

Do you find typing up your purchase invoice and receipts time consuming? Or perhaps you misplace the receipts so you can't claim them? Well, we have a solution for you enabling you to save time on data entry and essentially have more accurate accounts. All you need to do is take a picture through a free app on your phone or tablet and it will extract the information from the invoice such as date, amount, VAT if applicable, and who the supplier is. For multiple invoices you can scan in in one go and any invoices that get sent to you via email you can simply forward on by email with the same end result. If you want to save time inputting and potentially gain more insights into your business spending habits, then this could be a great solution for you.

We can also build tools at Dodd & Co that can take information from third party software such as PayPal, Stripe, sales booking systems like Booking.com or Hotels.com etc and convert it into a format that will allow you to upload into your accounting system easily to save you time and help to increase accuracy.



Use a till, did you know they can talk to your accounting system?

An Electronic Point of Sale (EPOS) system is must have equipment for modern day businesses. An EPOS system is basically a modern till system that features a combination of computer hardware and software designed to help you run your business better.

Much like a normal till system, you can make a sale, also process a payment and record your transaction. Where it differs: An EPOS system can talk to your accounting software, thus saving you time from not having to record your daily sales manually.

By electronically recording all your sales information you can also increase the reporting capabilities and be able to see what is and isn't working for your business.



You can track sales by your specific product and services and monitor volumes which allows you to plan stock based on current trends and seasonality.

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Have you thought about email marketing to increase sales?

When someone purchases a service from you, whether it's a night's accommodation, an activity or dinner reservations, it is most likely you will obtain a few basic details from them such as name, email address and sometimes postal address.

Technology these days will allow you to send out the same email to multiple email addresses at once without the others seeing who has received it. This allows you, as a business, to do specific marketing campaigns. Not only are you keeping your business in their minds, but you can see stats on the email campaign, with the number of people who opened and read the email, number of people who clicked on any links provided, then in turn you can see how effective it is by seeing if the number of bookings increase.

There are lots of email marketing tools out there, even some free ones.

At Dodd & Co we have experience of integrating these systems so if you would like further information please contact us. ■



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