in The Know

Spring 2022

Tourism

Well, what a year (or two...) it's been!

We don't need to tell anyone that the tourism landscape has had its challenges over the last two years. With lockdowns, ever changing legislation coming in at all hours of the evening, furlough, grants, SEISS, insurance challenges and VAT changes it is little wonder that we have all been kept on our toes in reacting this year.

Many businesses in the sector have had an incredibly difficult year, and others have seen unprecedented demand last summer. The boom in 'staycation' due to international travel restrictions, holidaying 'bubbles' and an increased focus on getting outdoors has definitely extended the demographic of visitors.

There are undoubtedly hurdles to overcome as we approach the 2022 'season', including, the staffing challenges that many clients are reporting. Recruiting and retaining staff is incredibly hard across the sector. So many factors play into this, including overseas (EU) staff / immigration restrictions and flexible working /life balance. Many businesses are finding innovative ways to recruit staff and placing a high importance on staff wellbeing and welfare is crucial. Other businesses are, unfortunately, finding themselves at the mercy of staff shortages, having to close or reduce hours to offset this. This will inevitably hamper recovery and growth and we hope changes in this area help the recruitment market.

The only certainty is in fact uncertainty! Only time will tell but whatever 2022 might bring, rest assured that Dodd & Co will be working tirelessly to keep our clients up to date with any changes that may impact them. ■

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Purchasing a Business

Purchasing your hotel, guest house, restaurant or pub is an exciting time but one which can often involve a steep learning curve. A little information follows, but be aware that all purchases are different so it's crucial that you get the advice specifically relevant to yours from the off.

Business Planning

The first thing you should do prior to purchasing a business is a business plan. Have you asked the right questions and understood the business's historic accounts? Do you know what annual profits you can expect? Have you looked into preparing a cash flow forecast to make sure the business profits can support your lifestyle and business lending level, as well as support the seasonally low points of the business?

Business Set Up & Tax Relief

Have you considered how you will run the business (partnership, sole trader, company)? People often have ideas that don't marry up with obtaining the best tax relief and structure. It is vital that you get your business setup in the structure to suit.

One of the first questions to ask when purchasing a business is how long the seller has owned the property and whether they have put forward any initial indication of division of the value between goodwill, property, furniture and fittings and integral features. Obtaining a beneficial apportionment for these categories and making sure that all the right capital allowances have been claimed before the sale completes can give thousands of pounds of tax relief, if structured correctly.

Choice of year end can also have a big impact on potential tax relief, especially if you are making improvements to the property.

As a buyer you need to be advised on this early. It is a very complicated area, and one which has gone through changes in recent years, meaning that both buyers and sellers could miss out on tax relief – and there is no better position as a buyer than being able to save both you and the seller some tax.

VAT

Have you considered whether the business should be VAT registered? VAT can have a significant impact and it is important to understand if the previous business was VAT registered, and how trade levels sit in comparison to the VAT threshold (currently £85,000). If the business turnover level is going to exceed the VAT threshold, then it may also be worth considering the VAT flat rate scheme where applicable.

Bookkeeping

Once you are in, you need to consider your bookkeeping moving forward. You need to have a bookkeeping system set up to make sure you record your business transactions in a way that complies with HMRC requirements, but also allows us (and more importantly you) to monitor your business as you go in real time. There are many options, but the key is getting it to work for you.

Staff

If you require some additional help from staff once you are in, then there is a bit more to consider other than just paying them an hourly rate. Have you considered employers' pension contributions and employers' national insurance? Are you retaining any staff from the previous business owners?

In order to adhere to your responsibilities to HMRC you will need to setup a payroll scheme for your business to be able to pay your staff as well as complying with your auto-enrolment pensions responsibilities.

At Dodd & Co we have specialists in every field that can help you with all of this and a whole lot more. Please contact Stuart Bell on 01768 864466 or email stuartb@doddaccountants.co.uk

5 reasons why Cloud Accounting can help your business to really take off...

You've probably heard a bit about cloud accounting by now, with adverts on the TV and Making Tax Digital coming into force for all VAT registered businesses from 1 April 2022. But what are the benefits of cloud accounting and is it right for your business?

1 Real time advice

The biggest benefit you have from cloud accounting technology is the real time advice available! As your accountant we can access your data allowing us to scrutinise your numbers and give you the real time advice that you need.

Gone are the days where your accountant talks to you about historic financial information. We want to talk to you about what's happening now and how we can help you both in the present day and in the future.

2 Time saving

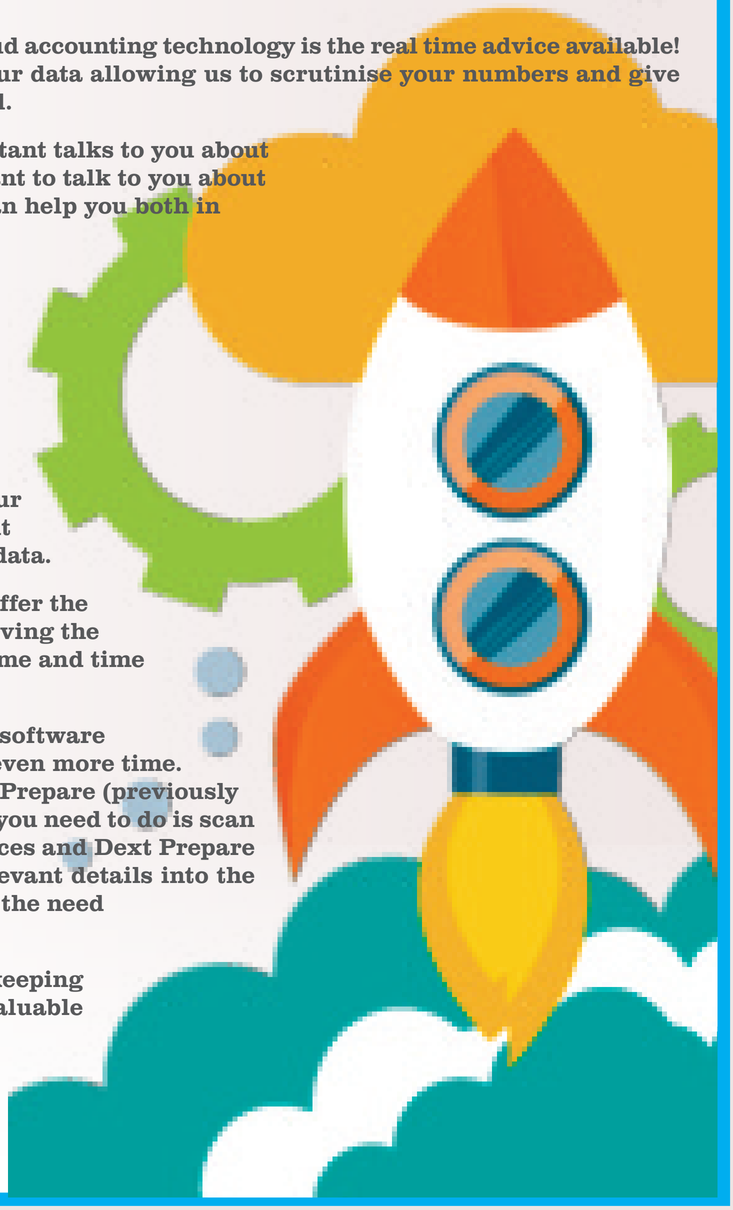
The main time saver with cloud accounting technology is its direct link with your bank.

This is a one-way feed which pulls your transactions into the software without the need for the manual inputting of data.

Many of the software packages also offer the ability to set-up repeat invoices, removing the need to enter the same information time and time again.

There are numerous add-on pieces of software which are designed to help you save even more time. One of our current favourites is Dext Prepare (previously Receipt Bank).With Dext Prepare all you need to do is scan or take photos of your purchase invoices and Dext Prepare automatically populates all of the relevant details into the cloud software, completely removing the need to enter these invoices manually.

The above can save substantial bookkeeping time, freeing up your time for more valuable work within your business. Imagine what you could do if you saved just 2 hours a week in admin time? This brings us on to reason number 3;



3 Cost

There is a cost to cloud accounting, but this cost varies depending on the package you choose. Average prices are currently around £10-£25 per month. If you can save admin time and focus your efforts on other things such as marketing your business, then the time you save soon outweighs the cost of the package.

Cloud accounting subscriptions are inclusive of full support from the package supplier, which varies from telephone help to online chats at no extra cost. Because the systems are cloud based you are always on the latest version as updates to the software happen in real time, again, at no extra cost and there are no lengthy software updates to sit through.

You can also add on pay-links such as PayPal, Stripe or Go Cardless to further streamline your systems.

4 Reportability

Direct bank feeds mean real time information. This gives you the ability to continuously keep your books up to date which in turn means much better reporting capabilities, giving you the data and information you need to produce regular management reports, thereby making decision making more effective.

Cloud accounting reports are customisable – i.e. if you can't find the report you're looking for on the system, then you can make your own or tailor a standard report to present the key information that matters to you and your business.

5 Convenience

Because the software is cloud based you can access it on any device that has an internet connection, wherever you are, meaning you can keep on top of your accounting records whilst at home in front of the TV, whilst on the move or on any of your office computers or devices you may have. If your laptop breaks down, you can still access all of your data on the software as it's stored in 'the cloud'. ■

We can help to set up the package for you and provide training on how to get the most out of the software. If you would like to learn more about cloud accounting and how it can help your hospitality business, please contact Stuart Bell on 01768 864 466.

Furnished Holiday Lets (FHL)...

What does it all mean?

Since the start of the pandemic, self catering holidays have become exceedingly popular, and we see many common questions around how business owners can run a successful FHL, and how the tax works.

The table below lists the main tax and national insurance implications and differences between FHLs and renting out properties for a longer term. There are of course many other issues and risks to consider if you are thinking about taking on any kind of investment property, and as always, there is no substitute for taking the right professional advice before you start. This guide concentrates on the main tax issues only, and does not take into account any planning or other building consent issues, and certainly does not act as a substitute for sound advice from a knowledgeable property managing agent.

What is a Furnished Holiday Let in comparison to a 'normal' let property?

A Furnished Holiday Let is a property that meets several criteria based on occupancy – this criteria is assessed in each tax year, and broadly must meet the following:

- The property must be available to be let for 210 days in the year
- The property must 'actually' be let for at least half of this – 105 days per year
- The property must not have more than 155 days of letting that consist of stays exceeding 31 days (i.e. it is for short term lets)
- The property must be furnished (to allow people to occupy it)

If my property meets the criteria – how does the tax work?

	FURNISHED HOLIDAY LET	RENTAL PROPERTY
Likely income levels	Subject to location / demand, ***may*** be higher than longer term rents	More certain regular income, but may have long periods to re-let
Costs allowable against income	These will be variable, depending on length of stay. Likely to be more need for regular repairs and upkeep	Many costs responsibility of tenant, and if long term, often repairs etc are much more periodic
Mortgage interest	Finance costs are allowed in full against the profits of the FHL – tax efficient	Mortgage interest is restricted to a 20% deduction for finance costs *(Most impact if total income before mortgage interest is in higher rate)*
Council tax / Business rates	Must register for Business Rates ('often' however covered by small business rates relief)	Under domestic Council Tax rules
Capital Allowances (tax relief)	Can claim tax relief (capital allowances) on equipment / fixtures and fittings within the property (i.e. heating / lighting / air con systems). *(This can reduce tax significantly and is often overlooked or not understood. If you are purchasing or converting a furnished holiday let do look at this)*	Capital allowances on integral plant and equipment are not allowable initially. Ongoing repairs and replacement costs are generally allowable for tax, but not 'improvements to property' costs
National Insurance	Not subject to Class 4 NI	Not subject to Class 4 NI

Employing Staff See Pages 7 & 8

continued...	FURNISHED HOLIDAY LET	RENTAL PROPERTY
Profit Split / Share	Can be split to the best advantage of the property owners – useful if one owner has unused allowances, or one is higher rate	Usually follows property ownership ratio (e.g. 50:50), but stricter rules apply where the property is owned jointly by spouses.
Capital Gains Tax (CGT) on sale	10% *(usually – and at current rates – qualifies for Business Asset Disposal Relief). (nb – subject to change under budget / legislation)*	18% / 28% *(Depending on the gain and tax rate of individuals)*
Deferring CGT via hold over/roll over relief	Both Holdover relief and Rollover relief are available which can further minimise capital gains tax	No Hold Over or Roll Over relief is available
Making Pension contributions	FHL Income is 'relevant earnings' – potentially allowing higher pension contributions in the year	Not relevant earnings
VAT	If income exceeds £85k must register for VAT. (nb limit may include other business interests depending on set up)	No need to register for VAT unless property has been opted to tax – mostly relevant if renting to a commercial tenant

As you can see, there are a number of differences in tax depending on how a property is operated, there is no 'one size fits all' answer, but it is certainly useful to have an understanding of the above when making your decisions about how to 'let out' a property. ■

It is important to note that there are other 'hybrid models' that may mean income is treated as trading income, rather than furnished holiday let income. If you are thinking about offering 'FHL' type accommodation please speak to your advisor about the tax (and practical consequences).

Employing Staff

As a business owner, you're responsible for all the big decisions and probably a lot of the smaller ones too. But the 'stuff you need to do' never ends. How far up your list of priorities is keeping up to date with changing employment law and payroll legislation? You know it's important but so are a lot of things you need to do. So, having followed all the correct recruitment procedures and right to work checks! – what next?

Register as an Employer - You must register as an employer with HMRC and set up a payroll scheme before you take on any members of staff. You will need a Government Gateway login for Online Services if you have not already got one.

Employee Information – All employees will need to complete a HMRC starter checklist with their personal information. They may also give you a P45 form from their previous employer.

Payroll Software – Choosing the right payroll software is vital to maintain your employee details, calculate their pay and any deductions such as income tax, National Insurance contributions, pension deductions and student loans.

...continued overleaf

payroll software continued...

This information will need to be reported to HMRC on or before your regular pay date. Your employer settings will need to be added including any Employment Allowance and Small Employer Relief eligibility. The software will calculate how much you need to pay over to HMRC.

Contract, Salary and Minimum Wage – You need to ensure you follow minimum wage legislation for your employees and set this out in a written statement of employment with the details of their job, hours of work, holiday entitlement, sick pay, notice to be given and when they will get paid. When paying your employees, they should be given an itemised payslip showing them their earnings before and after any deductions.

Workplace Pension – Check if the law requires you to automatically enrol any of your staff into a workplace pension scheme. You need to be ready to enrol them into your employer pension, pay minimum contributions into the scheme and write to all your staff about their options. You must enrol any employee with gross pay over the following current thresholds:

Gross Earnings	Annually	Monthly	Weekly
Earnings for automatic enrolment	£10,000	£833	£192

Keep Processing – Just as important, you will need to keep processing the payroll regularly and make any changes where necessary. Including (but not limited to):

- Monitoring changes of employees' ages which may affect the National Insurance calculations, minimum wage thresholds or the pension eligibility
- Calculating any statutory payments such as maternity or paternity pay
- Monitoring and calculating any sickness
- Maintaining records of holiday leave taken and holiday pay
- Dealing with any attachment of earnings
- Dealing with any notifications from HMRC regarding tax code changes for example
- Completing your year-end declaration to HMRC and issuing P60s to your employees

Payroll legislation is continually changing, and our payroll bureau staff are always undertaking regular training to keep their knowledge and skills up to date. We are here to help, so if you want to speak to one of the team regarding running a payroll scheme or if you would prefer us to process the payroll on your behalf, please do not hesitate to get in touch. ■

This newsletter is designed as an informative guide for clients and their advisers. The articles cannot deal with any particular point in depth and they should not be used as a substitute for full professional advice. Accordingly, no responsibility for any loss or damage can be accepted by Dodd & Co Limited as a result of any person or organisation acting upon material contained in this newsletter.

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