

# Wise Words

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## Get cyber security savvy

What can you do to protect yourself and your business?

**Wise&Co**

Chartered accountants  
& business advisers

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# Pearls of wisdom - in brief



## Making Tax Digital

Making Tax Digital came into effect on 1 April 2019, requiring VAT registered businesses with a taxable turnover above the £85,000 threshold to submit their VAT returns using MTD compliant software. The first VAT quarter to be affected is 30 June 2019.

However, some VAT registered businesses with more complex requirements have had their start date for MTD delayed until 1 October 2019.

In March 2019, the Government announced that they would not be mandating Making Tax Digital for any new taxes or businesses in 2020.

## Deadlines and dates for 2019

**5 July** – deadline for reaching a PAYE settlement Agreement for 2018/19.

**6 July** – deadline for submitting form 42 and other relevant forms reporting share-related benefits provided to employees.

**6 July** – deadline for filing forms P11D, P11D (b) and for giving copies to employees.

**19 July** – Class 1A NICs due for 2018/19.

**5 October** – deadline for notifying HMRC of new sources of taxable income or gains or liability to the High Income Child Benefit Charge for 2018/19 if no tax return has been issued.

**31 October** – deadline for submitting 'paper' 2018/19 self-assessment returns.

**30 December** – online filing deadline for submitting 2018/19 self-assessment if you require HMRC to collect any underpaid tax by making an adjustment to your 2020/21 tax code.

## Form 42

Form 42 is an annual tax information return form which is used to report employment related transactions in securities or securities options. Securities in this scenario means shares and it's the responsibility of the company to complete and submit form 42. The starting point is for companies to register their unapproved share scheme or arrangement with HMRC. Then they must complete and submit form 42 to report any transactions such as a purchase or a sale or anything which affects the value of the shares.

The deadline for the submission of form 42 is 6 July 2019. We recommend that you take advice as it can be complicated and penalties apply for a late or erroneous submission.

## Business agility.

Agility - never before have owner-managed businesses needed it so much as now. We face not just continuing uncertainty, but a raft of disruption from advancements in technology impacting traditional industry sectors, to new risks with potentially devastating effects.

Wise Words has undergone a refresh reflecting our team's passion and energy as we continue to support and work in partnership with our clients and professional contacts. As well as a brand new website, we've launched our new Tax App which you can use wherever you are, whenever you need it. You'll have the information you need at your fingertips including tax calculators and a place to record expenses and mileage - <https://wiseandco.mytaxapp.co.uk/>

The team are producing regular topical blogs and articles with tips to help you – you'll find them on our website and we're sharing them on social media. Making Tax Digital was one of the year's big arrivals, bringing with it an even bigger shift for some businesses as they assess and update their software systems and internal processes. Just as looking forward is something which business leaders do intuitively, so these technological changes will ultimately bring their organisations greater efficiencies and will contribute towards their success. But, while cloud systems offer greater security, criminals will continue to find ways to identify and exploit vulnerabilities, which is why we've chosen to focus on cyber security in this edition of Wise Words.

As always, we're on hand with an ever evolving range of advisory services, so feel free to get in touch if you need our assistance.



**Sharmini Woodings**  
Managing Partner



# Get cyber security savvy

Cyber crimes are not going away. As our reliance on technology steadily increases so do the number of cyber security attacks. In 2018, the UK Government reported that four in ten businesses and two in ten charities suffered a cyber breach or attack. In fact, when it comes to larger businesses the statistic increases to 72% with an average cost of £9,260.

The level of sophistication that cyber criminals are using is also increasing. It's something which can't be ignored, especially when everyone seems to know someone who has suffered some kind of attack, so here are some of the key areas to think about.

## **Social engineering or, in other words, the art of extracting confidential information:**

Human beings are naturally inclined to trust and criminals will manipulate this trait to find out passwords or personal details because frankly it's easier than hacking people's accounts. Be wary of social media and don't share much information within your profile. Scammers' expertise lies in the different techniques that they use to collate your personal details such as name, email address, passwords, and answers to your security questions.

**Spear phishing:** This is an email or another form of electronic communication which has been sent to specific individuals, organisations or businesses. In itself the content may sound completely logical and trustworthy and as a result they are becoming more difficult and tricky to detect. What's more, some victims have had parts of emails already in their inboxes copied and malicious text inserted. For example new fraudulent bank details tricking them into making payments to the criminals.

**Pharming:** It's when criminals change the host's file on a victim's computer or exploit a vulnerability in the DNS server software. The purpose of pharming is to redirect a website's traffic to another fake site so that a hacker can infiltrate and install malicious code. The aim is of course to capture private and personal information, particularly bank details, credit card details, passwords etc.

**Malware:** The full name for this is malicious software. It's a program or file that has been specifically designed to damage a computer, its network or the server. Ransomware is a specific type of malware that will lock a user out of their files or their device until a ransom is paid to restore access.

**Human beings are naturally inclined to trust and criminals will manipulate this trait to find out passwords or personal details**

**Vishing:** The telephone equivalent of phishing. Criminals use the phone in an attempt to scam the user into divulging private personal data. Their techniques are becoming ever more sophisticated and now frequently use Voice Over Internet Protocol (VoIP), for example caller ID spoofing which can change the caller's telephone number. Many victims of vishing have their bank details, credit card details or other personal identity stolen because they have been tricked into thinking that they are speaking to legitimate organisations.

**Smishing:** This form of cyber security breach uses SMS or text messages to encourage the victim to inadvertently give out private information or to download malicious software or malware. Criminals are using increasing levels of security and can now intercept old text threads and insert fakes numbers into them.

# What can you do to protect yourself and your business?

Whilst it's incredibly alarming, there are some simple things you can do to protect yourself and your business. Above all, if you are the victim of an attack make sure that you have a process in place to deal with it and that staff know what they should do.



## Firewalls and anti-virus software:

Switch on your firewall! Most operating systems will include a firewall, so make sure it's up and running. Anti-virus software should be used on all computers and laptops.



**Passwords:** Ensure that your passwords are strong – use a combination of upper case, lower case, numbers and special characters. If possible, use 2-factor authentication. Don't use the same password for every account that you have. If you're out and about, be very wary of public WiFi and use 4G or a virtual private network (VPN).

Cyber security has to be in the forefront of our minds on a daily basis. Attackers are constantly trying different methods of attack even when automatic protection tools are trying to keep our systems secure. Knowledge is power, however, and signing up for a free service such as the Action Fraud Alert <https://www.actionfraud.police.uk/what-is-action-fraud>, is well worth it. Services like these will send you information about scams and fraud in your area by email, recorded voice and text message, as well as advice if you are a victim of an attack.



**Software:** Ensure that your software is always up to date. When you receive a message telling you that a software update is available for your computer or device, do it as soon as possible because they are intended to patch flaws that have been found in the programme. They're for your digital security!

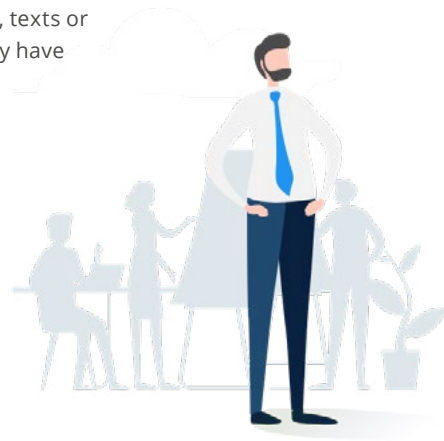


**Impersonation fraud:** Have processes in place for all payments that your business makes. If you do receive an email requesting a payment or you are about to make one check the details first. Ring the company or organisation you are about to pay using the contact details that you have on file. Don't trust any links, attachments, texts or telephone numbers that may have been sent to you.

*If you would like to discuss any concerns that you may have, our outsource IT team would be pleased to help. They provide a full range of services which includes managing data security. Please check our website for information or get in touch!*



**Back-ups and the cloud:** Back up your data regularly and keep it separate from your computer. Cloud storage solutions are a cost-effective and efficient way of doing this.





# Furnished holiday lettings

As we head into summer, some of us may consider investing in a holiday property and renting it out as a way to help finance it – a furnished holiday lettings (FHL) as it's officially known.

In the UK, there are tax reliefs available for this type of property, but because it's a particular classification for tax reasons, it's important that you follow the rules to be able to reap the benefits. Here's an overview of the key areas that you need to consider.

## Your dream location

The property must be situated in the UK or elsewhere in the EEA. The EEA comprises all the EU states plus Iceland, Liechtenstein and Norway. If you have properties both in the UK and in the EEA, they will be treated as two separate property businesses with their own provisions.

## Availability

Remember this is a business that you're running and therefore it must be carried out on a commercial basis. The property has to be available to let to the public as furnished holiday accommodation for at least 210 days in a 12 month period, which cannot include any time that you spend there. The property must then be let on commercial terms for at least 105 days in the year and this cannot include to friends or relatives at zero or reduced rates.

However, if it's let to the same person for longer than 31 continuous days it cannot be treated as a FHL. If you do have longer term lettings, they must not exceed 155 days in the period in question.

If you have more than one furnished holiday property and one, for whatever reason, doesn't meet the letting conditions but has been available and has met the pattern of occupation conditions, it is possible to make an election to average the rate of occupancy for all your FHLs. But it's important to note that you can't average your UK lets with those in the EEA and they must be kept separate.

## Furnishings

When you kit out your holiday rental property you can claim tax relief known as capital allowances for equipment purchase for use in it, such as white goods, furniture and other portable items. However, there are no capital allowances available for the cost of the property itself or the land it is situated on.

## Income

As a landlord of a property, you must report your rental income to HM Revenue & Customs even if you aren't making a cash profit. This is an important point and one that some landlords overlook because whilst there might be a cash loss, they may have made a profit for tax purposes. If HMRC feel that there has been a loss of tax, there is a chance that they will recover interest and penalties from the landlord. But on the other hand, if you do suffer a loss, it can be carried forward although only against future profits from the same business.

## Other things to think about.

VAT: if your total rental income for your Furnished Holiday Letting exceeds the VAT threshold, which is currently £85,000 in a 12 month rolling period, you'll have to register for VAT.

Business rates: you may have to pay business rates. However, this will depend on the level of profits your property makes as you may be entitled to small business rates relief, which can be up to 100% depending on which area you're in.

Furnished Holiday Lettings do have a lot going for them because while it may seem complicated at first glance, there are significant tax advantages available. Keeping good records is key and then, with professional advice, you'll see whether you meet the requisite conditions.

Tax advantages: there are several advantages to running an FHL business as compared with investment rental.

- Entrepreneurs' relief – this can afford you a 10% tax rate on sale of the property v the full rate of 28% for investment property.
- Rollover relief – a gain on one FHL property could be held over against a new FHL purchase delaying when tax is ultimately payable.
- Holdover relief – this can help you pass a property down a generation using gift relief which is only available to FHL properties.

The alternative to FHL is that your property rental business won't be treated as a trade but as investment income and you'll miss out on the more favourable tax treatments mentioned above.



## Farnham RFC Minis – Samurai Tour

### Supporting the Farnham RFC Minis Samurai Tour 2019 – we're going Japanese!

Wise & Co is a "people business" and as a firm which trains students to become accountants, tax professionals and business advisers, we have a strong sense of responsibility to support the younger generation. So, when Geoff Duncan, dad of under 10s player Luca, contacted us to ask if we'd be interested in sponsoring Farnham Rugby Club's 2019 Minis tour, we jumped at the chance. A sense of duty to "give back" to the local community is central to the Wise & Co culture.

Farnham Rugby Club has always played a big part in the area and has grown in size and stature over its 34 year history, with players ranging in age from the under 5s to a thriving veterans team. Of course the club has also produced some of the UK's top players.

The Wise & Co team count many keen sportspeople amongst their number – not just rugby players, but netballers, footballers, hockey players, cyclists and so on. A keen sportsman himself, partner Steve Morgan explains, "Taking part in sport at any early age, especially if it involves playing in a team, is invaluable as it teaches players key skills which they'll use later on in life no matter which path they choose

to take. Think leadership, good communication, working together and mutual respect. Looking back I realise now the extent of what I learned whilst having a great time with all my friends".

Geoff continues, "Tours are a very important part of children's rugby! They're a chance for the kids, the coaches and the parents to build team spirit, morale and above all establish a real team identity. Everyone benefits from the opportunity of getting to know one another better both on the field and off it. Breaking down barriers and seeing people in a different setting builds strong friendships as well as creating some great stories and memories for everyone".

Geoff's thoughts are backed by those of his son who, when we met him, couldn't wait for the tour and the opportunity to spend time with all his team mates! "It's going to be great fun!" Luca told us. "It's the Rugby World Cup this autumn and because it's going to be in Japan we've called our tour, the Samurai Tour!"

The Samurai tourists spent an action-packed weekend of rugby at Ladram Bay Holiday Park in Devon in April and achieved second place at the festival hosted by Topsham RFC. A truly fantastic result! All down to lots of hard work and dedication by the boys and their coaches.

## Gift Aid-it if you can – let's see why

Many of us give to charities and so, no matter how small your contribution is, don't forget the importance of Gift Aid and the additional benefits it can bring to the organisation you are donating to. This is particularly important as many are finding raising funds tougher.

Gift Aid allows charities to claim 25p for every £1 that you donate. So, a £20 donation is worth £25 to them. All donors need to do is to have paid or be in a position where they will be paying income tax and/or capital gains tax, which is the equivalent of the tax that the charity in question will be able to reclaim that tax year.

It also applies to items you might give to charity shops, as they'll be able to collect 25% more when they sell what you have given them.

Gift Aid does require donors to complete a Gift Aid Declaration Form with details such as their address and a statement confirming that they pay an amount of income tax and/or capital gains tax as explained above. If you're donating online, then there is likely to be a tick box instead, so don't forget to make sure it's completed if you want the charity to benefit.

Furthermore, if you are a higher rate tax payer you can claim additional tax relief on the donations you make when you complete your personal tax return. Just keep a note of your donations throughout the year.

On the other hand, if you're a charity and you want to benefit from this form of tax relief, there are of course qualifying conditions that you will need to observe and meet.

### You'll need to be:

- based in the UK, the EU, Iceland, Liechtenstein or Norway;
- established for charitable purposes only;
- registered with the Charity Commission or another equivalent regulator if applicable;
- run by 'fit and proper persons';
- recognised by HM Revenue & Customs

Whilst signing up is relatively easy in itself via HMRC's website at <https://www.gov.uk/charity-recognition-hmrc> we're here if you need any help or advice.

## A word in your ear – our team news

### Investing in our talent – our promotions...

The partners were very pleased to announce the promotions of Jess Crawley, Rachel Mason, and Vicki De Piano to Audit & Accounts Assistant Managers at the beginning of April. Vicki trained and qualified with Wise & Co in 2013 and particularly enjoys working with sole traders and partnerships. Jess and Rachel also qualified with us in 2015. They both have extensive experience working with charities and academies and assist with technical training for the firm's trainee accountants. Wise & Co also celebrated the promotion of Georgie Hall to Payroll Supervisor. She has been with the firm for over 7 years.

### ...welcoming new talent

Wise & Co welcomed four new members of staff over the winter period. Heidi Winson joined as Tax Manager, having previously worked for a top 10 accounting firm for 18 years. She focuses on corporate taxes, and her work covers HMRC enquiries, ATED assistance as well as more general business advice.



From left to right: Adele, Emma, Heidi, Mark.

Adele Speirs joined as Payroll Admin. Having trained as a hairdresser, she moved into administration for a domiciliary care company and gained her qualifications in business and administration. Searching for growth she made the move to Wise & Co. She now completes our payroll reporting and P45 submissions to HMRC and sets up new payrolls for new clients.

Mark Woodcraft joined from a local firm as Audit & Accounts Manager. He has significant experience of working with a broad range of clients, from fast growing

start-up businesses to more established organisations, including the subsidiaries of foreign parents.

Emma Hayward has joined the firm's business services team following a career with a local bespoke lighting company where she worked in operations.

Trainees Nina Messingham and Emine Sagindik have almost completed their first year with Wise & Co and have both loved their experience so far. They've cited work/life balance and flexibility, high quality training and the opportunity to work on different types of jobs, real teamwork, and constructive feedback as their reasons for Wise & Co being a great place to train!

### And our congratulations and good luck wishes go to ...

Newly qualified Rebecca Walsh-Smith has received an award for the ICAEW Advanced Stage examinations. The award is given to leading candidates in the South East area who achieved the highest marks in a number of categories. She was presented with a voucher, champagne and certificate by the ICAEW at their South East Annual Dinner on the 25th April. Rebecca joined the firm from school in 2014 and has completed all her training with us – we couldn't be more proud of her!

Kelly Bell from our Payroll department cycled a gruelling 42.5 miles from London to Reading on 23rd March to raise £500 for the British Heart Foundation. She completed the ride in just under 4 hours and has confirmed she will not be doing it again any time soon! But what a worthy cause!

Audit & Accounts Manager, Mandy Maskell, will be undertaking the London Ride100 on Sunday, 4 August – it's 100 miles starting in London, heading into Surrey, and then back to London. She is raising money for the Rainbow Trust Children's charity – which provides emotional and practical support to families who have a child with a life-threatening or terminal illness – with a goal of £500. We wish her all the best!

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