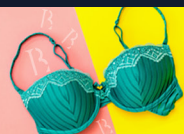




LEWIS BROWNLEE

CHARTERED ACCOUNTANTS & TAX ADVISERS  
INDEPENDENT FINANCIAL ADVISERS

# WINTER 2020 NEWSLETTER



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David Jones  
Director of Innovation



## WELCOME TO OUR WINTER 2020 NEWSLETTER

As the long nights continue and the cold sets in, what better way to spend the evenings than working on your finances or business. In this edition of our eagerly awaited newsletter, we discuss the tax landscape after the General Election and Brexit. Agreed, we are currently in Brexit Limbo, and there is a Budget just around the corner, but we've done our best to guide you along the way.

You'll also hear from one of our resident Xero experts on some of the latest innovations, and I'll be telling you all about the most significant change to business in a lifetime. So please sit back, relax and enjoy the read.



Tom Foster  
Tax Director



## THE TAX LANDSCAPE

After what seems like an eternity of political indecisiveness, we now again have a stable government with a healthy majority, so what might this mean to the tax landscape in the near future?

### Recent announcements

During the election campaign, the Conservatives mentioned they would scrap plans to cut the rate of corporation tax from 19% to 17% on 1 April 2020.

Boris Johnson mentioned not so long ago that he would like to extend the basic rate income tax band to £80,000. However, no such plan made the election manifesto and so one must assume that the party economists suggested this could have been too ambitious. As such it seems unlikely there will be any generous cuts to income tax any time soon, although a pledge was at least made not to increase rates of income tax.

### National Minimum and Living Wage

One slightly surprising post-election announcement related to the significant proposed increase to the minimum and living wages. From 1 April 2020, the National Living Wage (for workers that are at least 25 years of age) will increase from £8.21 to £8.72 per hour. The Minimum Wage for those aged between 21 and 24 years of age will increase from £7.70 to £8.20 per hour, and 18 to 20 year-olds stand to receive a pay rise from £6.15 to £6.45 per hour.

A full-time worker earning £8.72 per hour will stand to earn in the region of £17,000 per annum. For perspective, that is around double what my starting salary was when I joined the tax office in 1999!

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For the latest tax, business and pension news check out our blog:

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## THE TAX LANDSCAPE

### (continued...)

While this is good news for a number of workers, it will present a potential headache and a considerable increase in staffing costs for numerous employers.

I would urge businesses to take care to ensure they do comply with these regulations, as we are seeing a noticeable trend for an increase in PAYE checks, with HMRC now keen to ensure workers are being paid what they are entitled to. The authorities can fine employers by up to £20,000 per employee and will name and shame defaulters.

Watch out for the nuances with this as well - it could be quite easy for casual staff, those who do unpaid overtime or those on variable hours to not be paid enough. Consideration also has to be given to holiday pay entitlement, time taken transporting casual workers to a place of work and costs the employees are required to pay for out of their own pocket (such as uniforms). Take care also if accommodation benefits are added into the equation - the position then gets quite complicated. Also, remember to keep an eye out for staffs 21st and 25th birthdays, as these could trigger entitlement to a pay rise.

**And a reminder of some forthcoming changes that were announced a while ago;**

#### Capital Gains Tax

The proposed changes to the Capital Gains Tax ('CGT') legislation is by no means a small tweak by the Government. Although widely known (hopefully), the below points are worth repeating as failing to plan accordingly will be costly; both in terms of unexpected tax payments and potential penalties.

Principle Private Residence relief ('PPR') is an excellent relief which allows for a gain on disposal of your main residence to be exempt from tax, subject to a few conditions being met. If you have occupied the property for the whole ownership period, no CGT will be due. For periods of no occupancy, there are special rules for the period(s) to be deemed as occupied (if you return to live in the property again), and then the final eighteen months of ownership (even potentially when you weren't there!).

Unfortunately, in April 2020 the final eighteen-month period of deemed occupancy will be reduced to only nine months and is something to consider when looking to sell a property that used to be your home (those with a disability, and those in care, will still benefit from an exemption of 36 months).

#### Lettings Relief

In conjunction with PPR relief, the Government also allows for some relief against CGT for periods when you do

not occupy the property and instead let out the property to generate some income. This is known as Lettings Relief ('LR'). As long as the property was your main residence at some point during ownership, then to £40,000 of any gains incurred whilst the property is let out can also potentially be exempt from tax.

The change to LR is that only those persons who decide to live alongside their tenant will qualify for LR. If you don't live alongside the tenant, the relief will be denied. Quite a big change.

The new rules will be introduced from 6 April 2020 and will apply retrospectively. This means that if you're considering selling a property that has both been your main home and let out, urgent consideration should be given in case it is possible to sell prior to these changes coming into force.

#### New CGT reporting requirements when selling property

The government has decided to accelerate the deadline for reporting gains incurred when selling residential property and to bring forward the date the tax has to be paid. As things stand, when a UK resident individual makes a disposal of residential property situated in the UK, they must report the gain to HMRC and pay the corresponding tax due by the 31 January following the end of the tax year during which the property was sold. In some instances, this would give you up to 22 months to sort out your affairs (file the return and pay the tax due).

Under the new streamlined approach, you shall be afforded just 30 days. This will likely cause some confusion initially and lead to late filing and payment to HMRC. The 30-day trigger point is to be the date of disposal (exchange of contracts). It may be difficult for some people to gather the required information in such a short period, and therefore it is important that property sellers are clear on what needs to be done prior to making the disposal. Thankfully, no return will be required for no gain/no loss disposals and/or for disposals where no tax is due. The new regulations only apply to disposals of residential property interests, so no additional reporting obligations will result when commercial property or shares are sold.



#### Off Payroll Work (IR35 for Private Sector)

It has been widely reported in the media over the last few years that people working in the public sector (including for the government, council, MOD and NHS) providing their services to companies via the medium of a Personal Service Company ('PSC'), rather than working directly for the business as an employee, have been coming under close scrutiny. The onus of deciding whether an employer/employee relationship exists has now been passed to the public sector employer, who must deduct tax if they think the arrangements are caught by the IR35 regulations.

From 6 April 2020, the responsibility of establishing and confirming the status of workers operating via a PSC will also shift from the PSC (previously self-certifying of sorts) to the end-client for private sector engagements. The new approach will mean that the end-client (the contracting business) must establish and confirm the IR35 status by providing a 'Status Determination Statement'. This is a written declaration which must be given to the PSC worker.

The shift in responsibility places the administrative burden on to the end-client. Any additional compliance work is undesirable and therefore businesses should consider seeking assistance if they believe they could be affected. The Government has tools available online to aid businesses, but the reliability has led to grumbings amongst users. The Government has had the foresight to include an exemption for end-clients which are considered 'small businesses' (defined by the Companies Act 2006), but we would encourage all business who are involved with PSCs to check to ensure no surprises arise down the road.

If you have any queries about how these changes may affect you then please do get in touch with our Tax Team:  
[taxteam@lewisbrownlee.co.uk](mailto:taxteam@lewisbrownlee.co.uk)



## Are you utilising your Xero fully?

Bob Dylan once wrote a song called "The Times They Are A-Changin'", it had nothing to do with accountants, but the title of the song is very apt for what is happening to the world in which we work. Just ten

years ago only a few people would have heard of Xero or seen QuickBooks Online, yet now these two products are the two big players in the online accountancy software scene. Between them they have a market share of over 16% for all accountancy software including non-online software used by small to medium businesses around the world. Lewis Brownlee is a Xero gold partner and we advise our clients to use their software due to the ability to use it anywhere at any time as long as you have an electronic device; whether it's a PC, tablet or smartphone and an internet connection.

Lewis Brownlee is so dedicated to Xero that they recently sent me and two colleagues to Xerocon, a two-day conference where Xero and their app providers get to promote their wares and show us what they think the vision of the future holds. Most people would think that 2,000+ accountants meeting in one place would be the start of a bad joke, but in reality, it's an excellent opportunity for us to find that golden nugget of software that might help your business now or in the future.

One of the main phrases heard at Xerocon was Artificial Intelligence (AI). The idea of a machine being able to replace a human being has been dreamt of for many years, but now it is becoming a reality within the accountancy world. Business owners are very good at what they do whether it's being a plumber, hairdresser or a software engineer, that's why they go into business for themselves. However, most of them hate processing the associated paperwork, which is where software such as HubDoc and Receipt Bank come in. Both packages use AI to translate an image of a purchase receipt or invoice into a bill in Xero without any user intervention other than providing the original image. With one piece of software, time spent on bookkeeping can be cut down from hours to minutes.

Another aspect of running a business is its cash flow, who knows what is going to happen with their accounts in the next month, three months or even a year... This is where the app Fluidly can help, again using AI it analyses your historical Xero data and produces a cash flow report for the next 12 months. If you know an event is going to occur that will substantially change your business, this can be factored into the forecast with ease. The information provided by software such as Fluidly could make the difference to your business planning going forward. Can you afford to miss out on this knowledge?

Big changes are happening for everyone in business, we here at Lewis Brownlee want to help you prepare for those changes. If you are interested in using Xero or are already a user and wish to discuss applications that may benefit your business, then please feel free to contact me or our Director of Innovation David Jones.

Do keep an eye out on our website for our regular blogs and social media updates on the subject!



## The biggest change to business in a lifetime - Gen Alpha!

Most of us have heard of the challenges of Millennials in the workplace. However, with the oldest Millennial rapidly approaching 40 (born from 1981-1996), should we be focusing on the 'Gen Z' population instead (born from 1996 - 2010)? Sadly not. I am significantly concerned that many businesses are ill-prepared for the lesser-known 'Gen Alpha.'

By the end of 2020, it is predicted that over half the U.K. workforce will be made up of Millennials, with a significant percentage also being 'Gen Z' employees. It's too late to be focusing on these generations. The most significant change in modern history is on the horizon, and businesses need to be ready. The consequences of not preparing are unthinkable.

### What is 'Gen Alpha'?

Gen Alpha's are all children born from 2010 - coincidentally the same year that Apple released the iPad. Coined by sociologist, Mark McCrindle, he estimates that 2.5 million Gen Alphas are born globally every week. Gen Alpha's are predicted to be the wealthiest, most technologically advanced, and highly educated individuals to have existed to date.

### Why 'Gen Alpha'?

In 2014, children as young as five were being taught coding. My 2.5 year old is already playing 'coding safari' daily on his iPad. In February 2019, the Telegraph reported (<http://LBLink.uk/telegraph> - Camilla Turner - 21 February 2019) that Andreas Schleicher, director of education and skills at the Organisation for Economic Co-operation and Development, said that the skill is merely "a technique of our times" and will become irrelevant in the future. I couldn't disagree more. While I agree that there are many programming languages, and these do indeed become obsolete, the fundamental principles will remain current for many generations to come. Those principles will no doubt evolve as technology changes, but the core skills will prevail.

### What does this mean for business?

In just six years, Gen Alphas will start to reach the working age. More importantly, they could already, at the age of 10, be within your customer/prospect base. Most of us have heard of YouTube Influencers, but were you aware that children as young as four are becoming Social Media influencers? In 2017, at the age of 6, Ryan, whose surname has been withheld to protect his privacy, was earning \$11m (£8.3m) per year reviewing toys for his YouTube channel 'Ryan ToysReview.'

### How should businesses change?

The immediate thought is technology, and you wouldn't be wrong. Technology will play a significant part in the cultural change. However, it's not about giving the Gen Alphas phones, tablets, or whizzy computers - these are all expected as standard. The top employers will be those who change their systems and processes to be slick and efficient. Gen Alphas will not be willing to work for employers who use antiquated systems.

### What will Gen Alphas expect?

They will expect software to load and run reports instantaneously. In a Gen Alpha world, the mundane tasks will be performed by A.I. (Artificial Intelligence) and Machine Learning.

Gen Alphas are going to expect interactive and responsive experiences in all areas of their life, and that includes their approach to choosing suppliers. It's already a well-known fact that 47% of consumers expect a website to load within 2 seconds, with 40% giving up after 3 seconds. For Gen Alphas, this percentage will only increase and expand to apply to websites, apps, phone calls, and much more.

My final point for this article is around good old fashioned red tape. Steering your business like an oil tanker, or putting obstacles in the way of change could mean the end for your business. Gen Alphas are used to the rapidly changing technology and will become increasingly frustrated by companies who take forever to change.

**Nimble, fast-acting, proactive business leaders will prevail.**

## Awards galore and a big THANK YOU to our clients...

As the firm really pushed forward in 2019, we thought we would enter the International Adviser Best Practice awards. Currently, in its fourth year of running, this was the first time we had ventured into their award environment. We were delighted to find Lewis Brownlee Financial Services were announced winners for not one, but two awards!

We are delighted to announce that we won both 'Excellence in Client Service' and 'Excellence in Marketing.'

The comments around the awards we received included:

### IA Best Practise Award: Excellence in Client Service:

*"Great entry. Best submission and evidence through testimonials."*

### IA Best Practise Award: Excellence in Marketing:

*"This is a genuine marketing entry with clear objectives and good delivery. Evidence of clear marketing beyond blogs, podcasts, and newsletters."*

The event was one of the rare occasions where we let our Lewis Brownlee Director of Innovation, David Jones, loose. He was on hand to pick up the awards and to do the honours with regards to the filming and photoshoots. We are looking forward to seeing the award winner's footage on the International Adviser website soon.

The awards come hot on the heels of our recognition as a New Model Adviser (NMA) Top 100 firm again. The NMA Top 100 recognises firms with the highest contribution to professional standards. Our focus is always on making sure clients have the best adviser experience possible. So, our NMA Top 100 status shows a little of what goes on behind the scenes to make that possible. It is a testament to the hard work and dedication of a fantastic team.

We are always striving for excellence across the board to ensure our clients have the best experience possible. Hopefully, the recognition we have received with these awards shows we are well on the right track!

We would also like to say a big thank you to all our wonderful clients who have taken the time to write testimonials for us. We really do value your google rankings, your VouchedFor comments, and your word of mouth.



Registered Office: Appledram Barns, Birdham Road, Chichester, West Sussex, PO20 7EQ

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