

# Your business

## News for growing companies

Welcome to the April 2017 edition of **Your Business** - our regular round-up of news, views and advice specifically for growing companies, their owners, directors and shareholders. Get in touch with any of our team members if you have any questions.

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### Are you ready for Making Tax Digital?

Following a period of consultation, the Making Tax Digital (MTD) proposals from HMRC are expected to go ahead on a phased basis from April 2018. In simplistic terms, MTD will require quarterly tax updating and reporting to HMRC in a prescribed format.

The initiative will be phased in as follows:

6 April 2018	Most large unincorporated businesses excluding large partnerships
6 April 2019	Smaller unincorporated business and VAT returns
6 April 2020	All other tax payers including partnerships and companies

In last month's Spring Budget, the Government announced that smaller unincorporated businesses and landlords with turnover below the VAT threshold (£85,000 for 2017/18) will have their mandated implementation date delayed by one year to 6 April 2019.

Some key outcomes of the consultation were:

- No fundamental changes to the timetable but a relaxation of penalties in the first year
- Confirmation that documentation supporting financial records will not need to be retained digitally
- Ability to keep records on spreadsheets if these comply with MTD requirements
- Extension of the cash basis for unincorporated businesses.

It should be noted that, although it has been confirmed that records can be maintained on spreadsheets under the new system, these will have to be MTD compliant. These protocols are still being designed; HMRC will be asking third party software providers to develop MTD compliant software with a 12 month pilot period from April 2017. HMRC is committed to ensuring that free basic MTD compliant software will be available, although this will not be supplied by HMRC itself.

MTD will happen and it will affect you and your business. Look out for further articles on the subject over the coming months.

If you have any issues you would like to discuss please contact [Catherine Heyes](#) on +44 (0)20 7516 2237 or [cheyes@pkflittlejohn.com](mailto:cheyes@pkflittlejohn.com)

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### Navigating Brexit – what should you be doing?

With the Brexit process now underway, and the Prime Minister calling for a General Election in an attempt to strengthen her negotiating position on Brexit, we have two years to prepare for life outside of the EU.

Two years is not a long time to get ready for such a fundamental change, and we encourage you to start your contingency planning now.

Establishing a view on the risks and opportunities that Brexit poses to your organisation is a good way of kick-starting this process.

To assist with this task, we've created a [Brexit planning tool](#).

The range of issues that potentially have to be covered by any meaningful plan is extensive. That is why we have assembled a team of experts, both here in the UK and across the EU, who can help you prepare and, if necessary, implement a plan tailored to your unique circumstances.

You should regard any costs incurred now as an insurance premium to safeguard the security of your business. Doing nothing may well cost you more in the long run. Can you afford to run the risk?

To find out more about how Escalate could help you, contact [Rhodri Whitlock](#) on +44 (0)20 7516 2433 or [rwhitlock@pkflittlejohn.com](mailto:rwhitlock@pkflittlejohn.com)

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## Escalate – announcing a smarter way to resolve commercial disputes

Pursuing a commercial dispute has tended to be a costly, lengthy and risky undertaking. The Escalate dispute resolution service takes a completely fresh approach. We understand the importance of cash flow to your business and recognise that you want to minimise risk, so we've created a new type of service that is transforming how small and medium-sized businesses manage disputes:

- No financial risk – you don't pay out unless we reach a successful settlement
- No initial outlay - Escalate pays for all of the up-front costs
- Rapid results – we aim to get your money back in just three months; if we can't settle quickly, Escalate has the financial backing to support you all the way to a High Court resolution
- A fixed fee – complete transparency from the start
- No restrictions on the types of cases we tackle – bad debt, contractual, negligence, IP infringement etc
- Not just current or future cases – Escalate can go back to disputes that are up to three years old.

To find out more about how Escalate could help you, contact [Chris Clay](#) on +44 (0)20 7516 2266 or [cclay@pkf-littlejohn.com](mailto:cclay@pkf-littlejohn.com), or [Alan MacRae](#) on +44 (0)20 7516 2265 or [amacrae@pkf-littlejohn.com](mailto:amacrae@pkf-littlejohn.com) or [visit our website](#).

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## How technology is changing VAT

The development of technology is affecting VAT accounting in different ways. Here are three examples:

### New business models

The opportunities for developing new business models based upon technology are well documented. Whether the business is exploiting technology to offer taxi booking apps, enabling the letting of property in the 'sharing economy' or disrupting existing supply chains with the emergence of new peer to peer lending platforms, the VAT implications of these new ways to do business need to be considered. Often the resulting issues can be significant and unexpected. For example, determining if Uber drivers are self-employed service providers or agents of the app provider, is likely to have a significant impact on the business, and needs to be factored in.

### B2B supplies of electronically supplied services (ESS)

VAT legislation places evidential burdens on businesses that provide so-called 'electronically supplied services' (ESS) to other business users. ESS are delivered automatically over the internet and can include digitised products and software. Where an ESS is supplied by a UK business to a customer outside the EU, there may be a requirement to evidence the place in which the service is 'used and enjoyed'. Where this is wholly or partly in the UK, the VAT rules bring the service within the scope of UK VAT.

We have seen recent instances in which HMRC has challenged suppliers of services to provide evidence that services are not being used and enjoyed in the UK, particularly where the customer is a multi-national bank or insurer (which cannot reclaim VAT incurred in full). We have also seen cases of HMRC officers misinterpreting the type of services supplied and arguing that services are to be classified as ESS when, in fact, they follow the general place of supply rules. Any business concerned about the application of ESS rules should take care to document the nature of their services and seek advice on their compliance obligations.

### Future VAT changes for e-commerce businesses

The European Commission has published a number of proposals aimed at simplifying the VAT rules for e-commerce businesses. One of the proposed changes for online traders is the introduction of a quarterly VAT return for the VAT due across the whole of the EU, using the online 'VAT One Stop Shop'. There is currently a similar system in place for sales of e-services.

There are also plans to align the VAT rates on e-publications to those on printed publications; the former are taxed at the standard rate, whilst the latter are often taxed at reduced rates, super-reduced rates, or even zero rates.

The VAT rules could be simplified for micro-businesses and start-ups, such as the introduction of a new yearly threshold of €10,000 for online sales. Businesses selling cross-border will be able to continue applying the VAT rules of their home country if they do not exceed this threshold.

Similarly, another new threshold of €100,000 will be introduced to assist SMEs with their VAT obligations. The thresholds could come into force as early as 2018 for e-services, and by 2021 for online goods.

If you have any issues you would like to discuss please contact [Nick McChesney](#) on +44 (0)20 7516 2262 or [nmchesney@pkf-littlejohn.com](mailto:nmchesney@pkf-littlejohn.com)

We hope you've found this issue useful. If people within your business would like to receive future issues, please send their details to Cathy Brown (cbrown@pkf-littlejohn.com).

Our specialist team is here to help. If you would like advice on any of the issues discussed in this newsletter, please contact one of our Growing Business specialists.



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