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Should I register my business for VAT?



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Should a business voluntarily register for Value Added Tax (VAT)? Unfortunately, there is no definitive answer. Whether it is beneficial for your business will depend on a variety of factors, such as the service or product you are providing and if your suppliers or customers are VAT-registered. Also, as we know, circumstances can change over time, which makes it wise to revisit this topic on a regular basis.

Compulsory VAT Registration

First of all, a reminder of when a business must register for VAT:

- where taxable turnover exceeds the VAT threshold (currently £85,000)
- where taxable turnover is expected to exceed £85,000 within the next 30 days.

Please note that the above thresholds are required to be checked on a rolling 30 day and 12 month period basis. Once taxable turnover exceeds £85,000, the business must register for VAT within 30 days from the end of the month the threshold is breached.

Voluntary Registration

A business with a taxable turnover less than the VAT threshold can still register voluntarily, assuming the business makes some taxable supplies. Where a business only makes exempt supplies, it cannot register for VAT.

There are pros and cons of voluntary registration, some of which we have listed here:

Advantages of VAT-registration

- VAT can be reclaimed on most goods and services received from other VAT-registered businesses
- your VAT-registered customers will be able to reclaim the output VAT you charge from HM Revenue & Customs (HMRC). Your costs to them will effectively remain unchanged and you can recover any input VAT on your expenses
- if you make zero-rated supplies, such as selling young children's clothing, output VAT is applied at a rate of 0%. This means your goods will not be any more expensive for customers but you will be entitled to reclaim input VAT on business expenses
- customers may have a perception that VAT-registered businesses are more successful and reliable, which could improve the business's sales
- charging VAT on goods and services should increase cash inflow. Since the output VAT does not need to be paid to HMRC for, in some cases, up to four months after the supply, this cash will be temporarily available as working capital
- when you register your business for VAT, you may be able to claim input VAT on certain goods purchased 4 years prior and services provided 6 months prior to registration.

Disadvantages of VAT registration

- a larger administrative burden which may lead to associated costs. VAT-registered businesses must account for VAT and display specific information on invoices. Quarterly VAT returns must be submitted digitally using Making Tax Digital (MTD) compatible software
- if your suppliers are not VAT-registered, you will have no input VAT to reclaim
- once registered, your business could face penalties by HMRC for the late or incorrect submission of VAT returns, even if you registered voluntarily
- non VAT-registered customers might decide to move to competitors who are able to offer lower prices because they are not VAT-registered
- complex rules around some aspects of VAT may require the assistance of a professional adviser, which will be an additional cost to the business.

Conclusion

As discussed, there are both advantages and disadvantages to registering for VAT voluntarily. These will be specific to your business and individual circumstances. If you make most of your supplies to VAT-registered customers, output VAT may have little or no impact on your sales but registration would allow the business to reclaim any input VAT incurred.

Some businesses may decide against registering for VAT due to the extra compliance and reporting requirements mentioned above. However, from April 2024 the use of compatible software and quarterly reporting under Making Tax Digital for Income Tax Self-Assessment will become compulsory for many businesses and taxpayers, regardless of their VAT status. This will affect many businesses with a taxable turnover below the VAT threshold and therefore the extra costs mentioned above is only a short-term consideration. In fact, putting an appropriate software package in place to submit quarterly VAT returns now means you will be MTD ready well in advance of April 2024.

At GWA, we have a dedicated team who can help you choose the best accounting software for your business and provide you with ongoing training and support.

If you want to discuss if voluntary VAT-registration would specifically benefit you and your business, please get in touch and we will be happy to help.



Homework

The implications of living and working in different tax regimes

At the height of the COVID-19 pandemic, working practices changed across the world when national governments urged employees to work from home where possible. In the UK, this triggered somewhat of a working-from-home revolution.

Recent reports by the Office for National Statistics (ONS) show an increase in both homeworking and hybrid working on a permanent basis, particularly in certain industries such as information and communication. Top reasons cited include improved employee wellbeing and reduced overheads for employers as well as cheaper rents and better work-life balance for employees. One aspect that is sometimes overlooked is the tax implications, particularly where the employee lives in a different tax regime to his or her place of work.

Consider, for example, someone choosing to return to live in their native Scotland and work remotely for a London-based employer. While this might give significant savings in rent and other bills, there may be more income tax to pay.

The Scotland Act 2016 gave the Scottish Government the power to set its own income tax rates and bands for Scottish taxpayers. This means that Scottish tax residents do not pay income tax according to the UK rates and bands on their non-savings and non-dividend income.

If you live in Scotland for 183 days in a tax year, you will be classed as a Scottish tax resident for the whole year and will be liable to Scottish taxes on all

of your earned income for the year.

Currently, a Scottish resident earning £50,000 per annum will pay almost £1,500 more in income taxes than someone living in the rest of the UK earning the same amount.

If you have two homes available to you, one in Scotland and one in the rest of the UK, the problem becomes more complicated. It is possible to be classed as a Scottish tax resident even if you spend less than 183 days in Scotland during the tax year. This could be the case where someone's wider tax links, such as family ties, social links, personal property in Scotland are more substantial than the ongoing links they have retained in the UK.

On the flip side, Scottish residents who relocate to the rest of the UK may benefit from the lower income tax rates in the rest of the UK, depending on their earned income.

It should be noted that lower income tax payers who relocate to Scotland may benefit from the current slightly lower income tax rates. However, according to a recent ONS report, a permanent shift to home working is more likely to occur among higher earners.*

If you have concerns about your residency status, please get in touch and we will be happy to help.

There are some instances where people have chosen to work overseas following the pandemic. Anyone considering this should think about the legal issues that may arise as well as practicalities such as time zone differences. For example, do you or your employee have the right to work in the particular country and is a visa required? If an employee is living and working abroad in a different country on a permanent basis, it is likely

that he or she will acquire the employment rights of the host country. In some cases, this could be very different to UK employment law in areas such as maximum working hours, paid time off and the ability to terminate employment. Before going down this route, we recommend that you seek specialist professional advice.

If working overseas, the biggest issue will likely be taxation. Depending on the length of time abroad and the country the employee is living in, there will be different tax considerations. Each case will be different and if this affects you, or your business, we recommend contacting us for further advice.

*Office for National Statistics, Is Hybrid Working Here to Stay, 23 May 2022



Gone Phishing



Scams, which are schemes to con you out of your money or possessions, are as old as time itself. The perpetrators tend to be very skilled at taking advantage of current trends, so a recent increase in online scams comes as no surprise.

In March, the Department for Digital, Culture, Media & Sport published a report on cyber security which said that 39% of businesses have suffered a cyberattack in the past year. The most common form of cyberattack is phishing attempts. This happens when scammers set up fake websites or send fraudulent emails in an attempt to extract certain information from you, such as financial details or passwords.

Phishing attempts have evolved in recent years to become even more sophisticated. And despite the best efforts of firms to install robust IT security measures, some phishing scams will still make it to your inbox. Although the effect of phishing scams is potentially devastating for a business, everyone can help by being more aware of what to look out for. It is also important to be aware of how to report suspected fraudulent activity.

At GWA we have a dedicated Computer Services team that are responsible for more than 600

computers in 50+ locations nationwide. They have provided us with the following tips for spotting bogus emails:

- 1. Don't Trust the Display Name.** Scammers are skilled at using convincingly legitimate display names, which is the main title displayed in most user inboxes. If you are suspicious, check the email address of the sender
- 2. Hover Before Clicking.** Before clicking on any embedded links in the body of an email, hover your mouse over the link to check if the link address looks valid
- 3. The Importance of Good Grammar.** Legitimate emails rarely have major spelling and grammar errors. Also, scam emails quite often use US English rather than UK English
- 4. Greetings and Salutations.** Legitimate business contacts will usually use your proper title, first name and last name. 'Dear Valued Customer' etc should put you on your guard

- 5. Don't Divulge Personal Information.** Most banks and service providers would never ask for personal data such as account details, passwords, pins or personal details in an email
- 6. Take Five.** Invoking a sense of urgency or fear is a common phishing tactic. Beware of subject lines that claim your "account has been suspended" or your account had an "unauthorized login attempt." It is easy to react in the heat of the moment. Before you divulge information or click on a link, take time to reflect if the request is genuine
- 7. Review the Signature.** Legitimate companies provide clear contact details. If this, or information about the seller, is missing then think again
- 8. Attachment Issues.** Only open attachments that are from a known, trusted source. Malware (malicious software) can damage files on your computer, steal your passwords or spy on you without your knowledge. These attacks can cause devastating damage to business operations and cost a lot to sort out.

If you believe you've fallen for a scam, contact your bank or service provider immediately on a

number you know to be correct, such as the one listed on their website or on the back of your debit or credit card.

Action Fraud is UK's national reporting centre for fraud and cyber crime. If you have been scammed or defrauded you should report it to them on 0300 123 2040 or via [actionfraud.police.uk](https://www.actionfraud.police.uk). If you are in Scotland, please report to Police Scotland directly by calling 101.

If you would like more information on how GWA's dedicated team of Microsoft certified engineers can help you with any aspect of your IT support including security, hardware and software supply or staff training, then please get in touch.

Finally, remember that phishers are extremely good at what they do. Just because an email has convincing brand logos, language and a seemingly valid email address, does not mean that it is legitimate. The best approach is to be extremely sceptical when it comes to your email messages — if it looks even remotely suspicious,

DON'T OPEN IT!

Trust Issues

1 September is the deadline for the new rules regarding Trust registration. Do they apply to you?

Many people's understanding of a Trust is limited to the more 'formal' type, eg those created by way of a legal deed prepared by a solicitor. However, there are many everyday examples of financial arrangements that come under the definition of a Trust. These include certain investment products and property or securities held on behalf of other individuals. Bank accounts held 'in trust' for minor children are also a simple form of a Trust.

Many of these Trusts are impacted by new Trust registration obligations that come into effect on 1 September 2022. There are some exemptions, thankfully including bank accounts for children, but these are fairly limited. The concern is that some people will not fulfil their responsibilities because they don't know that they are party to a Trust in the first place.

Trusts Registration Service (TRS)

The TRS is an online system by which trustees and personal representatives are able to register the Trust that they are responsible for with HMRC. It was set up to satisfy the requirements of The Fourth and The Fifth Money Laundering Directives to reduce the risk of Trusts being used for money laundering or terrorist activities. It provides a single point of access for trustees and their agents to record and update information.

Since 2018, UK resident Trusts with any tax liability (such as Income Tax, Inheritance Tax or Stamp Duty Land Tax) have been required to register with HMRC via the TRS.

From 1 September 2022, the registration obligation is extended to include existing UK Express Trusts and some non-UK Trusts, irrespective of any tax liability. The term 'Express Trust' really just means a Trust that has been created intentionally, as opposed to an implied Trust which, for example, may be imposed by a court of law. This wide reaching category of Trusts means that, apart from some limited exceptions,

trustees of most UK Trusts will need to register with the TRS by this date. This includes Trusts that were set up many years ago and which may have been left dormant or forgotten about. Any Trust in existence on 6 October 2020 must be registered, even if it has subsequently come to an end.

How to register a Trust

As a trustee of a Trust within the new scope of registration, you must register the Trust by the 1 September deadline or, for new Trusts created on or after 2 June 2022, within 90 days. Further details on the information you need to register

a Trust can be found at the [GOV.UK](https://www.gov.uk) website.

Going forward, trustees will need to update the register with any changes, such as additional trustees, change of addresses or new tax liabilities within 90 days of becoming aware of the change. This new 90 day deadline for updates applies to all Trusts, including those already registered who previously only needed to provide an annual update. More information is available on the [GOV.UK](https://www.gov.uk) website

Excluded Trusts

As already mentioned, certain Express Trusts set up for a very limited purpose are exempt from registration. These include, but are not limited to, UK registered Pension Trusts, Charitable Trusts regulated in the UK, Trusts created by court order, Trusts for vulnerable beneficiaries and bank accounts for minor children.

A full list of exempt Trusts is available on the HMRC website.

It is important to understand if these new registration obligations apply to you, as failure to comply may run the risk of receiving financial penalties. If you have any queries, our team of specialist tax advisors can provide you with further information and assistance.



VAT Rate Reduction for Energy Saving Materials

In his Spring Statement, the now ex-Chancellor Sunak announced a temporary zero VAT rate for the installation of Energy Saving Materials (EMS) in England, Wales and Scotland. It is effective from 1 April 2022 for five years, after which it will revert to 5%. Wind and water turbines now come within the scope of the relief and a full list of the qualifying materials and technologies is available on the [GOV.UK](https://www.gov.uk) website.

Plug Pulled on Electric Car Grants

On 14 June 2022, the UK Government announced that it was scrapping the plug-in car grant scheme for new orders of electric cars with immediate effect. Introduced in 2011, the scheme was designed to narrow the cost between plug-in and petrol/diesel cars. Initially grants were for £5000, but they have been gradually whittled down in terms of size and number of models covered. The Government justified abolishing the scheme, saying that it has fulfilled its purpose as a temporary incentive designed to kick-start the EV (electric vehicle) market. However, since the majority of plug-in cars are registered to businesses rather than individuals, the decision to scrap the scheme has drawn criticism that it sends the wrong message to motorists and prices EVs out of reach for hard-working families. Interestingly, at around the same time that the UK Government scrapped the plug-in car grant, the Scottish Government announced an interest-free loan scheme to help Scottish businesses purchase new or used EVs. The scheme, which is funded by Transport Scotland and administered by the Energy Saving Trust, is explained further in our recent article 'Electric Vehicle Loans for Scottish Businesses' available in the news section of our [website](https://www.foxandfox.com).

Cost of Living Support Package

In May, in response to the spiralling cost of living crisis, the Government announced an emergency £15 billion package of support for UK households. All households, irrespective of income, will receive a non-repayable energy grant of £400 in October (replacing the previously planned £200 loan) directly from their energy suppliers. There is also extra support for low-income households receiving certain state benefits, pensioner households eligible for the winter fuel allowance and those in receipt of disability benefits. A fact sheet with full details of the various levels of support and eligibility is available on the [GOV.UK](https://www.gov.uk) website.



Staff News



Once again, there are many new faces around the GWA offices. We are pleased to welcome **Ellie Turner** to our Accounts department, **Emily Hunt** to our Tax team and **Margaret Heston** as Admin Assistant. Our Wealth Management department, which continues to go from strength to strength, is delighted to have **Zoe Deary** and **Daniel Bullen** join the ranks as Trainee Paraplanners.

We are sorry to say goodbye to **Andrew Colls** who retires from his position as Financial Controller in July. **Stewart Charlton** joins GWA as Andrew's replacement.

As ever, we hope all of our recent starters settle in quickly and feel part of the team.

Accounts team member, **Steven Burns**, celebrates 20 years of service this summer and Associate, **Lindsay Dalgliesh**, has chalked up an impressive 10 years. Thank you Steven and Lindsay for your loyalty and dedication.

It has been an eventful year so far for Payroll manager **Dianne Bradshaw**. As well as celebrating 35 years of service with GWA and becoming a Grandma for the first time, she has been granted membership of the Chartered Institute of Payroll Professionals. Congratulations Dianne – a lady of many talents!



GWA 2022 Golf Day

Monday 27 June saw the welcome return of the GWA Golf Day. This popular staff outing is usually held annually. However, due to COVID restrictions it was pared back in 2020 and 2021.

It was therefore with great enthusiasm that 29 members of staff gathered at the Glen Golf Club in North Berwick for a great day on the fairways. Although the guys have been trying to encourage the GWA ladies to get involved for some time now, this was the first year that some of our female staff took up their clubs. Well done to those ladies for paving the way and hopefully setting a trend.

It wasn't all about the craic, there was some great golf played which resulted in impressive scores from both novice and more experienced golfers.

2022 Winners:

- **Graeme Hyland** was the overall winner securing him the GWA Tankard and coveted Arran cardigan
- As best partner, **Ewan Miller** won the Graham Hush Shield
- The Bill Renton cup for best employee was awarded to **James Patterson**
- Newbie **Dan Bullen** won longest drive
- Closest to the pin was achieved by **Toby Douglas**
- **Alan Potts** was awarded the scratch prize
- Finally, **Robbie Dalgliesh, Craig Chatwin, Anthony Hogg & Ryan Thomas** won the 4 person Texas scramble earning them the Jim Spence Salver.



Photo by Brendan Thorburn

Neil Forrest and **David Black** have organised and led teams on 3 separate walks to the top of The Cheviot.

Curfew RUN

Team GWA before the Run
(see back page).



Community News

We are delighted to get involved again with various community events which were postponed or cancelled during the pandemic.

We had a speedy GWA team from our Berwick office enter the **'Curfew Run'** on 6 July. Participants in this fun run are required to complete the 1.28 mile route around Berwick's Elizabethan town walls before the Curfew Bell stops tolling. The event is generously sponsored by Simpsons Malt and GWA has contributed to the entrants' goodie bags.

We also have a GWA team entered in the **Berwick Amateur Rowing Club Trade 4s** competition which is running again on 27 August. This is a fun community event that provides a taster for anyone interested in rowing as well as raising funds for the club.

GWA is also proud to support the **Horncliffe Beer and Music Festival** which took place on 9-10 July, a charity golf day on 10 August organised by **Berwick Rotary Club** in support of the Grove School and the **Scottish Endurance Horse Riding Championships** at Longnewton from 8-11 September. We have also agreed to sponsor **Eyemouth Golf Club** for 3 years and have renewed our support for **Duns Golf Club**.

The annual agricultural shows across East Lothian, the Borders and Northumberland are the social highpoint of the year for many of our clients and associates. It was fantastic to be back at the **Haddington Show** (right) on 2 July as main sponsor and see so many familiar faces. We will also have our usual stand with hospitality at the **Border Union Show** on 29 and 30 July – please do come and say hello. And last but not least, we were pleased to support the **Dalkeith Show** on 9 July which took place on **Alwinton Shepherds Show** on 8 October.



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