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NEWS
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AUTUMN 2022

GOLD STANDARD for GWA's Payroll Team





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We are proud to announce that Greaves West & Ayre's payroll department has been awarded the Payroll Assurance Scheme accreditation by the Chartered Institute of Payroll Professionals (CIPP) – the prestigious gold standard within the payroll industry.

Developed in partnership with HMRC, the much coveted award recognises our team's commitment to compliance and maintaining best practice. It demonstrates that our payroll processes are robust and is evidence of good working relationships within the team and a commitment to learning and development.

GWA has a dedicated payroll team of five operating from our Haddington and Berwick offices. Between them, they are responsible for the payroll of nearly 700 businesses of every size and type. We are delighted that manager, Dianne Bradshaw, and the rest of the team have had their commitment to excellent customer service recognised.

The rigorous CIPP accreditation process examines over 60 facets of the payroll operation including processes, efficiency, compliance and staff skills and development.

A comprehensive assessor's report emphasised how the GWA payroll department is an integral part of our firm and well-supported by the other departments, commenting:

'In contrast to some accounting firms, GWA clearly regards payroll as central to their business as a whole.'

The assessor especially commended the team for their accurate and timely processing, the strength of client relationships and a largely paperless office. The team was also praised for its handling of operations during the COVID-19 pandemic, in particular the quick transition to homeworking and effective handling of furlough payments.

Whether you represent a new business or one that has been trading for decades, please get in touch if you would like help with any aspect of your payroll, employment or HR issues. This CIPP accreditation provides you with additional peace of mind that you will be in good hands.

Profit Extraction

What is the most tax-efficient salary for Company Directors in 2022/23?

Should I take a salary or dividends or both? This is a recurring question asked by Company Directors. However, as is often the case, the answer depends on a variety of factors. These include the level of profits, if you have other sources of income such as pensions, whether the company is eligible for the Employment Allowance, the number of directors in the company and your income tax band. For those in the fortunate position of not needing to fund their immediate living expenses, a third option of extracting profits via an employer pension fund is also worth serious consideration.

In most cases, the best option for those needing to extract funds from a business for living costs is to combine a small salary with some dividends. The reason being is that by paying yourself a small salary, you can make use of your personal tax free allowance and incur little or no National Insurance Contributions (NIC). In addition your salary is a tax-deductible business expense for your company. And, as long as your salary is above the Lower Earnings Level (currently £533/month), you will qualify for state pension and other NIC benefits. Once you take a certain level of profits as salary it will be more tax-efficient to take the remainder as dividends because of different tax rules. Dividends are payments made to shareholders from company profits. The 'sweet spot', where you switch from salary to dividends, will vary.

An additional complication for working out your optimal salary for the 2022/23 tax year is the springtime announcement by the then Chancellor of an increase in the primary threshold for Class 1 NICs. From 6 July 2022, the threshold at which employee NIC is payable rose from £9,880 to £12,570. Limited company directors have an annual pay period for NIC. This means that for 2022/23, 3 months will be at the lower threshold and 9 months will be at the higher threshold giving an annual primary threshold of £11,908 for the year. The secondary threshold, where employers NIC is payable, remains at £9,100.

So is it better for a Company Director to take a salary at the secondary threshold of £9,100 or at the increased primary threshold of £11,908? Again, the answer varies. A key factor is whether the Employment Allowance (EA) is available to the company. EA is an annual tax allowance that offsets some of an employers' NI liability. For 2022/23 it was raised from £4,000 to £5,000 for qualifying businesses. Eligibility includes having a total Class 1 NI liability below £100,000 in the 2021/22 tax year and having at least two employees on payroll that earn above the secondary threshold. So, for a company with more than one employee or director that qualifies for the Employment Allowance it might be more tax efficient for directors to take a higher basic salary.

These things are never straightforward and the optimum salary will vary from individual to individual. For the 2022/23 tax year, the cost of living crisis and the rapidly changing political landscape means that there is even more to consider than ever. Greaves West & Ayre's team of financial experts can provide you with up-to-date advice on personal and corporation tax, business structure, profit extraction, pensions and investments.

Please get in touch and we'll help you understand the most tax-efficient way for you to take your hard-earned money from your business.

Greaves West & Ayre welcomes a new Associate

Greaves West & Ayre is delighted to announce that **Christiaan Hansen** was promoted to Associate on 1 October 2022.

Originally from South Africa, Christiaan moved to the UK in 2003. He became a Chartered Accountant in 2013, going on to qualify as a Chartered Tax Adviser and, more recently, attained membership of the Society of Trust and Estate Practitioners (STEP). With over six years of experience at a senior level, Christiaan joined GWA in February 2022. He is based mainly at the Berwick-upon-Tweed office, utilising his

significant experience in tax and general practice to support the firm's 13 Partners. Outside of work, Christiaan likes to go the gym, watch rugby and spend time with his family.

Commenting on his appointment Christiaan said: "I have thoroughly enjoyed my time with GWA so far and am pleased to have been given the opportunity to progress my career as an Associate of the firm. I will continue to offer the Partners my full support and look forward to developing the relationships I have already started to build with our clients."

GWA Partner, Robbie Dalgleish, added: *"Christiaan brings extensive skills and experience to the GWA team and I am delighted to welcome him as an Associate. Although he has only been with us since February, he has already made a positive contribution to the firm. I am sure that Christiaan will excel in this new role and will help us to continue to deliver Quality Advice and Quality Service to our clients."*



Early Bird Tax Benefits

The early bird allegedly catches the worm and there is merit in applying this old adage to meeting your accounts and tax filing obligations. At GWA, we understand the many competing demands on business owners and that you may be tempted to delay responding to our requests for information.

However, leaving things until the last minute can cause undue stress, especially if your tax liability is unexpectedly large. As your trusted adviser, we prefer to work with you to maximise your tax planning opportunities and mitigate any nasty surprises.

Each spring we send a request to our tax clients outlining the information we need to complete their tax returns. Our accounts clients receive a similar request annually, usually a couple of months after the accounting period year end. Whilst we continue to remind you throughout the year, supplying us with the information as early as possible could benefit you in many ways. These include:

- tax planning opportunities can be identified and taken advantage of
- any potential issues or queries can be identified and dealt with earlier and easier
- it enables you to plan and budget for your tax liability

- payments on account can potentially be reduced where profits are expected to reduce
- if you are due a tax repayment, then submitting your return early will result in your refund being processed sooner, helping cash flow
- peace of mind knowing that you have met your obligations well ahead of the deadline.

Some people avoid filing their tax return before the 31 January deadline as they mistakenly believe that they will have to pay any tax owed earlier. This is not the case – your tax payment dates remain the same, regardless of when you file your return.

We appreciate and acknowledge that our clients are extremely busy. However, by supplying your information sooner rather than later, you could help your cash flow in the short term and save money in the long term. Remember that 'The early bird catches the worm' is generally positive advice... unless of course you're a worm!



Basis Period Reform: Will it affect your business?

Under current UK tax rules, unincorporated businesses are not required to produce accounts by a particular date: they can choose any accounting date they like. They are then usually taxed on profits or losses that arise in the 12 month accounting period (the basis period) up to the accounting date which falls in a tax year. This is known as the 'current year basis'.

For example, suppose you are a sole trader who prepares your accounts annually to 30 September. For the 2022/23 tax year, your basis period for working out your tax liability will be your profits/losses for the 12 months up to 30 September 2022.

HM Revenue & Customs is reforming the tax rules by moving from the 'current year basis' system to a new 'tax year basis' system. This means that unincorporated businesses will be taxed on profits arising in the tax year, rather than on their accounting year, regardless of their period of accounts. This would align the taxation of trading income with that of non-trading income (e.g. income from property or dividends).

The new tax year basis will apply from 2024/25 with a transitional year being 2023/24. It affects all unincorporated businesses who do not have 31 March/5 April accounting year ends. Unincorporated businesses include the self-employed, sole traders and trading partnerships.

So, if your unincorporated business does not have a year end of 31 March or 5 April, for the 2024/25 tax year you will be required to apportion profits or losses across periods of accounts to adjust your results to the tax year basis.

If we consider the above sole trader example again, for 2024/25 the apportion would be $\frac{6}{12}$ of the profits for the period of account up to 30 September 2024 plus $\frac{6}{12}$ of profits for the period of account up to 30 September 2025.

This of course means that if the accounts to

30 September 2025 are not finalised, 6 months' profits/losses will have to be estimated for the submission of the 2024/25 tax return and the tax return subsequently amended once the accounts are finalised. Working out estimates and submitting a second return will cause an additional administrative burden. And for some businesses, for example seasonal or farming businesses, accurate estimates will be very difficult to make.

HMRC has announced that 2023/24 will be a transitional year with specific tax rules. During this year, the basis period for continuing businesses will be the 12 months to the end of the accounting period ending within 2023/24 and the period up to the end of the tax year.

For our sole trader, this means for 2023/24 the basis period is all of the profit for the 12 months up to 30 September 2023 plus $\frac{6}{12}$ of profits for the period of account up to 30 September 2025. This could mean significantly higher tax bills for that year, perhaps even pushing some people into a higher tax bracket. Overlap relief brought forward may be available to set against the transitional profits, but this can be difficult to work out, especially for long-established businesses.

After a consultation, in acknowledgement of the increased administration burden and difficulty for certain businesses to make accurate estimates, HMRC has made some concessions which were revealed in the Finance Act 2022 including spreading relief, where the additional transitional profits in 2023/24 can be spread and taxed over 5 years.

HMRC is yet to confirm the final manner in which the estimates and revisions are to be given to them but the options currently being considered are:

- allowing taxpayers to amend provisional tax returns when they file their tax returns for the following tax year
- allowing taxpayers to include differences between provisional and actual figures in the previous year's tax return when they complete next year's tax return

- allowing an extension of the filing deadline for some taxpayers, such as complex partnerships and seasonal trades.

Hopefully, HMRC will give its final decision on this shortly so we can all start planning ahead.

In summary, if your business is unincorporated and your accounting date is not aligned with the end of the tax year, basis period reforms will affect you and could impact your cash flow.

At GWA, we will continue to review HMRC guidance and updates to provide our clients with proactive advice as we plan for these changes.

In the meantime, if you would like to discuss any of the issues raised, please do not hesitate to get in touch.



Au Revoir

Greek philosopher, Heraclitus, once said that the only constant in life is change. Certainly, the UK is currently experiencing a time of great change with a new Monarch, a new Prime Minister and cabinet.

Since Greaves West & Ayre was established in Berwick-upon-Tweed in 1918, the world has transformed beyond recognition. The accountancy profession has also changed significantly and GWA has grown and continued to adapt to new ways of working, while maintaining the traditional values on which it was founded.

Some of our people have been with us for more of the journey than others. Over the next few months we will be saying 'au revoir' to three of our longest serving members of staff. Between them, **Daphne Bell, Anthony Hogg** and **Lynn Ritchie** have over 125 years of combined service. They have each played a part in shaping GWA into the firm it is today.

Daphne, Anthony and Lynn, everyone at GWA sends their best wishes to each of you for a long, happy and healthy retirement. You will be missed. In this short article, there isn't space to pay proper tribute to your commitment, hard work and loyalty over nearly 50 years. So, in words immortalised by Douglas Adams, 'So Long, and Thanks for all the Fish.'



Daphne Bell is one of our Admin assistants, based at our Walkergate office in Berwick. She joined GWA as a young slip of a thing in 1973. Initially she was an office junior, working in the original GWA Sandgate office. As was very common in the 1970's and 1980's, Daphne took a career break to raise her daughter. She returned in 1989 and has since been supporting the whole team in a variety of ways including typing, reception work, answering phones and general admin duties. When GWA expanded its services to include Wealth Management, Daphne also provided support to the team when it operated from the old Legion building in Sandgate.

Digitalisation has had a huge impact on Daphne's role. She learned to type on a manual typewriter, subsequently progressing to an electric machine. Now, of course, computers are used for everything. Once audio typing was a big part of her job, but in recent years she tends to use the online templates. When asked what she was going to do with her well-earned free time, Daphne said "My husband Nicky is retiring at the same time and it will be good to have time to do things as and when we please. We're looking forward to having more holidays."

Daphne retires on 30 December 2022.



Anthony Hogg has been a linchpin of the Farm Accounts team since he joined GWA in October 1976 (on his birthday!) after leaving Berwick Grammar School. He started out as office junior to Bill Renton in the Hide Hill office. His early duties were very varied and even included being the office runner to Ladbroke's to put on bets and collect winnings. Another task, back in the day when wages were paid in cash, was acting as a 'security man' for the weekly trips to the bank to collect the cash used to prepare the wage packets for GWA payroll clients. As a boy, Anthony enjoyed working on local farms during the school holidays. With this knowledge and love of farming and agriculture, it is perhaps no surprise that a lot of his career at GWA has been working with farm and estate clients as well as limited company accounts for agricultural businesses.

GWA has grown massively in terms of staff numbers during Anthony's career; when he started there were between 20 and 30 people, now there are over 140 partners and staff. His skill and experience means that he has helped train many of the current staff, including partners. The camaraderie, both at work and outside of work, has been one of the main reasons why Anthony's career has been so rewarding.

When asked what retirement holds for him, Anthony said "I am looking forward to spending time with my four grandchildren, having lots of holidays (so my wife tells me!) and being able to relax and do what I want to do with no timescales being involved."

Anthony retired on 11 October 2022, on his birthday exactly 46 years after he started.



Sometimes life takes an unexpected turn. Accounts assistant **Lynn Ritchie** spent most of her working life in our Haddington office but she started her career in GWA's Hide Hill office, in 1979.

In 1982, she got married and moved to Dunbar with her husband. GWA's senior partner at the time, Ian Davidson, recommended her to another firm of Haddington based accountants – N C Campbell & Co. Lynn worked there full time until 1986, then continued part time from home while she raised her family. In 1991 she returned to a full time role and, following the merger of the two companies in 2016, found herself under the GWA banner once again.

Although Lynn's main role has always been accounts preparation, the size of the Haddington office meant the day to day job was varied. Over the years, Lynn has had experience of VAT, staff training, income tax computations and has even tried her hand at reception duties.

Lynn retired on 30 September 2022 and is very much looking forward to having more time for gardening, relaxing in her hot tub and seeing her two granddaughters. She is also hoping to go on lots of trips, the first one is already planned for Mexico in November.



Door closes on old Gateway for VAT return submission

Make sure you avoid penalties for non-compliance

On 1 November 2022 the old online Government Gateway Account closed for the submission of monthly and quarterly VAT returns. Businesses are no longer be able to use this channel to submit their VAT returns and risk penalties for non-compliance.

On 1 April 2022, MTD became mandatory for all VAT-registered businesses, regardless of turnover and including those voluntarily registered for VAT.

This means it is a legal requirement to complete and submit VAT returns using compatible software that connects to HMRC's systems. Manual records and some accounting software packages are no longer acceptable. Submitting an online VAT return via the Government Gateway account will now only be available to a few businesses who have been granted a digital exclusion exemption by HMRC or submit annual VAT returns (until May 2023).

Up until now, HMRC has offered a 'soft-landing' approach to MTD compliance regarding penalties. This was to allow businesses time to deal with the changes, however this came to an end on 1 November.

Statistics from ICAEW show that 10% of VAT-registered businesses above the VAT threshold (who should have been registered for MTD from 1 April 2019) and 55% of businesses below the threshold have not registered. These businesses may now face penalties.

Registration for MTD for VAT is not automatic, even if your business is

already VAT-registered and using approved accounting software.

All businesses need to complete a registration process via their Government Gateway account.

If you have a VAT registered business and have not registered for MTD for VAT, we suggest, as a matter of urgency, that you view the following website page,

www.gov.uk/government/collections/making-tax-digital-for-vat for guidance on approved software and how to sign up.

MTD for Income Tax

It's worth pointing out, that from April 2024 Making Tax Digital for Income Tax will be introduced. From this date, any self-employed person or landlord who earns more than £10,000 in total (before the deduction of expenses and other tax reliefs) will be required to digitally file records of their income and expenditure with HMRC on a quarterly basis. This will mean keeping digital business records using software which is approved by HMRC and compatible with their systems.

If you have concerns about your compliance with the new rules, we urge you to contact our dedicated team of MTD experts at vat@gwayre.co.uk or alternatively, call **01289 306688**.



Community News



All of us, I am sure, are relieved to see a return to normal for our favourite activities, clubs, charities and events. However, the rising cost of living following on the back of the pandemic means limited funds have even further to stretch. We have done what we can to support a number of causes that are close to the hearts of our clients, staff and local communities.

Since our last newsletter, we have been pleased to make several donations via our Staff Community Support Initiative: **Glendale Curling Club** was nominated by Lindsay Dalglish, Kathryn Heath put forward **Tweedmouth Rangers** with Andrew Blair nominating **Benfield U12 Football Club**. Most recently, Anna Spowart nominated **Berwick WI** and Susan MacGregor proposed **Tweedmouth Amateurs Football Club**.

We have been delighted to see the return of agricultural shows in 2022, important community events for our farming clients throughout Northumberland, the Lothians and Scottish Borders. Recently we have been able to provide advertising support to the **Glendale** and **Holm Shows** as well as sponsorship of the **Alwinton Border Shepherd's Show**.

Berwick Male Voice Choir has also made a tuneful return to action and we were pleased to provide advertising support for their 2022-23 concert season programme. We also donated raffle prizes to fundraisers organised by the **Berwick MND Group** and the **Berwick Children's Centre** and continued our support for the annual **Haddington Pipe Band** calendar.

It was a pleasant surprise to be asked by **Berwick Amateur Rowing Club (BARC)** to name one of their newly purchased rowing boats. This was in recognition of the work partner Alan Patterson and the wider GWA team have done in looking after the Club's accounts for many years. 'The Flodden' was officially named at an informal event at the Club on 27 July.

Some brave GWA colleagues also took part in the **BARC Trade 4s** event on 27 August. This is an annual community event which allows locals to try their hand at the sport while raising awareness and valuable funds for the Club. Following some gruelling training sessions and much agonising over costumes, Matthew Taylor, Neil Forrest, Robbie Dalglish and Mark Thompson did us proud on the day by producing strong performances in each of their races.



Staff News



As always, we are delighted to welcome some new recruits. **Stephanie Southern** and **Gail Anderson** have joined our Admin team, **Beth Mill-Irving** is the latest addition to our tax team and **Amanda Parker** is the newest member of our Vat and Bookkeeping department. We are sad, however, to be saying farewell to three GWA stalwarts over the next few months: **Daphne Bell**, **Anthony Hogg** and **Lynn Ritchie** have clocked up over 125 years service between them. We send our very best wishes to each of them for long and happy retirements.

Outside of the office, we are celebrating the safe arrival of three little boys. George Arthur Burns was born on 4 September to **Steven Burns** and his wife Laura while **Amber Thomas** and her partner James welcomed healthy twin boys, Lucas and Jacob, into the world on 23 September.

A record number of GWA and Three Counties employees took part in the Great North Run on Sunday 11 September. Congratulations to **Neil Forrest**, **Mark Harrison**, **Rebecca Lawson**, **Chloe Skeen**, **James Patterson**, **Ryan Wedderburn**, **Brendan Thorburn** and **Deborah Ahmad** for completing the famous half marathon and raising valuable funds for a variety of charities including Berwick Cancer Cars, Cancer Research UK, Great North Air Ambulance, Action for Children and The Childhood Eye Cancer Trust.

Finally, the Berwick office staff took part in the **Macmillan Coffee Morning** on Friday 30 September. Over £126 was raised for this worthy charity and we send special thanks to those who contributed the delicious bakes and treats.



GWA & Three Counties Ltd FESTIVE OPENING HOURS

Friday 23 December: **All Offices Open – 09:00 - 12:00**

Monday 26 December - Friday 30 December: **All Offices – Closed**

Monday 2 January: **Berwick-upon-Tweed – Open**

Tuesday 3 January: **Three Counties Ltd – Open**

Wednesday 4 January: **Haddington – Open**

We would like to wish our clients, colleagues and associates Happy Christmas and a prosperous 2023
Thank you for all your support throughout 2022



17 Walkergate, Berwick-upon-Tweed, Northumberland TD15 1DJ

Tel: 01289 306688 Email: berwick@gwayre.co.uk

8 St Ann's Place, Haddington, East Lothian EH41 4BS

Tel: 01620 823211 Email: haddington@gwayre.co.uk



@GreavesWestAyre greaveswestayre.co.uk

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