



September 2019

## NEWSLETTER

### Making Tax Digital

The new system for filing VAT returns through computer software is working well and traders with quarter ends of 30 June and 31 July have already submitted their first MTD returns. Computers can't think, though, so errors can still arise through not operating the software correctly. It is always wise to cast a critical eye over the figures on the return, to see if they look reasonable before submitting it.

The system currently applies to traders with a turnover above the VAT registration threshold of £85,000. Traders who have registered voluntarily with sales below that need to keep track of turnover month by month, as they have to register for MTD as soon as it exceeds £85,000. Everyone who is in MTD is in for as long as they are VAT-registered, even if turnover drops below the threshold.

### Shop Values and Rents

The financial problems of large retail chains have been much in the news in recent years, but that sector's problems really began 30 years ago, at the opposite end of the scale.

Most people used to buy their daily groceries in small shops in villages and on street corners in every town. Then supermarkets appeared in the 1960s and, as they expanded, began to take away trade from those small shops. By the 1980s, most of those shops were barely providing a living for the owners, even though they had bought the premises many years earlier, so were not paying any mortgage or rent.

As those shopkeepers reached retirement age, they naturally wanted to sell the business and that is where the estate agents were wholly unrealistic. They would value the building, then assume that they could add something for the business, even though a purchaser with a mortgage would have nothing left to live on after the monthly repayments. Those businesses were no longer viable, but the estate agents could not see that. Most of those shops ended up being converted to houses. At the same time, the shopping parades which were included in most 1950s and 60s housing estates also became derelict, as the businesses in them folded and nothing could be found to replace them.

Now large shops are suffering from competition from online retailers and the estate agents who manage the premises for the landlords are being equally unrealistic: they think that rents can move only one way, upwards, and regularly. There is no justification for that attitude and Mike Ashley, reviled as he is, is right when he says that rents have to come down.

### Business Expenses

Clients sometimes ask if they can claim a particular expense for their business and, when I ask why they think that they could, they say that a friend or relative has said that they claimed a similar item for their business. Well, it is not the nature of the expenditure which makes it a valid business expense, but whether it is relevant to running that business.

What is relevant for one business may not be for another. For instance, a hairdresser who has a lot of towels to wash can justifiably buy a washing machine solely for business use. That does not mean that a builder can claim for a washing machine which is for general family use and just washes his overalls once a week.

### Bank Transfers

More and more payments are being made online using the faster payments system, but you need to take care. Although you enter the name of the payee, the computer system works only on the sort code and account number entered. If you make a mistake with one of those numbers and what you enter is a valid account number, then the payment will go to that account, even though it is a completely different name. You may have trouble reclaiming it, as you cannot blame your bank for your mistake, and you will still have to pay the person it was meant to go to.

### Tax-free

I bet that headline grabbed your attention, as it does most people's when they see or hear those words. They seem to mesmerise people and make them think that they are getting something special when they are not. For instance, why do phone-in competitions on TV describe their cash prizes as "tax-free" when there is no reason for anyone to think that tax would be due?

### B\*\*\*\*t

I've done it. A whole newsletter without mentioning the B word.