

## SME QUARTERLY

WINTER 2017

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### Contact us...

Our specialists are here to help and answer any queries that you may have.

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### Introducing SME Quarterly...

Welcome to Wylie & Bisset LLP's new quarterly newsletter designed specifically for SME's and their owners.

Wylie & Bisset LLP is a leading Scottish based firm of Chartered Accountants and supporting advisors, servicing SME clients UK wide. Our aim here is to provide informative commentary based on our experience and knowledge of the sector and the challenges SME clients face.

Our dedicated accounting and tax resources, alongside multi disciplinary supporting services, ensure we provide a pro-active service aimed at delivering true value for money to our clients. What differentiates us is not only a deep understanding of relevant issues but a service delivery model designed to meet and adapt to individual client needs. Whatever the issue whether it be linked to compliance or planning we have the skills and personnel to suit. For further information on the Firm please visit our website or contact us for further details.

**"Working together as a team to bring success and growth to our clients."**

# Meet the Team...

Get to know our team with each quarterly issue.

## This issue meet...

### Scott Gillon

- Partner

Scott is one of our audit partners and has over 20 years of service experience in the SME sector. He trained at Wylie & Bisset prior to leaving to join an international firm for a period of 8 years before returning to Wylie & Bisset as part of the growing audit function of the Firm. He is lead partner on a large proportion of our SME clients and is well versed in providing structured solutions to support clients in their day to day operations and ambition for growth. He is supported by a large experienced team and takes personal responsibility for ensuring clients receive the first class service they deserve.



### Catherine McManus

- Partner, Head of Tax

Catherine is our tax partner and heads up the Firm's tax team. Catherine joined Wylie & Bisset in 2015 having spent 18 years with an international firm and since then the Firm's tax function has expanded its specialist service offering covering services in areas such as complex capital allowances reviews, research & development and corporate restructuring. Catherine also has significant experience of personal tax including capital taxes planning, remuneration strategy advice, exit planning and Inheritance Tax.



## Hot News; Budget Highlights

On 22 November Philip Hammond set out his first Autumn Budget. Billed as a Budget for the future he sought to focus on incentives for the science and technology sector, keeping Britain on track in terms of competitive corporation tax and incentives for first time buyers in a bid to boost the national housing market. Despite fears to the contrary he maintained the VAT threshold for the next two years albeit he will look to review it over time.

Whilst he also confirmed increased Personal Allowances and an increase to the Higher Rate Threshold we will have to wait and see if these will be extended to Scotland when the Scottish Budget is revealed in December.

### What were the highlights?

1. Increase in personal allowances to £11,850 for 2018/19 – Scottish allowances still to be announced.
2. Increased Higher Rate tax threshold to £46,350 for 2018/19 – Scottish rates still to be announced.
3. Reduced dividend allowance from 2018/19 to £2,000.
4. Abolishment of Class 2 NIC delayed until April 2019.
5. Doubling of limit an individual can invest annually in EIS companies for "Knowledge Intensive Companies".
6. Proposed changes to Entrepreneurs' Relief (ER).
7. CGT annual allowances £11,700 for 2018/19.
8. Initial scope of Making Tax Digital (MTD).
9. Corporation tax rate 19% from 1 April 2018 and 17% from 1 April 2020.
10. VAT threshold maintained for two years.
11. Increase in R&D credit under the large scheme from 11% to 12% where expenditure is after 1 January 2018
12. Pilot Advance Clearance Service for R&D.
13. Campaign to increase awareness of R&D reliefs for companies.
14. Restriction in indexation allowance for disposals by limited companies with indexation allowance reference date set at December 2017 for all disposals on or after 1 January 2018.

With the Scottish Budget set for 14 December 2017 and the backdrop of the Scottish Government report into the role of income tax in Scotland it would seem likely that an increase in tax rates for Scottish Taxpayers is on the cards. The SME sector might feel the pressure on employees and shareholders of any increases levied making the need to keep an eye on the tax burden ever more important.

For more information, contact....

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# Cloud Accounting Software...

One of the backdrops to HMRC's original plans for Making Tax Digital was a concerted push from all accounting software companies to promote their various Cloud Accounting packages. Why was this the case? Quite simply because HMRC only really view the cloud as true digital reporting. For HMRC the use of the advanced spreadsheets and desktop solutions is effectively dying out.

## What is cloud accounting?

Cloud accounting is web-based software used to manage your accounting online. Put simply, it allows you to work securely whenever and wherever you want. The cloud is a collective term used to describe any remote server, or computer, that stores your data when you use cloud-based software hosted on it. The software lets you access, interact with, and change your data online.

## Is cloud accounting software safe?

Clients often have concerns about storing sensitive business information in the cloud, but there's no need. Software companies have developed secure solutions to allow clients to proceed without fear. Here are some reasons why:

### • Physical security

The remote servers with data are hosted by software providers in an environment which, in the main, has the same security technology as a bank. Remote systems are monitored day and night by IT security experts. It's a lot less likely that data will be lost through theft or damage on the cloud, than if it's stored on personal computer or server.

### • Electronic security

Data is protected by electronic security systems, like encrypted connections and Virtual Private Networks (VPN). This makes it difficult for hackers and viruses to get to access to information, and allows clients to update and share data safely online.

### • Data backup

When you use cloud software, data is automatically backed up in real time. This means that any changes made to data are instantly recorded and backed up. Software providers also have backup processes to keep data safe if a server fails or a software bug causes a crash.

## Who is cloud accounting for?

Cloud accounting can be used by any type of business although it is recognised in the market place as particularly popular among smaller owner managed businesses, as it offers an easy and affordable way to manage business finances.

## Why use cloud accounting software?

Cloud accounting software makes it easy for clients to manage income and expenses securely in one place. They can update data in real time from anywhere, and at a time that suits them. With access available to the cloud for us as accountant both the client and advisor has visibility on the latest set of figures. This will prove beneficial in a whole host of situations such as:

- VAT return production
- Cash flow management
- Accounts production
- Tax reporting
- Production of management accounts
- KPI review and monitoring

## Who do we work with?

We work with many of the main software providers including Sage, Quick Books, Xero and Freeagent. All the packages are extremely user-friendly and offer similar levels of functionality. They can also be extremely cost-effective compared to more traditional desktop options.

## Using Sage as an example key features include:

- Automatic bank feeds
- Management of cash flow
- Simple and professional sales invoices
- Functions to keep on top of banking
- KPI's to allow tracking of business performance
- Live newsfeeds and notifications
- Automatic software updates and backups
- Features to allow joined up working with accountants

## What to do if you are considering a move to the cloud?

Come and speak to Wylie & Bisset sooner rather than later. Whilst HMRC have scaled back their timetable for Digital Reporting there is no doubt it is still their overriding aim to get as many businesses as possible to support their digital movement. Cloud accounting looks likely to form a key part of this.

Wylie & Bisset's specialist corporate services team can help you decide which of the main software packages are right for you and your business and provide assistance with training and ongoing support as required.

For more information contact...

[lorna.wyllie@wyliebisset.com](mailto:lorna.wyllie@wyliebisset.com)

## Our App

Remember our handy app can help with all your accounting needs with a range of useful features including:

- Expenses Tracker
- Tax Tables & Calculators
- Information On Our Key Services
- Reminders Section
- Mileage Log
- Latest Wylie & Bisset News and much much more.



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**One of the biggest burdens facing individuals and companies is the amount of tax they pay. Wouldn't you like to have more in the bank so that you can invest more and expand the business or treat yourself or your family?**

In this article we look at some tax planning techniques for companies to help minimise their tax bill. By reducing the tax the company pays automatically it leaves more in the pot for the shareholders to extract. The details provided here are just some of the examples of the things you can do and not every method is suitable for every business. Wylie & Bisset would be happy to explore these and/or other planning opportunities with you.

### **Maximising capital allowances**

If your company invests in plant & machinery, then you should consider carrying this out prior to the year end to ensure you don't waste the Annual Investment Allowance (AIA). The AIA gives a 100% deduction on most types of plant & machinery (excluding cars) costs, including integral features of up to £200,000 per annum. In addition to the AIA there are certain energy and water saving plant & machinery on which 100% allowances can be claimed. Capital allowances can potentially be accelerated where short life asset elections are made. Don't forget that capital allowances on property purchases can be extremely valuable and must be considered before you conclude your legal documentation.

### **Sell shares in a company tax free**

If you have a group structure in place and you consider selling the shares in a company in which you have a substantial shareholding (10% or more) then you can potentially sell the shares and pay no corporation tax on any gain you make on the sale. Even if you don't have a group structure we can help put one in place to make use of this relief. Conditions must be met in order to qualify for the relief. This takes time to plan so don't delay and plan ahead!

### **Maintain qualifying trading status for Entrepreneurs' Relief (ER)**

Should you ever decide to sell your shares in your trading company, you will need to ensure your company does not lose its qualifying status for ER purposes. By qualifying for ER, any gain made on the sale of the shares in your trading company will be subject to tax at 10% instead of 20% (subject to conditions and lifetime limit of £10m).

### **Review profit extraction mix**

All company shareholders should carefully review and plan their profit extraction from their companies. As the personal tax rate varies between 7.5% at the lower end of the spectrum to 45% at the higher end, any tax efficient mix can have significant tax savings over the years.

### **Research & Development (R&D)**

Generous tax relief is available for companies carrying on qualifying research & development activities. Relief can be in the form of an enhanced deduction to reduce chargeable profits or where the entity is loss making then there is potential to claim an R&D tax credit in the form of a refund from HMRC. There is no prerequisite payment of corporation tax required to qualify for a refund. Other conditions must be met to qualify for the relief.

### **Tax efficient family shareholdings**

One of the conditions that must be met in order to qualify for ER is that the shareholder must own at least 5% of the company shares. You may want to review family shareholdings to ensure that a minimum 5% is held by each to maximise the relief should the family decide to sell the shares in the company. Where 5% is not achievable then there are other options that may qualify for ER.

**The above is a list of tax planning ideas to help reduce your tax bill. This is not an exhaustive list and each of the ideas will not apply to all companies. Careful consideration will be required when looking at the most appropriate tax planning ideas relevant to your company. If you require any further information on any of the above or would like to discuss bespoke tax planning, please contact our team of tax specialists.**

For more information contact...

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# Cyber Security: A big deal



We hear about the threats from cyber security on an almost daily basis. But what is it, what challenges does it present and how should your business react? Graham Gillespie, Wylie & Bisset Partner, answers the big questions.

## Q: What is cyber security?

A: Broadly speaking, it is the body of technologies, processes and practices designed to protect networks, computers, programs and data from attack, damage or unauthorised access. In a computing context, security includes both cyber security and physical security.

## Q: What does Wylie & Bisset see as the big cyber security issues?

A: There are a number of real challenges. There is certainly a lack of IT governance around systems and data, as well as a lack of documentation for processes, policies and controls to manage IT systems and data within an organisation.

## Q: What about staff training?

A: It's another big issue. There is a definite lack of effective staff training on security awareness and best practices on how to spot or deal with the likes of phishing or social engineering attacks. Better awareness training for staff can help to spot attacks.

## Q: Where is a good place to start to get the right advice?

A: First of all, seek advice. Our experience at Wylie & Bisset is that too many businesses adopt a head-in-the-sand mentality and don't seek advice. Secondly, shop around - not all IT Support Companies can provide high-quality advice and support. They can often provide technical controls, but can be found wanting around how to deal with processes and documentation, for example.

## Q: Why do some companies keep their heads in the sand?

A: It's often a case of not wanting to take time away from 'the day job' and client work, or worrying about the cost of security solutions. On both counts, that really is a false economy - especially if your systems are hit by a cyber attack. High-quality security solutions are worth the investment - not only to head off possible attacks, but also to improve your processes and procedures. Taking a cold, hard look at cyber security should involve looking carefully at your processes and seeing if they can be improved.

For more information contact...  
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## Our newsletters:

Through our newsletters we aim to provide you with an added value service of specialist knowledge and the latest news and issues that affect you. See what other newsletters we offer below:

### WB Bulletin

All the latest news affecting you and articles written by our team, as well as the most recent updates from Wylie & Bisset. Register to receive our quarterly newsletter [here](#).



### WB Healthcare Newsletter

Stay up to date on all the latest news for GPs and Practice Managers - as well as reading our informative articles. Register to receive our quarterly newsletter for GPs [here](#).

