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BUSINESS REVIEW

Spotlight on issues
affecting business

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FEBRUARY 2020

BUSINESS

REVIEW

CBI LOOKS TO THE FUTURE

The Confederation of British Industry (CBI) has said it's now time to focus on the future as the country looks to forge a new relationship with Europe.

On the stroke of 11pm on Friday 31 January, the UK brought down the final curtain on 47 years of EU membership. However, while Brexit day certainly had huge political symbolism and marked a momentous point in the UK's history, the CBI believes the real work is only just beginning.

The UK has now entered an 11-month transition period during which it will attempt to forge new relationships with nations around the world, as well as negotiating a trade deal that will determine future arrangements with the EU. And the CBI has called on politicians to maintain strong links with Europe.

CBI Director-General, Carolyn Fairbairn commented: *"Today the UK leaves the EU, but our future prosperity remains connected. Despite the challenges of the last three years, together we have made progress. No deal has been avoided and a year of status quo gives time to shape that new relationship. Now the real work begins. It's time to focus on the future and build a new relationship with Europe. This can reflect our shared values and mutual interest and support bold global trade ambitions."*

SMALL BUSINESS OPTIMISM

A survey conducted by Vistaprint has found that small business owners are overwhelmingly optimistic about their prospects in 2020.

The study of 500 UK entrepreneurs sought to gauge small business owners' feelings about 2020, their main goals for the year and what marketing strategies they intend to use to achieve them. And, overall, the results were extremely positive with respondents most likely to say they feel *'confident', 'optimistic' and 'prepared'* for 2020.

In addition, 86% of business owners said they were confident about achieving their main business goal this year. The top two goals business owners are striving to achieve were found to be increasing revenue and reaching new customers.

However, while the survey did highlight a sense of optimism amongst the small business community, a significant minority of entrepreneurs said simply surviving the year was their main aim. A quarter admitted they see 2020 as being a *'struggle'*.

The research also sought to identify key marketing channels for small businesses and, perhaps unsurprisingly, word-of-mouth was the one most commonly suggested. Indeed, nearly half of respondents said this would be their principal form of marketing in 2020, with a quarter relying on social media and one in ten on email marketing.

MTD FOR VAT CONCERNS

A study has found that the implementation of Making Tax Digital for VAT (MTD for VAT) has proved more costly than initially envisaged and also failed to reduce errors.

The survey of 1,091 businesses and agents with an interest in MTD was conducted by the Chartered Institute of Taxation (CIOT) and the Association of Taxation Technicians (ATT). The findings largely contradict government claims regarding the benefits of digital tax reporting.

For instance, in terms of costs, while HMRC has suggested an average transition cost of just £109 per VAT-registered business, less than 10% of survey respondents said this was actually the case. Indeed, 45% of those questioned estimated costs to be between £109 and £500, while 12% said they were over £5,000.

Almost 90% of businesses also said the scheme had not reduced errors. In addition, only 14% said their organisations had witnessed an increase in productivity as a result of MTD for VAT, while 55% of respondents said that productivity had decreased.

Overall, the CIOT and ATT believe the results confirm that the MTD project has so far failed to deliver its stated goals. The two organisations have called for a thorough review and further consultation before HMRC goes ahead with plans to roll out digital reporting obligations more widely.

OTHER NEWS

UK START-UPS AT RECORD HIGH

Analysis by the Centre for Entrepreneurs shows a record 681,704 new businesses were formed in the UK during 2019, a 2.8% increase from the previous year. Over 45,000 of these businesses were tech start-ups, which equates to nearly 7% of all new firms. Companies were launched across a broad range of industries, however, with 429 driving schools established last year, as well as 10 new businesses raising llamas and alpacas.

TOP 'ENTREPRENEURIAL' UNIVERSITY

A study commissioned by Hitachi Capital Invoice Finance has revealed the best university for would-be entrepreneurs. The research ranked UK universities according to the proportion of former students who had started or were managing a business. And the University of the Arts London topped the table with one in five of the institution's graduates becoming business leaders and almost one in ten starting their own business.

SMES MISSING OUT ON INTEREST

According to research by Shawbrook Bank, small and medium-sized firms will collectively miss out on £4.2bn in interest this year after accumulating £86bn of dormant cash in accounts paying little or no interest. While the Bank acknowledges firms need to keep some cash within easy reach, the analysis highlights how holding too much money in low or zero-interest accounts can adversely impact a firm's finances.

JACK'S LAW

New employment reforms are set to provide working parents who suffer the devastating loss of a child with the legal right to a minimum two weeks' paid bereavement leave.

The Parental Bereavement Leave and Pay Regulations will be known as Jack's Law in memory of Jack Herd whose mother Lucy has campaigned tirelessly on this issue for the past ten years. Under the proposed measures, all employed parents who lose a child under 18-years-old, or suffer a stillbirth from 24 weeks of pregnancy, will be entitled to statutory paid leave, irrespective of how long they have been with their current employer.

Parents will be allowed to take the leave as either a single block of two weeks or as two separate blocks of one week taken at different times in the year after their child's death. The new regulations are expected to come into force this April with estimates suggesting they will provide support to around 10,000 parents each year.

Commenting on the new legal right, CBI Director of People & Skills Policy, Matthew Percival said: *"The loss of any child is unimaginably difficult. Offering this flexibility to bereaved parents is something businesses absolutely welcome. Giving time for families to grieve without the worry of what's going on at work is fundamental."*

NICS THRESHOLDS RAISED

Chancellor of the Exchequer, Sajid Javid, has announced an increase in the thresholds at which taxpayers start to pay national insurance contributions (NICs).

On 30 January, Mr Javid set out the new NICs thresholds for the 2020/21 tax year, with the level at which taxpayers start to make payments rising to £9,500 per year. This represents a 10% increase from the current level.

The change relates to both employed and self-employed workers and will effectively see more than 30 million people benefit from a tax cut in April. The move is also been hailed as a step nearer to the government's stated *'ambition'* of raising the threshold to £12,500, which would bring NICs in line with the income tax regime.

Mr Javid also announced that all other NICs thresholds for the 2020/21 fiscal year will rise in line with inflation. The only exception is the upper NICs thresholds which will remain frozen at £50,000, as was previously announced in the 2018 Autumn Budget.

QUIRKY QUOTE:

Almost everything will work again if you unplug it for a few minutes...Including you.

— Anne Lamott

The soaring cost of mental health

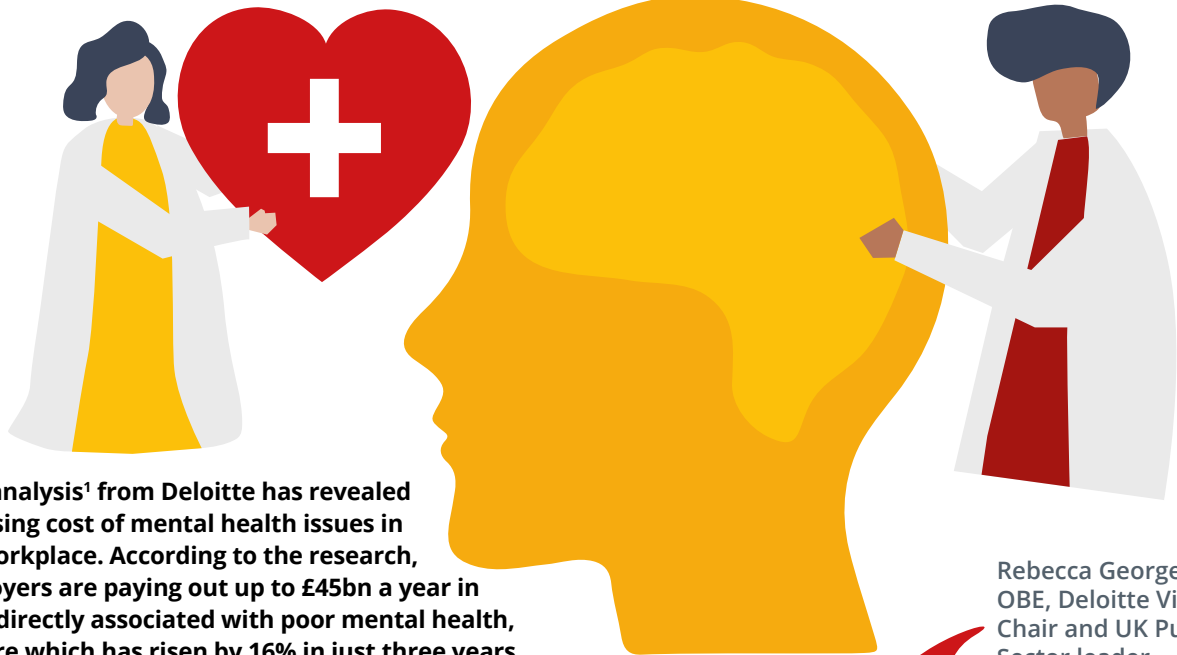
Poor mental health costs UK employers up to **£45bn** every year

Cost of mental health issues in the workplace has risen by **16%** in three years

For every **£1** employers spend on mental health interventions, they get back **£5** in reduced absences, presenteeism and staff turnover

Employers lose the equivalent of **8.3%** of the salaries of 18 to 29 year-old employees due to the high prevalence of mental health issues among younger workers

Presenteeism costs businesses up to **£30bn** every year



New analysis¹ from Deloitte has revealed the rising cost of mental health issues in the workplace. According to the research, employers are paying out up to £45bn a year in costs directly associated with poor mental health, a figure which has risen by 16% in just three years.

This substantial sum includes the cost of staff absences and presenteeism, as well as turnover costs.

'Always on' culture

The study found that the increasing use of technology in the workplace means that workers can (and are often expected to) do work out of hours, adding to the challenge of maintaining a good work-life balance and making it difficult to switch off and prioritise their mental health.

Presenteeism: a false economy

'Presenteeism' – where employees come into work despite feeling unwell, anxious or stressed – is blamed for a significant proportion of estimated cost – up to £30bn. It means that employees are working when they are at their least productive, leading to inefficiency and poorly, or wrongly, performed tasks.

In fact, it pays for employers to invest in their workers' mental health – for every £1 spent, says Deloitte, employers will get £5 back in increased productivity, reduced absences and a higher staff retention rate.

¹Deloitte, 2020

Rebecca George
OBE, Deloitte Vice
Chair and UK Public
Sector leader

"This analysis shows very clearly that it pays for employers to provide mental health support at work and that early intervention is vital, for those experiencing poor mental health and employers alike."



ESSENTIAL TAX DATES

19 February

• PAYE, Student loan and CIS deductions are due for the month to 5 February 2020

1 March

• If you have not paid the balance of your 2018/19 self-assessment tax bill, you will incur a penalty of 5% of the tax unpaid as well as interest charges.

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