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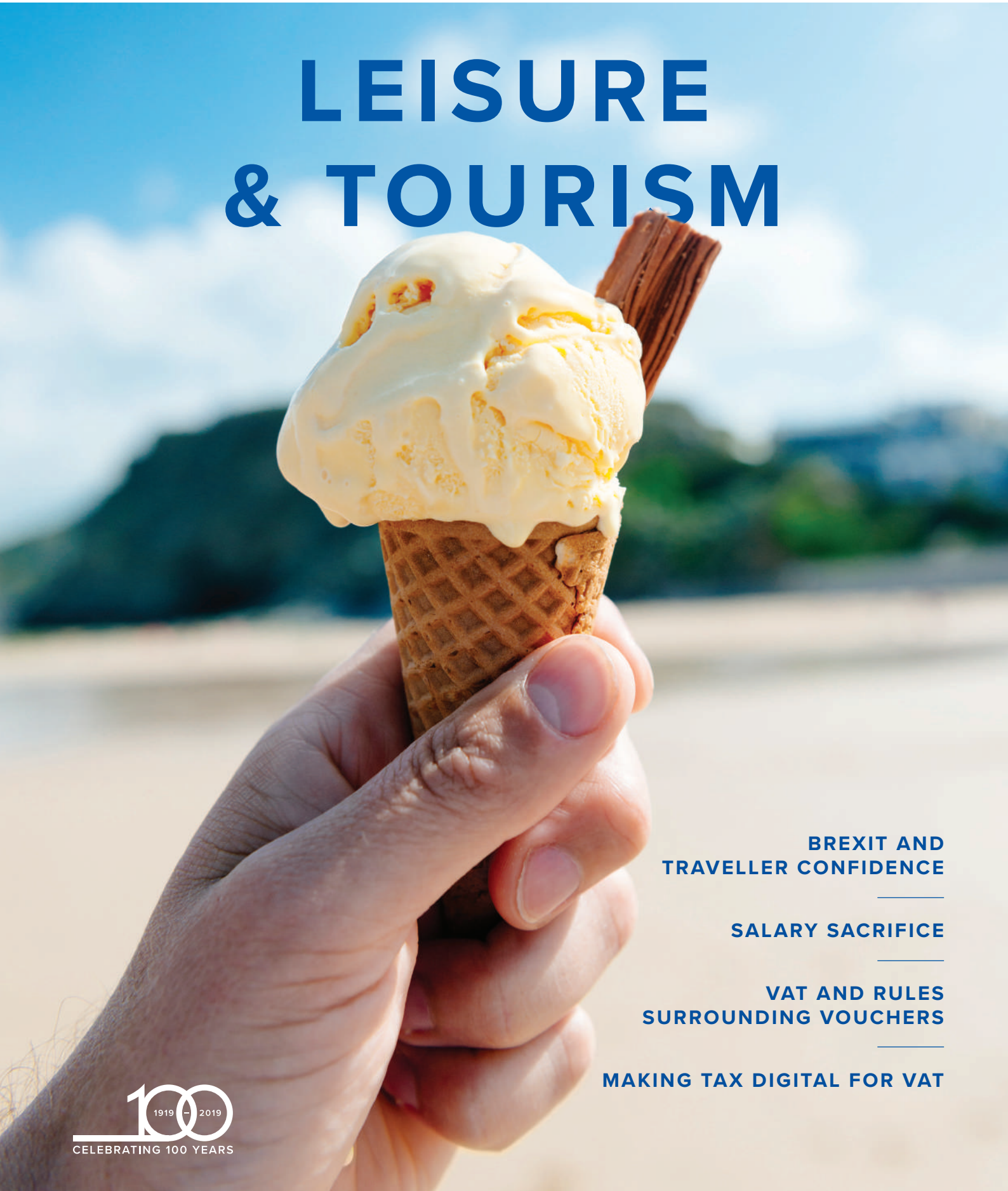
Chartered accountants & business advisers

SHAREDAMBITION

SPRING/
SUMMER
2019

LEISURE & TOURISM



BREXIT AND TRAVELLER CONFIDENCE

SALARY SACRIFICE

VAT AND RULES SURROUNDING VOUCHERS

MAKING TAX DIGITAL FOR VAT

1919 – 2019
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THE COMING SEASON -

BREXIT AND TRAVELLER CONFIDENCE

At the recent Tourism Summit in Newquay, delegates heard from leading industry speakers, working to promote the sector in the national and international markets. They shared their views of recent UK performances, current market research, established and emerging trends and how they saw the market in the coming year and as far forward as 2025.

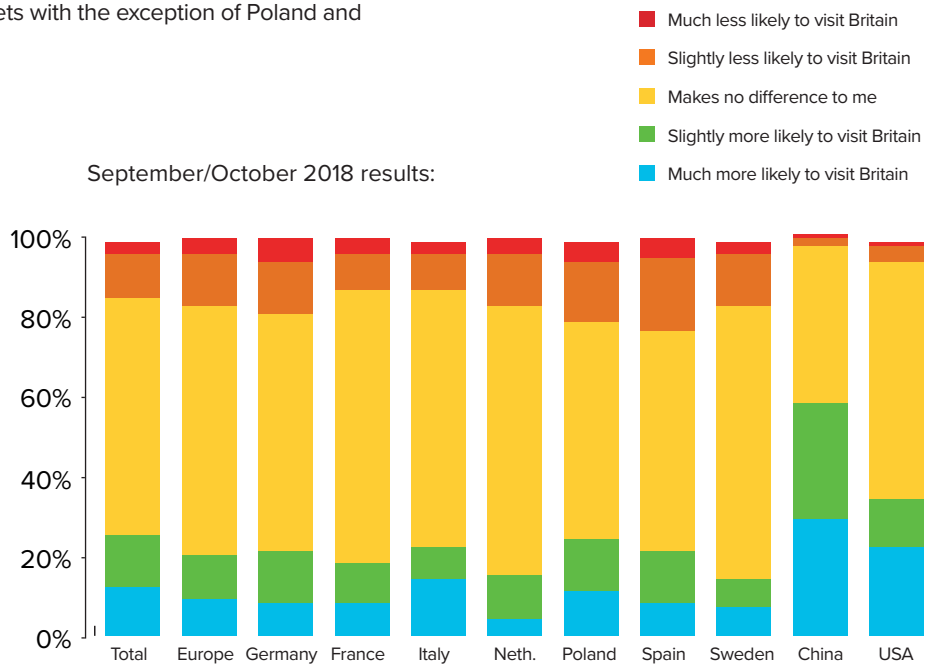
Ross Calladine from Visit England spoke about how the association is focusing on supporting businesses to grow and Bernard Donaghue from the Association of Leading Visitor (ALVA) attractions, covered business confidence and the view of Britain from outside. Below are some brief highlights, which I thought were worth sharing with you.

I'm afraid I have to start with the 'B' word here as with so much Brexit fatigue, it is difficult not to accept that this is likely to have an impact. Certainly Visit Britain's own research, included in Bernard's presentation, shows the impact of Brexit and whether people from abroad are more or less inclined to visit Britain. Between 2016 and autumn 2018 there was a noticeable decline in the likelihood of the French, Dutch and Spanish visiting the UK. When looking at the reasons for this, uncertainty around travel arrangements is of particular concern to the Spanish and Polish, with some of this also resonating in the overall immigration numbers and the impact of these on the likely labour supply for tourism based businesses overall.

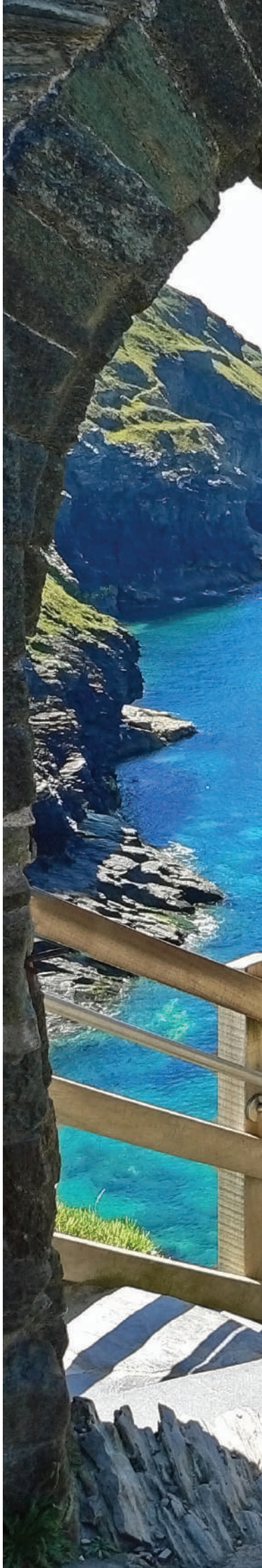
CHANGE IN LIKELIHOOD TO VISIT BRITAIN

Most respondents state their likelihood to visit Britain has not been affected by the EU referendum decision. The latest wave shows a noticeable decline in France, Netherlands and USA. The balance of likelihood to visit is lower in autumn 2018 than in August 2016 in all markets with the exception of Poland and China.

September/October 2018 results:



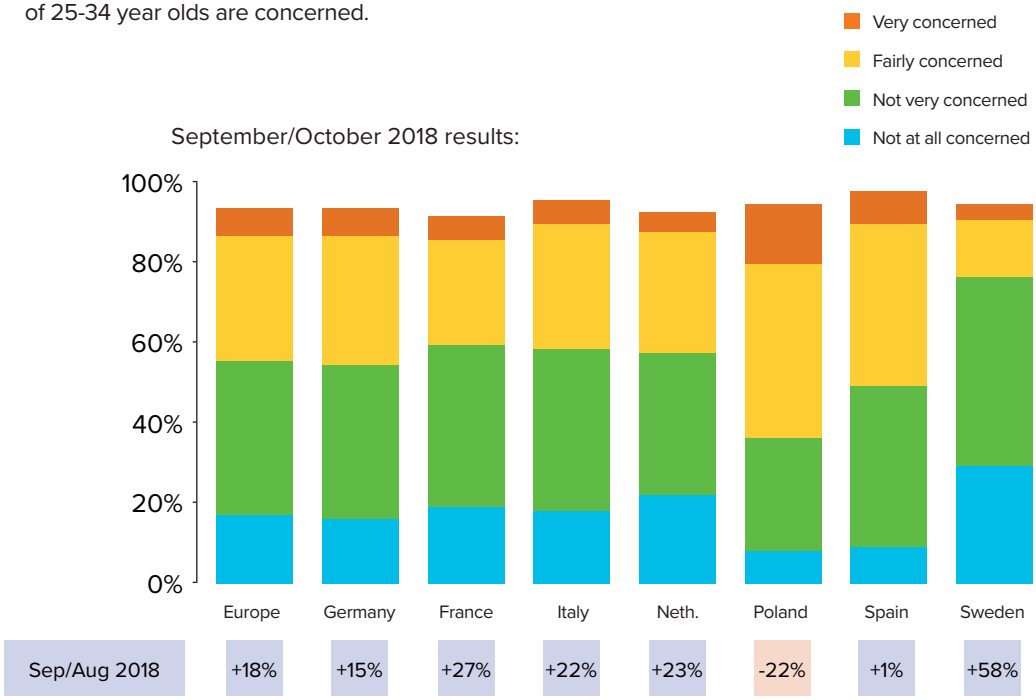
	Total	Europe	Germany	France	Italy	Neth.	Poland	Spain	Sweden	China	USA
Aug 2016	+16%	+8%	+6%	+14%	+17%	+9%	0%	+3%	+8%	+49%	+43%
Feb/Apr 2017	+12%	+1%	-4%	+7%	+14%	-1%	-2%	-7%	0%	+50%	+40%
Sep 2017	+10%	+2%	0%	+9%	+7%	+1%	-3%	0%	-3%	+50%	+28%
Mar 2018	+13%	+4%	+4%	+11%	+13%	+3%	+3%	-2%	-3%	+54%	+36%
Sep/Oct 2018	+11%	+2%	+2%	+5%	+10%	-2%	+4%	-1%	-3%	+56%	+29%



CONCERN AROUND UNCERTAINTY

While 38% of European respondents are concerned about the uncertainty around travel arrangements due to ongoing negotiations, only 7% are very concerned.

Around half of Spanish and a clear majority of Polish respondents are concerned. Levels of concern are higher among younger age segments: 53% of 18-24 year olds and 46% of 25-34 year olds are concerned.



However, to keep a balanced view, some of the commentaries coming out of some of the banks about increases in interest rates being delayed in the event of a no deal Brexit are interesting. The reduced economic growth forecasts in the recent Spring Statement mean that the expectations are that interest rates will likely stay low for longer. For businesses with high capital commitments such as the independent hotel industry, maintaining money in customers' pockets for spending on discretionary holiday activities has to be a good thing.

So what does this mean for the South West? Well, whilst the statistics shown on views of overseas travellers to the UK is negative for the UK economy overall, the general overwhelming support for SW tourism is likely to still come from the domestic market. This is supported on several fronts with talk of delays at ferry terminals, increased EU passport control queues and the fall in the strength of the pound, all predicted to have a positive impact on the tourism sector in the region.

At the top end of the accommodation market there are some concerns over a lesser demand that could arise from the London market. This is something that has been of concern for a while as this has been a primary driver in the growth in secondary stays in the shoulder periods of the season.

For these reasons it is expected that the first part of the summer will be relatively buoyant as people decide to stay in the UK, however towards the end of the year, when we experienced an improvement in last year's performance, we expect these gains to fall away.

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You can read the full presentation from the Tourism Summit here:
https://www.visitcornwall.com/visit-cornwall-2019-tourism-summit

SALARY SACRIFICE

Salary sacrifice can be an important tool in retaining key staff as well as increasing take home for them and reducing costs for the employer.

Following the change in the rules from 6 April 2017, two of the main benefits that can still be used effectively in salary sacrifice arrangements are pension contributions and cars with emissions of 75g CO_2 or less.

For other types of salary sacrifice, the rules require a comparison to be made between the salary that was sacrificed and the value of the benefit in kind. The higher of the two is then taxed so that any tax saving is removed.

PENSION CONTRIBUTIONS

By sacrificing salary in exchange for pension contributions, the employee is paid a lower salary saving national insurance for both the employee (12% for a basic rate taxpayer and 2% for a higher rate tax payer) and also the employer's 13.8% contribution.

With the increases in the auto enrolment pension contributions from April 2019 for both employees and employers, the salary sacrifice saving is a useful way to offset the costs of the increase in contributions.

COMPANY CARS

There has been a significant increase in the number of ultra-low emission cars i.e. cars which produce CO_2 emissions of 75g or less - the threshold for cars that can be provided under a salary sacrifice arrangement.

Employees' sacrificing salary in exchange for a company car has the potential to save the employee tax and national insurance on the salary they have foregone. For the company, there is also the potential for a national insurance saving. The provision of a company car will still attract a company car benefit. However, the benefit value for an ultra-low emission vehicle should be less than the amount of salary sacrificed so there is still a tax and national insurance saving available.

From 6 April 2020, the savings will have the potential to be significantly higher, with the benefit in kind rates for all-electric cars reducing from 16% to 2%. For instance, the current benefit in kind charge for a £70,000 Jaguar I-pace (all-electric car with a 298 mile range) is £11,200, and from 2020/21 this will reduce to just £1,400. Assuming the employee is a higher rate tax payer, the tax charge will be just £560 per year, with employer national insurance of just £193.

As well as the tax saving, the provision of a company car under a salary sacrifice arrangement, can also be a useful staff retention tool as a typical car lease can last for three years. The employee will enter into the sacrifice arrangement, knowing that they are likely to stay with the company for the duration of the lease or have to incur costs returning the vehicle.

In order to put a successful salary sacrifice scheme in place, advice needs to be taken to ensure it will be a genuine and effective salary sacrifice and it is always advisable that clearance be obtained from HMRC when a scheme is put in place.

Our experts can assist with setting up and implementing a successful salary sacrifice arrangement from advising on the changes to contracts, informing staff of the impact of a salary sacrifice arrangement and considering what tax savings would be available.

NOT ALL HEROES WEAR CAPES

Payroll is the unsung hero of any business. People only tend to notice it when something goes wrong, and by then it's usually too late. Our team has decades of experience and the inside track on how to make payroll really work for your company. From understanding the HMRC's approach to the gig economy, or simply correctly reporting expenses, we've got you covered with seamless support that will feel like we're part of your team. Talk to us about getting your very own payroll hero.

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VAT AND RULES SURROUNDING VOUCHERS

As you may be aware, from 1 January 2019 HMRC has amended legislation relating to vouchers and their tax point for VAT purposes. This was further to the publication of the EU Vouchers Directive in July 2016, and whilst the UK has voted to leave the EU this will not take place until March 2019. As an existing EU member on 1 January 2019, the UK must implement the Directive.

Currently a single purpose voucher (SPV), which is the catchy technical name for a gift voucher, is defined as being a face value voucher that can only be used to purchase one type of good or service, and that the VAT rate is known at the time the voucher is issued. The new definition of an SPV includes vouchers that can be redeemed for a range of goods or services, but the VAT rate for all the items is the same. This means that output tax should be accounted for when the retailer receives payment for the voucher, as the point of supply is deemed to be at the point of issue at the relevant VAT rate for the goods or services for which the voucher can be redeemed.

A multi-purpose voucher (MPV) will only include vouchers that can be redeemed for goods or services that are subject to different rates of VAT, so it is impossible to know the actual VAT liability on the purchase until the voucher is redeemed.

Where the person providing the goods or services for which the voucher can be redeemed is not also the issuer of the voucher, then there is a supply of the underlying goods or services at the time of redemption.

Where vouchers do not cover all of the cost, the balance will be a separate additional supply.

The new rules do not affect transport or admission tickets. The changes are also not relevant to the supply of 'free offer vouchers' given by business. The consultation guidance issued by HMRC gives the example of a hotel giving a free nights hotel stay to a guest in the future, this is still a 100% discount voucher which does fall under SPV or MPV.

VAT ON RETAINED DEPOSITS

A further change to the way VAT is treated on deposits surrounds the VAT on retained deposits.

At present, when a customer (for whatever reason) does not end up making use of the service or collecting the goods, VAT does not have to be accounted for and an adjustment can be made to the VAT return in which the deposit is forfeited to 'reclaim' the VAT from HMRC.

This is common in the hotel industry where, for example, a guest does not turn up for their room booking having paid a deposit. Currently, the deposit can be treated as outside the scope of VAT. However, following a European court case, the treatment is being revised by HMRC.

WHAT IS CHANGING AND HOW WILL THIS AFFECT MY BUSINESS?

From 1 March 2019, if the supply does not take place and the deposit is forfeited, it will no longer be possible to reduce the VAT payable to HMRC, unless the deposit is actually refunded. In the example of the hotel booking, this means that VAT will remain chargeable on the deposit despite the guest not turning up to use the room they have reserved. For deposits taken prior to 1 March 2019, the current treatment can continue, as long as the taxpayer has always made adjustments to VAT payable for unfulfilled supplies.

It is important to note that if the taxpayer has never made adjustments to reduce the VAT payable on unfulfilled deposits, adjustments cannot now be made for previous periods, as HMRC claims that 'the past treatment has been correct'.

In addition to this, HMRC has also clarified the time at which VAT should be paid to HMRC relating to credit cards. VAT is not payable where credit card details are taken but no payment is taken; VAT is only due when the payment is actually taken.

IF YOU HAVE ANY QUERIES FOLLOWING THE ANNOUNCEMENT OF THIS CHANGE, PLEASE GET IN TOUCH WITH OUR EXPERTS IN THE VAT TEAM WHO WILL BE HAPPY TO ASSIST.

MAKING TAX DIGITAL FOR VAT (MTDfV) AND DIGITAL LINKS

As of April 2019, the majority of business owners and individuals will be expected to keep their accounting records digitally, as MTDfV comes into effect in the UK.

Making Tax Digital is part of HMRC's plan to transform its current system into one of the most digitally advanced tax administrations in the world. The current system, which consists of paper tax returns will be abolished and replaced with digital records that will enable taxpayers to update HMRC frequently on their income position, having a 'real-time' idea of their tax liabilities presented to them in their digital tax account.

Looking more specifically at restaurant and bar businesses many will be applying a retail scheme for accounting for VAT.

HMRC have confirmed that where VAT is accounted for using a retail scheme they must keep a digital record of the Daily Gross Takings (DGT). This means that a daily total of takings can be posted to the accounting system rather that every transaction. It is important to note that there is currently no requirement to keep a separate record of the supplies that make up the DGT within functional compatible software.

For hotels, some supplies will fall under the retail scheme as above, for example catering, bar and shop sales. For bookings, where a hotel uses a separate system a total is posted to the accounting software, this will be acceptable in the soft-landing period to 1 April 2020. This means that any hotel with a digital record of its sales where the VAT is separately identified, can currently take advantage of this and post the total from the 'front desk system' onto their computerised software, as long as the software then auto-populates the nine boxes on the VAT return.

We are currently seeking guidance from HMRC as to whether this situation can continue beyond 1 April 2020 and will update hotel clients as soon as we know the outcome. Currently, guidance on this is limited to information provided by technical helplines. This is potentially good news as it should simplify what is required for the time being.

Ultimately, as noted above, the MTDfV is a stepping stone for HMRC to achieve the scenario where they can obtain businesses information at the touch of a button in real time, so it is very unlikely that this will be a long term solution. However, it will allow many businesses to familiarise themselves with Cloud Accounting and also potentially Auto Entry of purchase invoices before ensuring that all income records have to be linked electronically in this manner.

For further information and FAQ on how MTD may impact your business, visit our website or call us to discuss how we can be of assistance.

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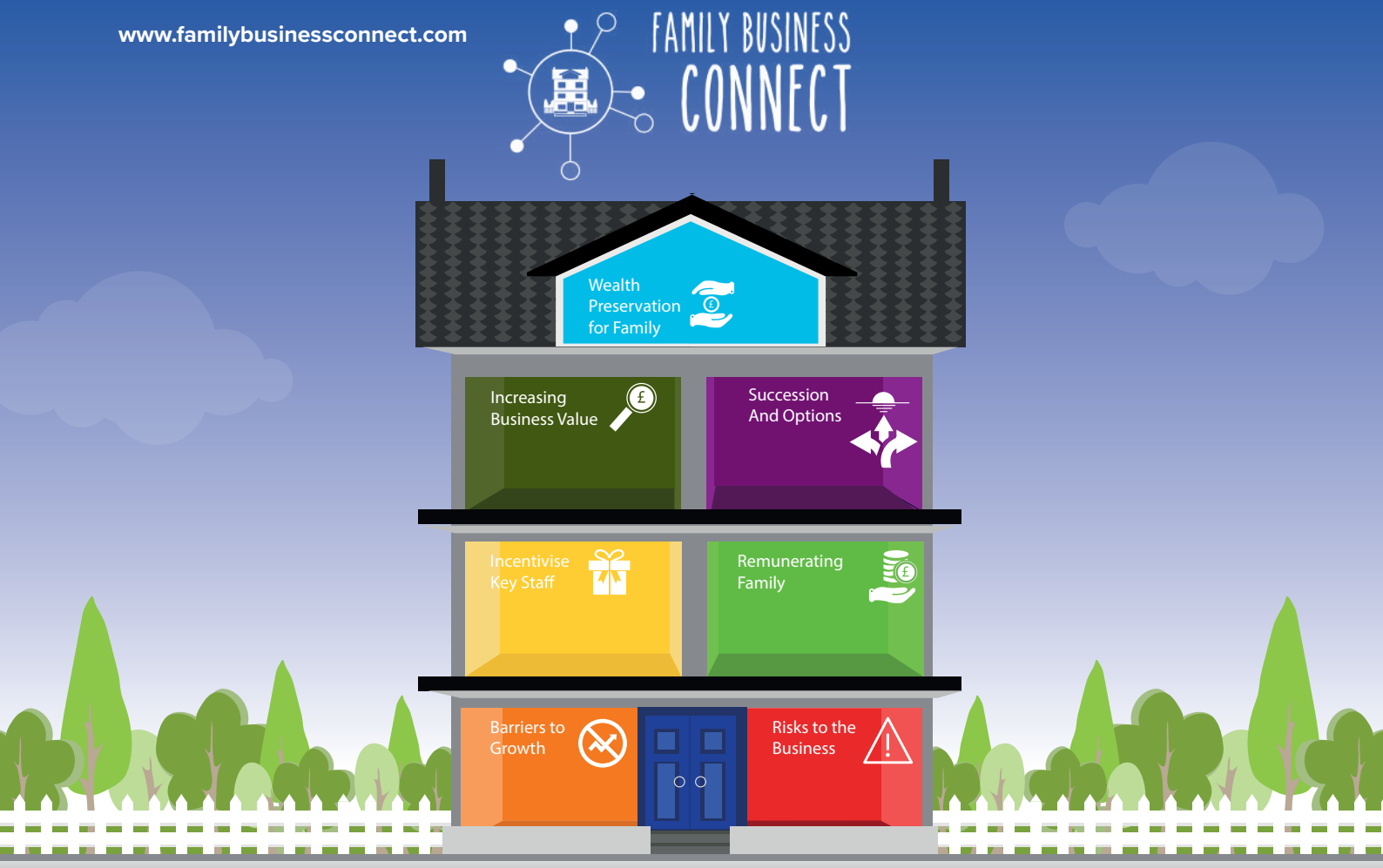

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