Perception Accounting
Accountants with Vision

Perception Accounting

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Newsletter

NATIONAL INSURANCE
Extended Voluntary Window

130% SUPER DEDUCTION
What is it?

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and empower your team

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Voluntary NI Contributiions

Use it or lose it

Currently, there's an extended window for individuals to plug holes in their state pension qualifying years record using voluntary NI contributions. However, this is coming to a close after 5 April 2023.

The state pension is only available to those who have a sufficient NI history. Entitlement is accrued by reference to “qualifying years”. Missing years can result in a shortfall when retirement age is attained, meaning only a partial pension is paid. If the gap is substantial, there may be no entitlement at all. To permit people to catch up on missing years, the government permits payment of Class 3 NI at a fixed rate - known as voluntary contributions - to be paid. Usually, this can only be done for the last six years. However, there is a current incentive extending the window back to 6 April 2006.

From 6 April 2023 this will revert to the standard six years. It's crucial that you check your NI record and make good any missing years’ contributions for tax years prior to 2017/18 before that date or the opportunity may be lost for good.

Gaps in your National Insurance record

You may get gaps in your record if you do not pay National Insurance or do not get National Insurance credits. This could be because you were:

- employed but had low earnings
- unemployed and were not claiming benefits
- self-employed but did not pay contributions because of small profits
- living or working outside the UK

Gaps can mean you will not have enough years of National Insurance contributions to either:

- get the full State Pension (sometimes called ‘qualifying years’)
- qualify for some benefits

You may be able to pay voluntary contributions to fill any gaps if you’re eligible.

Check your record for gaps

Check your National Insurance record to find out:

- if you have any gaps
- if you’re eligible to pay voluntary contributions
- how much it will cost

You may also be eligible for National Insurance credits if you claim benefits because you cannot work, are unemployed or caring for someone full time.

Decide if you want to pay voluntary contributions

Voluntary contributions do not always increase your State Pension.
If you’re below State Pension age, contact the Future Pension Centre to find out if you’ll benefit from voluntary contributions.
If you’ve reached State Pension age, contact the Pension Service to find out if you’ll benefit from voluntary contributions.
You may also want to get financial advice before you decide to make voluntary contributions.

Why you might want to pay voluntary contributions

You may want to pay voluntary contributions because:

- you're close to State Pension age and do not have enough qualifying years to get the full State Pension
- you know you will not be able to get the qualifying years you need to get the full State Pension during your working life
- you're self-employed, file Self Assessment tax returns and do not have to pay Class 2 contributions because you have low profits
- you live outside the UK, but you want to qualify for some benefits

Self-employed people with specific jobs

Some people do not pay Class 2 contributions through Self Assessment, but may want to pay voluntary contributions. These are:

- examiners, moderators, invigilators and people who set exam questions
- people who run businesses involving land or property
- ministers of religion who do not receive a salary or stipend
- people who make investments for themselves or others - but not as a business and without getting a fee or commission

Eligibility

You must be eligible to pay voluntary National Insurance contributions for the time that the contributions cover.
You can usually only pay for gaps in your National Insurance record from the past 6 years.
You can sometimes pay for gaps from more than 6 years ago depending on your age.
Who can pay voluntary contributions
These tables explain who's eligible to pay Class 2 or Class 3 contributions.

Your situation	Which class to pay
Employed but earning under £123 a week and not eligible for National Insurance credits	Class 3
Self-employed with income of £1,000 or less	Class 2 or Class 3 - they count towards State Pension and different benefits
Self-employed with income over £1,000 but with profits of less than £6,725	Class 2 or Class 3 - they count towards State Pension and different benefits
Both employed and self-employed, with low earnings and small profits	Contact HM Revenue and Customs (HMRC) to check if you have a gap and how much you need to pay
Self-employed as an examiner, minister of religion or in an investment or land and property business	Class 2 or Class 3 - they count towards different benefits
Living and working abroad	Class 2 - but only if you worked in the UK immediately before leaving, and you've previously lived in the UK for at least 3 years in a row or paid at least 3 years of contributions
Living abroad but not working	working Class 3 - but only if at some point you've lived in the UK for at least 3 years in a row or paid at least 3 years of contributions
Unemployed and not claiming benefits	Class 3
Married woman or widow who stopped paying reduced rates	Class 3

You cannot pay voluntary contributions if:

- you're eligible for National Insurance credits
- you're a married woman or widow paying reduced rates

If you were living or working abroad

You can pay Class 2 or Class 3 voluntary contributions if you had either:

- previously lived in the UK for 3 years in a row
- paid at least 3 years of contributions

To pay Class 2 voluntary contributions you must also have worked in the UK immediately before leaving.

SUPER-DEDUCTION TAX RELIEF

CLAIM 130% CAPITAL ALLOWANCES ON PLANT AND MACHINERY

WHAT YOU NEED TO KNOW

What is the 130% super deduction?

For expenditure incurred between 1 April 2021 and 31 March 2023, companies spending money on new qualifying plant and machinery, can now claim a super deduction of 130%. This replaces expenditure that would ordinarily have qualified for an 18% main rate, albeit potentially eligible for a claim for annual investment allowance of 100%. Items purchased, and a super deduction claimed, must be separately identified so that if those assets are subsequently sold, the sale proceeds are grossed up by 130% in calculating the gain arising.

Items of plant and machinery purchased must be new to qualify for the super deduction, any second-hand plant and machinery items, can still however qualify for the usual writing down allowance at 18%, or for the annual investment allowance if this is available.

What is the annual investment allowance (AIA)?

Normally businesses can only claim capital allowances on a percentage each year on assets bought for use in the business. The rate can vary depending on the nature of the asset purchased. The general rate is 18%, however, for any capital expenditure incurred in the period ended 31 December 2021, businesses can set up to £1m of expenditure on qualifying assets against their profits and obtain full tax relief in that year.

Super deduction or AIA?

The super deduction and AIA will run in parallel for a short period of time from 1 April 2021 to 31 December 2021. It is therefore important to categorise capital expenditure and to assess which allowance is appropriate to maximise your capital allowances claim.
For example, a business purchasing a brand new lorry on 1 May 2021 would qualify for the super deduction at 130%. However, if the lorry was second hand it would only qualify for Writing Down Allowances or Annual Investment Allowance.

First Year Allowance

For expenditure incurred during the period covering 1 April 2021 to 31 March 2023, a first year allowance of 50% is now available compared with the normal rate of 6% prior to 1 April 2021, on items qualifying as plant and machinery within integral fixtures and fittings. More detailed explanations of what is plant and machinery and what is integral fixtures and fittings is explained below.

What is plant and machinery?

In most cases, plant and machinery is relatively straightforward to identify, being tangible assets used in the course of a business.
Some items are obvious, such as computer equipment, chairs and desks, tools, machinery, heavy goods vehicles and even solar panels on a roof. Sometimes, the distinction is not clear, and in such situations it is important to take advice if obtaining tax relief is one of the drivers behind the planned capital expenditure.

What are integral fixtures and fittings?

As explained previously, capital allowances can be claimed on certain fixtures and fittings which form an integral part of a building. This can be expenditure carried out on a new building or on a subsequent refurbishment. Again, careful planning is important to identify any assets that would qualify, but typical examples are electrical systems, air conditioning and lighting systems.
Before a programme of works is agreed, it is worth sitting down with the builder and architect to separately identify all assets which will be created as part of the new building or a refurbishment of an existing property.

What improvements are simply repairs?

Often when a refurbishment of a premises is taking place, much of the expenditure may simply be a repair which is allowed as a cost against your trading income. If the expenditure involves a capital improvement, then such expenditure is not an allowable expense against income but may qualify for the special capital allowances regime set out above. The tax legislation does not specifically define repairs, but it is generally seen as restoring an asset or the replacement of particular parts, rather than replacement of the whole asset.

First Year Allowance

A capital improvement is something that goes beyond a basic repair, for example, if a storm caused damage to a roof and the roof was restored to its original state, this would be a repair. However, if the whole roof was removed and either an additional storey was added to the building or a flat roof became a pitched roof, then there could be an argument that there has been a capital improvement as you are going beyond the basic repair. There are also specific provisions in tax legislation for work carried out after recently purchasing a property and the expenditure was incurred to bring the property up to a state when it can properly function. Such expenditure is usually seen as capital but, again, it is a complicated area and needs careful planning.

Conclusion

Any businesses contemplating capital expenditure need to plan carefully and establish the nature and level of expenditure required. Ideally, for work being carried out on property advanced planning and discussions should be held with architects, builders and accountants that clearly establishes the nature of the expenditure. By doing so, business owners can make sure that all available tax reliefs are taken into account, and the business can ensure that the interaction between expenditure on property, along with potential expenditure on other plant and machinery items utilises the new reliefs available to the maximum potential.

The 130% super deduction ends on 31/3/2023

The 7 best strategies to help you empower your team

As an employee, one of the most frustrating things to experience is a lack of control and autonomy at work.
Having to ask for constant permission from a manager is demoralizing and frustrating. Trust between leaders and team members begins to crumble.
Employees can feel undervalued and that they are not reaching their full potential.
When team members lack the motivation and authority to take charge, positive changes in the workplace fall to the wayside.
But with the right team empowerment approach, leaders can give their team the support they need.
Here are the best practices for managers and leaders to empower their teams at work.

7 strategies for your team

1. **Support the team's empowerment**

Support team empowerment by supplying employees with what they need to do their job. This means giving them the opportunities and resources needed to complete a project or another task.

Avoid micromanaging. Be clear about the final expectation rather than the means of achieving it.

Give them the items they need, as well as the authority to implement procedures themselves.

2. Clarify vision and roles

Empower the group by ensuring everyone understands the team's goals and vision. Let each member know why you selected them for the team and define their role clearly.
Once everyone understands the expectations and their roles, then you can let them get on with the job.
For example, if you selected specific employees because of their ability to crunch numbers, let them know.

3. Encourage open and honest feedback

One aspect of team empowerment consists of changing the leadership-team dynamic from one of a top-down hierarchy to a dialogue.
Show you mean it by encouraging open and honest feedback from each team member and from the group collectively. Listen attentively and respectfully to their feedback and concerns and provide feedback of your own.
For example, schedule a weekly meeting with the group as an opportunity for updates and feedback.

4. Institute an open-door policy

Support the team's empowerment by instituting an open-door policy in your office. Having an open-door policy establishes an environment of trust and mutual respect. Employees knowing that they have someone to turn to and that their voice is heard is important for a positive work culture.

Instead of telling group members that you're approachable or your office door is open, show them. Literally leave the door open. This should encourage them to approach you with feedback or concerns at any time.

5. Motivate self-improvement
Enhance group empowerment by encouraging each member toward holistic self-improvement.

Appointing them to the team probably gave them a boost of self-confidence. It showed you are confident in their abilities.
Even so, there's always room for improvement.

Motive the group members to learn new skills that will benefit them, the group, and the company.
This will encourage them to strive for growth in other areas of their lives too.

For example, offer them the option to work remotely. This can give them time for other commitments, such as working on their physical well-being.

6. Forgive their mistakes

Support team empowerment by forgiving mistakes and failures. The group members aren't likely to feel empowered if they're afraid of leadership whose first response is anger.
Forgiving the team's mistakes will enhance their sense of confidence in you. Plus, it will encourage them to continue taking risks and making their own decisions instead of playing it safe.

7. Show appreciation for their contribution

Acknowledging and appreciating the team's efforts is one of the keys to leadership through empowerment.

Yes, the work is expected of them, and yes, they get paid to do it. However, when you empowered them, you encouraged them to put something of themselves into it. Remember that.

Give credit where it's due.
For example, have pizzas and thank-you cards delivered to the team after they unveil a flawless effort.

BITE SIZED BUSINESS FACTS

Bankruptcy in the United Kingdom averaged 3637.35 from 1975 to 2019, reaching an all time high of 6919 companies in the first quarter of 2008 and a record low of 924 in the second quarter of 2009.

Approximately 5.51 million private businesses are currently in operation in the United Kingdom, around two million more than there were at the turn of the century when there were 3.47 million.

More than 99.9% of all UK businesses are small to medium-sized, meaning they have 250 or fewer employees.

The number of Value Added Tax (VAT) and/or Pay As You Earn (PAYE) businesses in the UK as of March 2022 was 2.768 million, a small increase of 0.1% from 2.765 million in March 2021.

The largest industry group is still professional, scientific, and technical, making up 15.6% of all registered businesses in the UK; this is down 0.8 percentage points from March last year.

THE FIVE BIGGEST BUSINESS TRENDS TO GET READY FOR IN 2023

1. The rise of Web3

If you paid attention to the technology space in 2022, you couldn't help but hear (or read) about Web3. More a philosophy and vision than anything else, Web3 promises to wrest control of the web away from the handful of giant companies that have come to dominate it over the past decade or so. Instead, by bringing a number of technologies (including blockchain, cryptocurrency tokens, and NFTs) to create a truly decentralized web.

Some might suggest that, with both the cryptocurrency and NFT markets having lost their lustre as investment vehicles in 2022, Web3 will have an uphill battle in 2023. But away from the frothy levels of speculation that preceded the crash, the underlying technologies behind them may have a better chance of proving their real value in 2023.
If Web3 works the way its fiercest proponents say it will, it may offer entrepreneurs the opportunity to connect more directly with their customers as well as new revenue opportunities

2. From greenwashing to sustainable transformation

Sustainability has been a buzzword in the business sector for some time now. Many businesses have, however, been accused of greenwashing – a practice in which organisations use deceptive tactics to persuade the public that their products, aims, and policies are environmentally friendly. Going forward, that simply won't be enough any longer.

The current energy crisis has sharply illustrated the dangers of talking about moving towards a more sustainable future without actually taking the steps necessary to achieve it. Just as COVID-19 forced many companies to accelerate their digital transformation efforts, so the current crisis may well force companies to embrace sustainable transformation.
There is a significant opportunity for entrepreneurs who can help businesses achieve that transformation, but it's also incumbent on anyone founding a business in 2023 to bake sustainability in from the start.

3. China reawakens

It's hard to overstate how big a potential impact China's ending of its Zero-COVID policy may have. For the better part of three years, the world's second-biggest economy has essentially been hamstrung.

In the medium term, the end of the policy might help alleviate some of the supply chain issues that have plagued the world and helped drive inflation since the initial outbreak of COVID-19. In the short term, however, spikes in COVID as a result of the lifted restrictions may result in fresh supply chain issues.

That said, with quarantine no longer an issue, entrepreneurs may have an easier time looking at prospective Chinese manufacturing facilities or finding suitable goods for import.

4. Embracing super-apps

Speaking of China, the success of apps such as WeChat in that country has helped spur Western companies' obsession with so-called super-apps.

Essentially these apps aim to bring the features of multiple applications into one platform. So, for instance, you might be able to message and interact with your friends, order a rideshare, and buy goods and services from the same app.

In some respects a move in the opposite direction to Web3, super apps are apparently poised to become seriously big business over the next few years. In fact, Gartner predicts that 50% of people will use a super app by 2027.

The benefit for entrepreneurs is that they should be able to easily build mini-apps within these super-apps with little to no technical expertise necessary.

5. Cybersecurity becomes critical

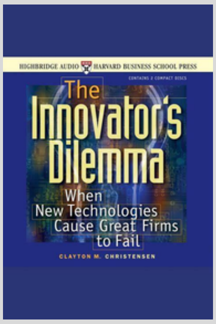
While the collapse in cryptocurrencies has impacted cybercriminals' ability to monetise their activities, it's likely that the impact will be short-lived. Indeed, many cybercriminals have simply shifted from ransomware attacks back to malware and corporate phishing scams in the pursuit of hard currency.

That also means they're more likely to cast their nets wider, increasing the frequency of attacks on small businesses and individuals. It's therefore critical that entrepreneurs educate themselves on cybersecurity best practise and inculcate a culture of proper cybersecurity hygiene as early as possible.

After all, the vast majority of successful cyberattacks are a result of human error.

Adapting to the unpredictable.

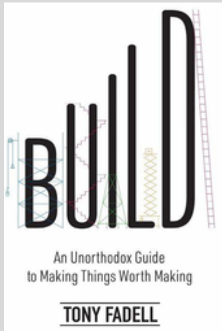
Of course, the past few years should also have taught us how unpredictable the world can be. So while understanding the impact of the above trends is important, the most important skill any entrepreneur can have (as has always been the case) is adaptability in the face of the unpredictable



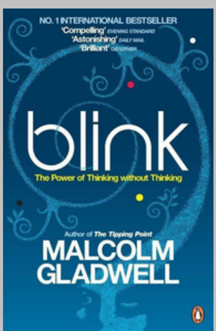
1. The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail - Clayton Christensen

The best-known work of Harvard professor and businessman Clayton Christensen. It expands on the concept of disruptive technologies, a term he coined in a 1995 article Disruptive Technologies: Catching the Wave

2. Build: An Unorthodox Guide to Making Things Worth Making - Tony Fadell



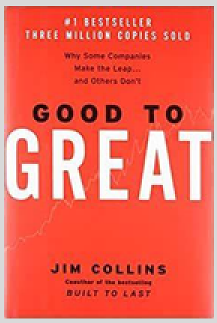
A Silicon Valley icon - and inventor of the iPod and iPhone - Tony Fadell dispenses valuable tips and life lessons for entrepreneurs at any stage in their careers.



3. Blink: The Power of Thinking Without Thinking - Malcolm Gladwell

Blink is a book about how we think without thinking, about choices that seem to be made in an instant-in the blink of an eye-that actually aren't as simple as they seem. Why are some people brilliant decision makers, while others are consistently inept?

4. Good to Great: Why Some Companies Make the Leap...and Others Don't - Jim C. Collins



This is a management book by Jim C. Collins, describing how companies transition from being good companies to great companies, and how most companies fail to make the transition.

PERFECT PANCAKES

Ingredients

- **100g plain flour**
- **2 eggs**
- **300ml semi-skimmed milk**
- **1 tbsp sunflower oil or vegetable, plus extra for frying**
- **pinch salt**

Method

STEP 1

Put 100g plain flour and a pinch of salt into a large mixing bowl.

STEP 2

Make a well in the centre and crack 2 eggs into the middle.

STEP 3

Pour in about 50ml from the 300ml of semi-skimmed milk and 1 tbsp sunflower oil then start whisking from the centre, gradually drawing the flour into the eggs, milk and oil. Once all the flour is incorporated, beat until you have a smooth, thick paste. Add a little more milk if it is too stiff to beat.

STEP 4

Add a good splash of milk and whisk to loosen the thick batter. While still whisking, pour in a steady stream of the remaining milk. Continue pouring and whisking until you have a batter that is the consistency of slightly thick single cream.

STEP 5

Heat the pan over a moderate heat, then wipe it with oiled kitchen paper.

STEP 6

Ladle some batter into the pan, tilting the pan to move the mixture around for a thin and even layer. Quickly pour any excess batter into the mixing bowl, return the pan to the heat.

STEP 7

Leave to cook, undisturbed, for about 30 secs. If the pan is the right temperature, the pancake should turn golden underneath after about 30 secs and will be ready to turn.

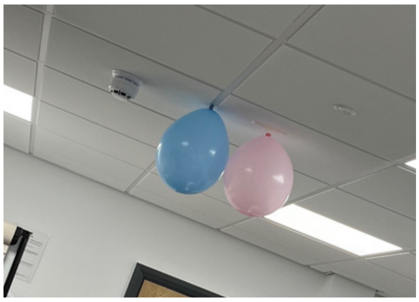
STEP 8

Hold the pan handle, ease a palette knife under the pancake, then quickly lift and flip it over. Make sure the pancake is lying flat against the base of the pan with no folds, then cook for another 30 secs before turning out onto a warm plate.

STEP 9

Continue with the rest of the batter, serving them as you cook or stack onto a plate. *You can freeze the pancakes for 1 month, wrapped in cling film or make them up to a day ahead.*

Enjoy



Tax return time | **Half way through** | **Two left..is this you?**

Our very own Louis and Tia, showing off their flipping skills :-)

New Team Member

We are pleased to welcome Hannah Austin to the Perception team. Hannah lives in Ireland and joined us as a book-keeper in January.

Looking to the Future – We are looking to recruit an apprentice in the next few months. This is a great way to bring in the next generation of accounting talent and is a smart business move as it utilises funding from the government and so brings value for money as well as giving a young person the chance to start a great career.

Final thoughts from the MD

Thank goodness that the January madness is over for another year! With double the amount of people leaving it until January to send information in this year it made for a long and tiring month. My plea to you all for next time is to get your information in as soon as you can 😊

My focus for the next couple of months is to ensure I am speaking to as many clients as possible and tweaking our systems to make sure we are giving the best service possible and that all of our clients feel looked after and valued.

We will soon be turning our attention to choosing our charity for the year and planning for another event to raise money for them.

February is like the new year for us, so I am full of ideas and plans for the year ahead.

I hope that you have all had a good start to the year and are optimistic for a prosperous 2023 (despite the pessimism in the press).

Lisa Brown

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