

BUSINESS NEWS

MARCH 2024

Welcome to the March edition of business news.

The arrival of meteorological spring brings more financial tips and useful updates!

We hope you enjoy reading this newsletter and find it helpful.

VAT FLAT RATE SCHEME FOR BUSINESSES

UNDERSTANDING THE PROS AND CONS

Value Added Tax (VAT) is a significant consideration for businesses. It impacts your cash flow, the amount of admin work needed, and even your overall profitability. One option available to businesses - with a VAT exclusive turnover of £150,000 or less - is the VAT Flat Rate Scheme (FRS), which offers a simplified approach to VAT accounting. However, deciding whether to adopt this scheme requires careful consideration of its benefits and drawbacks.



How does it work?

The VAT Flat Rate Scheme operates by applying a fixed percentage to your turnover to determine the VAT payable to HM Revenue and Customs (HMRC). This fixed rate varies depending on the industry sector that your business operates in. While this simplicity can be appealing, it's crucial for businesses to evaluate whether this scheme aligns with their specific circumstances.

TOPICS

**VAT FLAT RATE SCHEME
(PROS & CONS)**

**GETTING MINIMUM WAGE
RIGHT**

**CARERS LEAVE ACT
6 APRIL 2024**

**NEW POWERS FOR
COMPANIES HOUSE**

**CREATING SUSTAINABLE
BUSINESS GROWTH**

**FLEXIBLE WORKING
REQUESTS**

**MANAGING HYBRID
WORKING**

**HOW LONLINESS AFFECTS
YOUR BUSINESS**

**IF YOU HAVE ANY QUESTIONS,
WE'RE HAPPY TO HELP.**

The advantages

Simplicity: One of the primary advantages of the VAT Flat Rate Scheme is how simple it is to operate. Unlike traditional VAT accounting, where businesses need to track VAT on sales and purchases separately, FRS simplifies this process by applying a flat rate to the total turnover. This can save time and reduce the administrative burden, and if you run a smaller business this can be a big help!

Businesses under the VAT Flat Rate Scheme can also benefit from potentially paying less VAT to HMRC compared to the traditional accounting methods of accounting for VAT. The scheme allows for your business to keep the difference between the VAT charged to customers and the VAT paid to HMRC, which can provide an additional margin for your business.

The disadvantages

While the VAT Flat Rate Scheme offers simplicity and potential cost savings, it may not be suitable for all businesses. One of the notable drawbacks is the inability to reclaim VAT on purchases, except for certain capital assets over £2,000. This means that if your business buys in a lot of supplies where you pay VAT on them, you may not benefit from the scheme as much as others.

Additionally, the fixed rates provided by HMRC may not always accurately reflect your business's specific VAT position. While these rates are designed to approximate the average VAT payable for different industries, businesses with atypical cost structures or profit margins may find themselves disadvantaged by the scheme.

Furthermore, you need to consider the future growth of your business and how this might impact your VAT liabilities under the Flat Rate Scheme. As turnover increases, the fixed percentage applied to turnover may result in higher VAT payments compared to the traditional methods of accounting for VAT. This could

potentially erode the scheme's cost-saving benefits.

Before deciding whether to adopt the VAT Flat Rate Scheme, it is important that you carefully evaluate your current VAT position, including the proportion of VATable sales and purchases, as well as any potential future changes in turnover.

Let us guide you

We have tools that can help you decide whether joining or leaving the Flat Rate Scheme is a good choice for your business. Please feel free to get in touch with us. We would be happy to help you!

ARE YOU GETTING MINIMUM WAGE PAYMENTS RIGHT?

At the end of February, the government named and shamed 524 businesses for failing to pay the minimum wage to their staff.



These failures amounted to a total of nearly £16 million that had not been paid to their workers. Each of the employers named has had to repay their staff for the shortfall and have also faced financial penalties of up to 200% of their underpayment.

The list includes businesses of all sizes, including some

major high street brands. For instance, Estee Lauder, Easyjet, Greggs, Moss Bros, Currys, and NHS Highland all appear on the list.



It is clear that the government will take enforcement action against employers that do not pay their staff correctly. Since it can be easy to unintentionally underpay a worker, such as when they hit 18 or 21 when there is a mandatory increase, it is a good idea to regularly review your payment rates.

This is especially important as we come to the start of a new tax year on 6th April as the rates of pay are increasing as set out in the table below.

	2023/24 rate	2024/25 rate
National Living Wage 21 and over (previously 23+)	£10.42	£11.44
18 to 20	£7.49	£8.60
Under 18	£5.28	£6.40
Apprentice	£5.28	£6.40
Accommodation Offset	£9.10	£9.99

If you need any help with your payroll or reviewing whether your wage payments are correct please feel free to contact us we would be happy to help you!

A REMINDER OF THE SERVICES THAT WE OFFER TO BUSINESSES

AUDIT

AUTO-ENROLMENT

BOOKKEEPING

BUSINESS PLANNING

START-UP ADVICE

COMPANY FORMATION

SECRETARIAL SERVICES

EXIT PLANNING

OUTSOURCING

PAYROLL

COMPLIANCE

VAT SERVICES

MAKING TAX DIGITAL



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CARERS LEAVE ACT COMES INTO FORCE FROM 6 APRIL 2024

The Carer's Leave Act comes into force on 6 April 2024, which will affect all employers in the UK.

If an employee has a dependent with:

- An illness or injury (mental or physical) that means they are expected to need care for more than 3 months, or
- A disability that's defined as such by the Equality Act 2010, or
- Care needs because of their old age,

Then the Act gives them the right to unpaid leave to give or arrange care.

The dependent can be anyone who relies on them for care and not just a family member.

The entitlement to carer's leave exists from an employee's first day of work, and their holiday and returning to their job rights, as well as other employment rights, are protected during the leave. Employees can take up to one week (pro rated for part-timers) of leave every 12 months, and this can leave can be taken in a block or split into individual or half days throughout the year. The leave entitlement is per employee and not per dependent. Employees who need leave to look after their child can take up to 18 weeks, but this is separate to carer's leave. Employees are required to give notice when they want leave, and the Act sets out minimum notice periods. The request does not have to be in writing, and employees don't have to provide evidence of the care needs. The Act also sets out when an employer can delay carer's leave.

For more info, see <https://www.gov.uk/carers-leave>

NEW POWERS FOR COMPANIES HOUSE IN TACKLING ECONOMIC CRIME

Companies House, the government agency that collects and stores information about limited companies, have reviewed the fees they charge and have released details of the new charges that will apply from 1 May 2024.

Companies House work on a cost recovery basis, so the fees are set to cover their costs rather than to make a profit. Due to the measures introduced by the Economic Crime and Corporate Transparency (ECCT) Bill, costs for Companies House are increasing and so the fees are being adjusted in part to cover this.

The increases are quite significant. For instance, the fee for an annual confirmation statement, if submitted digitally, will rise to £34. The cost is currently £13. Depending on your current filing date, it may be worth filing early to pay the lower fee one last time.



HOW TO CREATE SUSTAINABLE BUSINESS GROWTH

We live in uncertain times, but it's still possible to grow your business in a sustainable way. Globally, 2024 could be a year that is full of economic uncertainty. It's an election year in the UK and the USA. Interest rates remain high, and inflation is still high too. Creating sustainable business growth during times of uncertainty requires a strategic and adaptive approach.

AGILITY AND FLEXIBILITY



Maintain a flexible business model that allows for quick adaptation to changing circumstances. This agility enables the firm to pivot its strategies and operations in response to emerging challenges or opportunities.

INNOVATION



Encourage a culture of innovation. Seek out opportunities to adapt products, services, or processes to align with evolving market trends. Embracing new tech and methodologies can drive efficiency and innovation.

STRATEGIC PARTNERSHIPS



Forge strategic partnerships to leverage shared resources, expertise, and market reach. Collaborating with other businesses can provide mutual support, expanding the scope of opportunities in particularly uncertain times.

CUSTOMER-CENTRIC APPROACH



Prioritise understanding and meeting customer needs. In times of uncertainty, customer loyalty becomes even more critical. Focus on engagement through personalised experiences, responsive customer service, and a keen awareness of shifting market demands.

TALENT DEVELOPMENT AND RETENTION



Invest in the development and retention of skilled people. A talented and motivated workforce is crucial during uncertain times. Create a positive work environment, foster professional growth, and ensure open communication to build a resilient team.

DIVERSIFICATION OF REVENUE STREAMS



Diversify your business so that you're not overly reliant on a single product/market segment. Diversifying revenue streams helps reduce vulnerability to fluctuations in specific industries or geographic regions. It provides a safety net and enhances the resilience of the business.



FINANCIAL FOCUS



Maintain a conservative financial approach. Carefully manage cash flow, control expenses, and assess investment decisions with a focus on long-term sustainability. Establish financial reserves to weather unforeseen challenges. Regularly monitor key performance indicators, market trends, and the competitive landscape. Focus on ensuring the business remains responsive to changing conditions while retaining profitability.

UPDATE EXPECTED TO THE CODE OF PRACTICE ON REQUESTS FOR FLEXIBLE WORKING

The Advisory, Conciliation and Arbitration Service (ACAS) has released a final draft of a new Code of Practice on requests for flexible working. The draft Code received consultation in 2023 and is now awaiting parliamentary approval. If approved, then the new Code is expected to come into force in April 2024.

Flexible working refers to any working arrangement that meets the needs of the employee and employer on where, when, and how an employee works. This would include part-time work, homeworking, hybrid working, job sharing, compressed hours, term-time working and so on.



Employers and employees can make informal arrangements, but if an employee makes a statutory request for flexible working, then the Code must be followed. The new Code introduces a number of new changes. These include:

Right to request

An employee will now have a statutory right to request flexible working from the first day of their employment. Currently they cannot do so until they have given 26 weeks of employment service.

Currently there is a limit of one request that an employee can make in any 12 month period. However, under the new Code they will be able to make two statutory requests in any 12-month period, with a maximum of one live at any one time.

Handling a request

Currently, employers are required to consider a request and can reject it on the basis of a business reason that is set out in the Employment Rights Act 1996. The new Code is more positive and specifically states: “Employers must agree to a flexible working request unless there is a genuine business reason not to”. The business reasons for rejecting a request continue to be those set out in the legislation.

The new Code introduces requirements to prevent discrimination where a request is because an employee is seeking a reasonable adjustment because of a disability.

While the current Code encourages a discussion with the employee, particularly where the employer rejects or wants to modify the request, the new code specifies that unless the employer decides to agree to the employee’s written request in full, they must now consult the employee. The new Code provides guidance on how the meeting should be held and its content.

The new Code requires that a request be decided on within a statutory two-month period including any appeal. Currently three months are allowed. The new Code also now specifies that the decision is communicated in writing and what this should contain. It also sets out appeal procedures.

Until the new Code receives parliamentary approach, then any statutory requests you receive can still be handled in accordance with the current Code of Practice **see:** (<https://www.acas.org.uk/acas-code-of-practice-on-flexible-working-requests/html>)

However, with parliamentary approval expected by April, it would be well to be prepared with your policies. To review the new Code of Practice, please **see:** <https://www.acas.org.uk/acas-code-of-practice-on-flexible-working-requests/2024>

MANAGING HYBRID TEAMS IN YOUR BUSINESS

As hybrid working has become more mainstream, managers have had to adapt.

The emergence of hybrid teams – a blend of remote and in-office workers – has ushered in a new era of workplace dynamics. The challenge lies in effectively managing these diverse teams, balancing flexibility with structure and fostering collaboration amidst physical separation.

1 **Setting Clear Expectations**

Clarity is paramount in managing hybrid teams. Clearly defining roles, responsibilities, and expectations for both remote and in-office workers establishes a level playing field. Such transparency fosters a sense of ownership and accountability, irrespective of geographical location.

2 **Communication is Key**

At the heart of managing hybrid teams is effective communication. Utilising a mix of synchronous and asynchronous communication tools, such as virtual meetings and collaborative platforms, ensures a seamless flow of information. This connectivity keeps team members, whether in the office or working remotely, aligned with the firm's objectives.



3 **Cultivating an Inclusive Culture**

Inclusivity is a critical component of successful hybrid team management. Implementing practices like rotating meeting times to accommodate different time zones and ensuring fair participation in decision-making processes fosters unity among team members.

4 **Leveraging Technology**

Enhancing collaboration within hybrid teams requires the strategic use of technology. Employing collaborative tools and project management platforms facilitates seamless information sharing, task allocation, and project tracking. This not only boosts productivity but also mitigates challenges associated with physical distance.



5 **Regular Check-Ins and Feedback**

Maintaining strong connections within hybrid teams necessitates regular check-ins and feedback sessions. Managers scheduling one-on-one meetings with team members helps to create a space for discussing progress, addressing concerns, and providing constructive feedback, thus building robust relationships.

6 **Promoting a Flexible Approach**

Flexibility is the cornerstone of managing hybrid teams successfully. Allowing flexible working hours and offering remote work options demonstrate a commitment to work-life balance, contributing to increased job satisfaction and employee retention.



ADDRESSING LONLINESS AMONG YOUNG EMPLOYEES

The UK government has launched a campaign to address the stigma around loneliness with young people. Research shows that 16-to-24 year olds are the loneliest age group, but are also the least likely to take action to help themselves for fear of judgement.



How loneliness can affect your business:

Loneliness in the workplace can significantly affect the performance of employees. Feelings of isolation can lead to decreased motivation, engagement, and productivity. Loneliness may also contribute to higher levels of stress and anxiety, that knock on to work quality and overall job satisfaction. Therefore, providing an environment that nurtures the mental health and performance of young people may not just be good for them, but also good for your business. Perhaps consider whether your business can take any proactive steps, such as:

Encourage social interaction

Team building activities, mentorship programs, and regular social events can all help to build camaraderie. Creating opportunities for collaboration and relationship building can help young employees feel more connected to their colleagues.

Prioritise open communication

Encourage managers to check in regularly with their team members and build a supportive environment where employees feel comfortable expressing their work-related/personal feelings and concerns

Promote work-life balance

Striking a balance between work and personal life is essential for maintaining overall wellbeing. Could you offer flexible work arrangements, such as remote work options/flexible hours, to accommodate the different needs of young employees? Time for self-care and activities outside of work can bring joy and fulfilment that will positively affect their approach to work.

Provide mental health support

Offering access to mental health resources and support services may be helpful. Educate employees about available resources and ensure they feel there is no stigma to seeking help for mental health issues.

Lead by example

By demonstrating genuine care and concern for team members you set a positive tone for the workplace and encourage others to do the same.



By taking proactive measures to address loneliness and support the wellbeing of young employees, businesses can create a more positive and fulfilling work environment where team members feel valued, connected, and supported in their personal and professional growth.

Thank you for reading!

**We hope you have enjoyed this month's business newsletter.
If you wish to discuss any issues further, please don't hesitate to get in touch!**