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What you should be paying yourself this year?

They say that knowledge is power and when it comes to contractor remuneration strategies they are absolutely right. The problem is that knowledge often gets lost in the fluff and fancifulness of political posturing and endless rhetoric when new financial rules are delivered.

What a contractor should do with their salary each month (in plain English)

- **The increase in the basic rate tax band:**
As of the new tax year (starting April 2017), the basic rate tax band is now £45k not £43k. This means that you should be doing the following with your remuneration each month:



- **Increased National Insurance thresholds:**
this increase, which applies to the 17/18 tax year, means that you can now earn up to £8,164 per annum before you or your employer (i.e. your own Limited Company need to pay any National Insurance contributions. A bit of good news!
- **Recommended salary for 17/18:**
with the new National Insurance levels, the most tax efficient salary you can pay yourself for the 17/18 tax year is £680 per month. (Note: If you are one of our clients, it is important that you pay yourself this monthly salary on or after the 25th of each month as this is the date we process your payroll and make the relevant submissions to HMRC.)
- **Recommended dividends for 17/18:**
if you require more than £680 per month to live on (who doesn't right?) then you will need to top this up with dividends. So, assuming you have no other sources of personal income other than from your Limited Company, you will be able to pay yourself dividends of £36,840 during the 17/18 tax year (provided you have sufficient profits or reserves, of course). Anything over this amount, that you pay yourself will push you through the basic rate tax band and in to the higher rate tax bracket.

Continued from page 1...

- **In real terms this means £3,070 per month:** If you are really smart, however, you should put £178.13 of this monthly dividend payment aside, each month, to cover the personal tax of £2,137.50 that will eventually be payable on that income.
- **And if you need more than that:** Then you need to know that for every £1k that you pay yourself in dividends above the £36,840 mentioned above you will attract an additional personal tax bill of £325 so make sure you save that too.
- **And if you pay yourself over £100k in total:** Then it gets really complicated so contact me and I'll give you a bespoke answer.

I hope that has made everything crystal clear for you, but if you still have questions, please just call one of the team and we will tell you, in plain English, exactly what you need to do.

A final word on clear communication

I write this as an accountant, and I am slightly hesitant to apply such a broad brush across the faces of my peers, but I know that most accountants do tend to make the simple complicated. As the owner of Meades Contractors, I have banned 'accountant speak' and useless jargon.

If you know us at all then you will also know that we strive to break the mould, question the rules and conduct ourselves like professional friends who care enough to tell you straight, honest and in language that is effective. If that sounds like an accountant you'd like to do business with, then get in touch on 08000 234484 or 01923 729517.

Q&A: with Charles Perry

Q: What do you do and what do you like most about contract work?

A: I'm a chartered electrical engineer and I've been a contractor for around 20 years. I work for large companies on projects around the UK and overseas. It's the variety I enjoy really. I also like the independence and the flexibility on when and where I work.

Q: Why did you choose Meades Contractors?

A: I've always been with Meades. When I first started, a friend and colleague recommended Brian Meades because of his flexible approach. The business has also evolved and grown as his son Paul took over and now it's all taken care of with the FreeAgent software. This includes bank feeds so you have an instant view of things like your profit. I also use it for invoicing. The invoicing feature is good because you can invoice direct to the company you're working with so you know it's been received. It works very well – it's a very good system.

Q: What do you like about working with them?

A: They've also very personable. Louise has looked after my account for many years and is very competent and explains things. As a package, it's a good setup. They've taken over the responsibility of Company Secretary and doing returns with Companies House and other things that once upon a time you had to do yourself. Now, I just get an email saying it's all done. I haven't had any problems.

Q: What are the main benefits for you of working with Meades Contractors?

A: For someone who's got a small limited company like myself, the overall package I'm on, [the Silver service] means it's all sorted out. It's all so much easier – we can just get on with what we're doing and they oversee the running of the company.

Q: What about the added value?

A: There hasn't been any reason to look elsewhere. I'm very contented. The fees are reasonable, especially for what they offer. I consider it good value for money. As an overall package, it's excellent. It just takes away all the effort.

INTRODUCING ... PROPITEER

Maximising profit through property

Propiteer is an exclusive members only club providing joint ventures in exceptional property opportunities. Membership is exclusively by invitation for high net worth, commercially aware and sophisticated investors.

Members are receiving a return of at least 36% over two years, dependent on which asset they invest in.



What makes Propiteer different?

They invest in all of their projects alongside their members, meaning their asset team is yours. Having shares together in each business means the rewards and risks are in the same place.

"Following on from Paul's introduction, I have invested in Propiteer. I trust Paul's guidance 100%. Getting support like this from my accountant saves me looking for opportunities to invest elsewhere. I'm confident I will see a good return."

**Paul Barnes,
Barnes Fencing Supplies, Watford.**

Want to know more?

Just call Paul on 01923 800444 – he'll be happy to discuss the benefits for your specific circumstances.

How to join the Propiteer Club

Membership is exclusively by invitation. As a Meades Contractors client we can introduce you to the club. There's no obligation to invest and you'll be kept informed of new opportunities. You can invest as little as £5,000 and monitor projects as they progress.



The asset team – who's looking after your investment?

Dave Marshall

Specialist in helping companies grow their business, one of Dave's clients grew their business by £50m in just 12 months. Founder and owner of the Never What If Group, a £40m turnover company ranked within the top 100 most successful businesses in Essex.

Colin Sandy

A highly qualified tax adviser, Colin's career spans working for the Treasury and The Inland Revenue, as well as Deloitte. As FD and Company Secretary for AMShold Group he controlled 30 companies owned by Lord Sugar as well as providing FD support for Tottenham Hotspur FC plc.

Richard Irwin

A former Director for Northern Ireland Property Team at PwC. After 6 years, Richard moved on to specialise in investment funds and fund management at Schrodgers. He is a founding partner of both the Black Pearl Group and Redbrae as well as a Director of Propiteer.

Stephen Symington

A Director of Propiteer and Redbrae private equity group, with over 10 years' experience in real estate investment and development. Stephen's experience spans banking with Ulster Bank (RBS) in the large corporate and property team as well as 5 years at PwC in the Northern Ireland property team.

Tom Dalton

Over forty years' experience in construction and development. Former chairman of Laing O'Rourke (Ireland) Ltd 2005-2008, delivering major residential, retail and infrastructure projects, including the redevelopment of Dublin Airport, Euro Disney Paris, Dubai Airport, and Manchester United's Old Trafford additional 20,000 seats whilst the stadium continued to operate.

A spring clean for FreeAgent Mobile

Since the launch of FreeAgent Mobile two years ago they've added a tonne of new features including banking, time tracking, tax notifications and more.



With more people using the app than ever before, FreeAgent felt it was time for a spring clean to reorganise and tidy up the various features. They've released a refreshed design to make it really simple for you to find your way about.

The most obvious change is the new navigation bar at the bottom of the screen. Using the tabs you can jump from the Overview to the Money

Out, Money In or Banking sections, or use the green 'add' icon to quickly create an expense, timeslip or invoice.

If you're not currently using FreeAgent Mobile for iOS or Android yet, you can get started by downloading the relevant app from either the App Store or Google Play.

Find out more about FreeAgent on our website: <https://meadescontractors.co.uk/freeagent/>



Meades Contractors Word Search

Q F O H X L Z W E L B A Y A P
C C R E D I T S A O K M T X C
E L B A V I E C E R A S E R Z
B R L L O R Y A P A J O C N Y
I R E C T K F T O R Z P E O Z
K N E A O G J O U R N A L I L
C F X P L N X E I V J F X T I
G E I N E G S M R O F L I A C
S L R N A E S U R I E E E U N
Y A S C A T K Z L D P I Y L E
B V P R I N D K G T L F H A P
K A U B I R C E O N I Z J V P
G J E T Z W R I B O Y N P V Z
Z D S J E R H M A L B J G D F
W O K B Z R X A E L H V W U I

JOURNAL
LEDGER
CPA
DEBITS
TAXES
IRS
FINANCIAL
BOOKKEEPER
PENCIL
VALUATION
FORMS
PAYABLE
ERASER
CREDITS
RECEIVABLE
CONSULTING
PAYROLL

INTRODUCING ... The Relevant Life Experts



**PUT LIFE AND CRITICAL ILLNESS
ON EXPENSES**

Cover Features

**Counts as a tax-deductible
business expense**

**The benefit payment does not
count towards your annual or
lifetime pension allowances**

**Maximum amount of cover is
£10 million**

**Benefits usually free from
inheritance tax**

**Cover will be written into a
trust free of charge**

**The premiums are paid
monthly**

Heres' How You Save

- You and the limited company do not have National Insurance contributions to pay
- The benefit payment does not count towards your annual or lifetime pension allowances
- The limited company can claim Corporation Tax Relief on the premium payments saving 20%
- The limited company pays for your life insurance premiums - not you
- The premiums are not classed as a benefit-in-kind or P11D benefit

TAX-FREE ADDED PEACE OF MIND

A Relevant Life & Relevant Life with Critical Illness Plan offers some very special advantages to directors and employees of small limited companies, most notably tax efficiency. Whilst the cover is personal to you and your employees, the policy will count as a business expense so it's tax deductible and does not count towards annual or lifetime pension allowances.

A GUIDE TO RELEVANT CRITICAL ILLNESS COVER WITH LIFE COVER

Relevant Critical Illness Cover (with built in Life Cover) is a tax-efficient policy, allowing companies to offer benefits to its employees (including salaried directors). It's set up by the company and pays out a tax-free, lump sum on the diagnosis of a critical illness or earlier death event (whichever is sooner) of the person insured. The proceeds go directly to the employee during a critical illness event or the employee's family / financial dependents in the event of a life claim.

OUR PROCESS



COMPARING THE COST OF A RELEVANT LIFE PLAN

		NON-RELEVANT LIFE PLAN POLICY	RELEVANT LIFE PLAN
ANNUAL PREMIUM		£1,000	£1,000
EMPLOYEE TAX	National Insurance contribution (assuming 2%)	£34.48	N/A
	Income Tax (assuming 40%)	£689.65	N/A
EMPLOYER TAX	National Insurance contribution (assuming 13.8%)	£237.93	N/A
	Less Corporation Tax (assuming 20%)	-£392.41	-£200
TOTAL COST		£1,569.65	£800

A saving of £769.95, which is a saving of almost 50%

An employer who wishes to treat Relevant Life Plan premiums as an allowable business expense should speak to their accountant, who may wish to liaise with the employer's local inspector of taxes. This example is fictitious and provided for illustration purposes.



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We are always looking for ways to help you save tax and make the most from contracting. To discuss a new policy please call the experts at C&D, mentioning you are a Meades Contractors client. If you go ahead we will make sure the policy you choose is an allowable expense.



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0330 043 4321
2 Bridge Street, Thrapston,
Northants, NN14 4JP

Your financial crystal ball awaits you in the cloud

If you are a contractor then you will be aware of IR35, I'm sure. Perhaps you have been told that it doesn't affect your contract(s) and someone has assured you that you can carry on as normal because everything will be OK. That may well have been true for you, in your circumstances, in the past. If you work in the Public Sector, however, everything is changing and you need to look at it again.

A prowling lion, ready to pounce!

It is said that wolves and lions are the masters of waiting until their weakened or unsuspecting prey are at their most vulnerable, or blissfully unaware, before striking the deadly blow. That is exactly what is going to happen to many contractors – particularly because of the recent changes around IR35. They are in danger of being taxed as an employee and losing significant chunks of their income (in the future, in real-time and retrospectively), because they were in the dark about the changes and they didn't listen to the warning signs. The HMRC lion is lying in wait.

And it could well be carnage for contractors working in the Public Sector.



Foresight is a wonderful thing

As well as being vaguely aware of the dangerous

animal known as IR35, contractors are also fearful of The Cloud Accounting tools that can help them to have clarity on their financial position and plan effectively.

As a specialist contractors' accountant, with decades of experience and frontline, hands-on expertise in securing the current and future financial well-being of hundreds of contractors – I promise you that The Cloud is safe. In fact, utilising it properly it is the single most effective way of controlling your income and liabilities, calculating your expenses and forecasting your available cash flow. It is like an accurate, practically infallible, crystal ball.

“Wait and see” is not a smart strategy!

Why would anyone play the “let's wait and see what happens” game when they simply do not need to? Using cloud-based accounting software like FreeAgent gives you the ability to see, in real-time, exactly how much of the money in your bank account actually belongs to you. It helps give you clarity over the potential cost of changes to the IR35 status of your contracts and indicates precisely how much tax you will need to pay and when. Instead of relying on what your bank account says, and being tempted to spend money that isn't legally yours, you can know for certain.

Get ahead of the game, get in control of your finances and be prepared for the hungry, ruthless wolves and lions that are waiting to hunt down the weak and ill-informed.

Find out more and stay safe

Here at Meades Contractors we keep people safe and well-informed. If you would like us to look after everything for you, then we will ensure that the benefits far outweigh the costs and that you can focus solely on earning the secure future that you want for you and your family. Get in touch now on 08000 234484 or 01923 729517.

Contractors! Why are you still on the flat rate scheme?

If you are a contractor and you didn't switch back to the standard rate for paying your VAT back in April then you are almost certainly out of pocket already: and I'm not talking about just a few pounds.

In case no one has told you, or that you were blissfully unaware of HMRC's latest attempt to squeeze contractors, the conditions of the VAT Flat Rate Scheme changed on 1st April this year (2017). Previously, contractors would charge 20% VAT on top of their invoice and then give 14.5% of their gross invoice to HMRC in their VAT return each quarter. This was clearly a simple, straightforward calculation and added benefit – so the majority of contractors took this option over the standard rate.

A 2% rise and £100's out of pocket...

The new rate is 16.5% and applies to contractors who don't sell large amounts of stock to other

businesses. It is called the Limited Cost Traders scheme and applies to 99% of contractors (please speak to us if you'd like to know details of any exceptions).

In real terms, what the new rate means is that a contractor generating a turnover of £80k pa is £160 better by being registered for VAT. Hang on a minute, I hear you think! Maybe that is not as good as it was (at 14.5%), but £160 is still £160. Well, yes it would be – if that was all there was to it! But under Standard VAT Accounting you can claim back against the VAT on most of your business expenses. And now the value of doing so is very much in your favour.

But what about all the extra admin?

So, I have two pieces of really good news for you – to offset the fact that HMRC is on a contractors stealth attack mission again.

Continued over ...



Firstly, if you use FreeAgent, you can work out your VAT return at the touch of a button even if you're standard accounting for VAT (yes. It is no longer a time consuming, paperwork encumbered endeavour but you do need to know the rules). Secondly, just claiming back the VAT from your accountant's fees alone is likely to recoup way more than your £160 benefit. Then, you have all the other VAT-back opportunities to consider: mobile phone bills, equipment purchases, overnight accommodation, etc...

In 99% of cases, there is no reason that a contractor should still be on the Flat Rate Scheme, giving hundreds of pounds per year more to HMRC than they need to be paying. In fact, it would be madness to still be stuck in this position.

Why didn't anyone tell me? And what should I do?

Not wanting to be too unkind to my fellow accountants, but: YOUR ACCOUNTANT SHOULD HAVE TOLD YOU ABOUT THIS! If you were unaware I would suggest you go and ask them why they didn't! Then I would ask them to send a letter on your behalf (because HMRC won't accept an email or phone call on this one) requesting the change that will put more money back in your pocket.

Long before 1st April, we sent hundreds of letters (by snail-mail) getting all of our contractor clients switched over to the standard rate and ensuring they get access to the best deal. Once again, knowledge, communication and action combined to give the best service possible to our clients.



Please get in touch if you have any questions about your VAT choices.

CONTACT

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