

We hope you enjoy reading this newsletter and find it useful. Please contact us if you would like to discuss any matters further.

June 2022

How much is my business worth?

This is a question many of our clients want answering! The truth is it depends on a range of factors and any valuation is only useful as a guide for planning forward. The ultimate value of a business is the price a willing buyer is prepared to pay for it.

The prevailing economic climate and state of the business' sector can affect company valuation for better or worse, as can your reasons for selling. If you need a fast sale due to ill health, for instance, the value may be lower than if a sale was taking place under more favourable circumstances. Valuing a business is a complex process and we are available to support you throughout.

So, what are the most common methods of valuing a business?

Price to earnings ratio (P/E)

The price to earnings ratio uses multiples of profit, so may be an appropriate valuation method if you own a well-established business with a good track record of profits. 'Price' refers to the company's current share price, and 'earnings' to the earnings per share (EPS). The P/E ratio indicates the business' expected growth in earnings per share in the future.

Discounted cash flow

Discounted cash flow relies on estimating future cash flows for the company, and a residual business value, and may be suited to businesses with few assets.

Entry cost

Entry cost valuation involves calculating how much it would cost to build your business to the stage that it's reached now, including Start up and recruitment costs, marketing, and the value of assets. Any savings that could have been made should then be deducted to arrive at the valuation.

Asset valuation

The asset valuation method may be suitable if your business is well established and owns high levels of tangible assets. The Net Book Value (NBV) of assets is calculated, and then adjusted to take account of external factors such as depreciation and inflation.

Valuation based on industry

Some businesses are valued based on the industry in which they operate. The retail industry is one such example, where the number of outlets is an important element for consideration. Industry 'rules of thumb' use factors specific to an industry and can provide a more accurate calculation in some cases.

Other considerations when valuing your business

Intangible assets are a key factor when valuing a business. Intellectual property, goodwill, business reputation, and even a premium business location, can all add considerable value in the eyes of potential purchasers.

Spotlighting these intangible assets also allows you to improve their value where appropriate – for example, registering ownership of a trademark or patent, building up their reputation even further, or improving the condition of their premises. Please talk to us about valuing your business as this can lead to a range of important considerations and actions.

Off-payroll working rules (IR35)

It has been over one year since the [off payroll working rules \(IR35\)](#) changed in the private and voluntary sectors.

Some organisations who engage contractors in those sectors who didn't need to apply the rules for 2021-22 as they did not meet the size conditions — may now need to apply the rules. Ensure you check the [Employment Status Manual](#) for whether the rules apply to your business every year.

This is particularly true if you have:

- become a newly formed business
- been bought by another organisation
- grown in size over the last few years

If you are new to the rules, you should find it helpful to read the [steps needed to implement off-payroll working rules](#).

Please talk to us if you need help in this complicated area.

See: [Agent Update: issue 95 - GOV.UK \(www.gov.uk\)](#)

Making Tax Digital for VAT – New penalties for non-compliance

HMRC have issued guidance for VAT-registered business and their agents on how to avoid penalties for non-compliance with the Making Tax Digital for VAT (MTD) rules.

In particular, there is a new £400 per return penalty if you file a return but do not use functional compatible software.



There are additional penalties if the business does not keep its records digitally. HMRC may charge you a penalty of between £5 to £15 for every day on which the business does not meet that requirement.

Key extracts from HMRC guidance include:

You must file your VAT return using functional compatible software

Functional compatible software means a software program, or set of software programs, products or applications (apps) that can:

- record and store digital records.
- provide HMRC with information and VAT returns from the data held in those digital records.
- receive information from HMRC.

You must keep records digitally

You must keep some records digitally within your functional compatible software. This is known as your 'electronic account'. Your electronic account must contain:

- your business name, address and VAT registration number.

- any adjustments from calculations you make outside your functional compatible software for any VAT accounting schemes you use.
- the VAT on goods and services you supplied, meaning everything you sold, leased, rented or hired (supplies made).
- the VAT on goods and services you received, meaning everything you bought, leased, rented or hired (supplies received).
- any adjustments you make to a return.
- the 'time of supply' and 'value of supply' (value excluding VAT) for everything you bought and sold.
- the rate of VAT you charged on goods and services.
- your reverse charge transactions, where you record the VAT on the sale price and the purchase price of the goods and services you buy.
- copies of documents that cover multiple transactions made on behalf of your business, like those made by volunteers for charity fundraising, a third-party business or employees for expenses in petty cash.

All transactions must be contained in your electronic account, but you do not need to scan paper records like invoices and receipts.

Please contact us if you need assistance in complying with MTD.

See: [Compliance checks: How to avoid penalties for Making Tax Digital for VAT – CC/FS69 - GOV.UK \(www.gov.uk\)](#)

[How to declare your grants on your Company Tax Return \(CT600\)](#)

Register for the next live webinar about [declaring your grants on your Company Tax Return \(CT600\)](#) to learn about:

- how to report COVID-19 support payments and grants on your Company Tax Return
- what happens if you've claimed too much
- records you need to keep

See: [Help and support if your business is affected by coronavirus \(COVID-19\) - GOV.UK \(www.gov.uk\)](#)

National Minimum Wage rate reminder for employers: Summer staff

All workers are legally entitled to be paid the National Minimum Wage (NMW). This includes temporary seasonal staff, who often work short-term contracts in bars, hotels, shops and warehouses over the summer.

The National Minimum Wage hourly rates from 1 April 2022 are:

- £9.50 - age 23 or over (National Living Wage)
- £9.18 - age 21 to 22
- £6.83 - age 18 to 20
- £4.81 - age under 18
- £4.81 – apprentice

Employers can contact the [Acas](#) helpline for free help and advice.

Please contact us if you need help with your payroll.

See: [National Minimum Wage and National Living Wage rates](#)

Travelling time and the National Minimum Wage

HMRC have recently updated their guidance to employers on travelling time with reference to National Minimum Wage calculations. Travelling for the purpose of working (i.e. in connection with the employment) which does not fall under a daily average agreement is counted as working time.

This includes the time a worker spends travelling between "assignments" which need to be carried out at different places, to which the worker is obliged to travel. An example here would be a care worker visiting several clients in their own homes.

Travelling between a worker's place of residence (including temporary residence) and the place of their work is not considered as travelling for the purposes of work. Any time spent on such "home to work" travelling is not considered as working time.

For more details see: [NMWM08490 - Working time: unmeasured work: travelling time - HMRC internal manual - GOV.UK \(www.gov.uk\)](#)

'Plug-in grant' for cars ends as the focus moves to improving electric vehicle charging

The UK government has closed the plug-in car grant scheme to new orders. This follows a [public evaluation report](#) highlighting that while the grant was vital in building the early market for electric vehicles, it has since been having less of an effect on demand. Other existing price incentives, such as company car tax, continue to have an important impact. The report also found the plug-in van market will benefit from grant incentives more to support businesses and their fleets in making the switch.

To continue the UK government's drive towards net zero, £300 million in grant funding will now be refocused towards extending plug-in grants to boost sales of plug-in [taxis](#), [vans and trucks](#), [motorcycles](#) and [wheelchair accessible vehicles](#), as announced in the autumn statement.

See: [Plug-in grant for cars to end as focus moves to improving electric vehicle charging - GOV.UK \(www.gov.uk\)](#)