

Written 4 January 2021

BUSINESS NEWS

We wish you a happy new year - let's hope 2021 is more stable from a business perspective and that by the end of the year we can return to some kind of "normality".

BREXIT TRADE AGREEMENT

The transition period for the UK leaving the EU has ended. The EU and UK have struck a trade deal, and this has been ratified by the UK Parliament so from 1 January we are trading with the EU quota and tariff "free". There are new Customs regulations and VAT requirements to get to grips with, but we have every confidence once we get used to the new systems, imports and exports will continue to flow.



The full agreement is entitled "trade and cooperation agreement between the European Union and the European atomic energy community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part" and can be seen at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/948119/EU-UK Trade and Cooperation Agreement 24.12.2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/948119/EU-UK_Trade_and_Cooperation_Agreement_24.12.2020.pdf)

The key points of the agreement are outlined below:

- **Travel** - UK nationals will need a visa for stays longer than 90 days in a 180-day period and there will be new procedures for UK travellers at EU borders. European Health Insurance Cards, (EHIC) cards will remain valid until they expire. Mobile roaming charges may change so if you are using your phone abroad check with your plan provider first.
- **Trade** - There will be no tariff charges on goods or quota limits on the amount that can be traded from 1 January. However there will be Customs checks at borders and customs declarations will need to be made by exporters from the EU and the UK.

- Services** - UK financial businesses lose their access to EU customers (many larger firms have already established subsidiaries within the EU to continue access) and whilst the UK has granted EU businesses temporary permission to continue servicing UK customers, there is no reciprocal EU agreement for UK businesses as yet.

We expect regulatory discussions about “equivalence” in 2021 and hopefully, an arrangement whereby UK firms will get access to EU customers.

There is a Government Brexit checker to assist with the planning for business, family, and personal circumstances. Use the Brexit checker to get a personalised list of actions. You can also sign up for emails to get updates for what you need to do.

See: <https://www.gov.uk/transition>

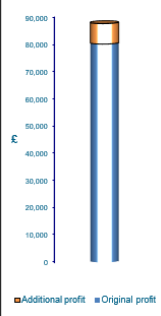
There are other agreements on fishing, security, the Justice system and study which have been widely commented on in the last few days and it is now a question of moving forward with the agreement and dealing with the new lockdown rules and planning for recovery.

If you are concerned about the uncertainty, ask us about our One Page Analyst, a “what if” scenario planner which takes your projected 2021 figures and allows you to work out the effect on profit of reducing expenses, increasing sales, increasing or decreasing prices.

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ONE PAGE ANALYST

How much profit would you like to make?

	Last year	As % of Revenue
Sales	150,000	100%
Direct Costs	20,000	13%
Direct Wages	10,000	7%
Gross Profit	120,000	80%
Expenses	40,000	27%
Depreciation		
Other income		
Net Profit	80,000	53%



£

90,000

80,000

70,000

60,000

50,000

40,000

30,000

20,000

10,000

0

■ Additional profit ■ Original profit

Please note the following potential profit movements

Reducing expenses by	10%	may only increase profits by	£ 4,000	
Increasing "sales" by	5%	may increase profits by	£ 6,000	
Increasing "prices" by	5%	may increase profits by	£ 7,500	
Increasing "prices" by	5%	= the same profit as before even if you lose volume of	6%	
Decreasing "prices" by	5%	= the same profit only if you increase volume by	7%	

Type your comments here

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Please talk to us about helping you with forecasting and planning for 2021. We have helped many clients with “what if” scenarios and their future planning.

MD
ASSOCIATES
ACCOUNTANTS & TAX ADVISERS

Please contact a member of our team if you would like to discuss any of the issues raised.

Call: 0121 233 0090 Email: info@mdassociates.org.uk

OXFORD-ASTRAZENECA CORONAVIRUS VACCINE APPROVED FOR USE IN UK

The Oxford-AstraZeneca vaccine has been approved for use in the UK and the first doses were given on 4 January.



The UK has ordered 100 million doses - enough to vaccinate 50 million of us. Hopefully most adults will have had the vaccination well before the end of 2021 and we can see an end to much of the lockdown rules we are currently living under.

SO WHAT ARE OUR BUSINESS PREDICTIONS FOR 2021?

We have to admit that last year we did not predict the Pandemic and the devastation we have endured. We did predict Brexit disruption, and this looks like it will be the case until systems are in place for as "smooth as possible" travel and trade.

There will be "bumpy moments" for UK businesses and travellers as they get to grips with new EU rules, stated Michael Gove at the end of last year. The nature of the UK's new relationship with the EU - outside the Single Market and Customs Union - means that there are practical and procedural changes that businesses and citizens will need to follow.

The Government continues to urge businesses to make sure they understand the new rules on importing and exporting goods, including the different rules that apply to trade with Northern Ireland, and to consider how they will make customs declarations on EU trade.

They also encourage travellers to EU destinations from 1 January to take out comprehensive travel insurance, check their mobile phone provider's roaming charges and make sure they have at least six months left on their passports.

Manufacturing and sectors dependent on the movement of goods between the UK and EU will be most affected. We do believe that our clients are resilient and will adapt to the changes and that the new regulations will be a short-term issue.

The lockdown, in varying tiers, will continue to be in place for at least the first six months of 2021 and will only ease up when mass vaccinations have been done. This will impact hospitality, retail, personal services and travel businesses most. We expect many of these to “bounce back” later in the year.

The lockdown has altered consumer behaviour and we predict further retail evolution as a result. For example, it is reported that Amazon will expand its Go store chain into the UK with shops that do not have a checkout. Customers can collect the products they want and leave the store without a checkout process. A combination of digital cameras and artificial intelligence tracks what they have collected and invoices them when they leave the shop.

See: <https://www.bbc.co.uk/news/business-54507044>

We also predict that working from home will become the “new normal” for many smaller service-based businesses. This offers reduced office costs and more flexibility.

New and enhanced “work from home” security and collaboration software will develop further next year, and we encourage our clients to review their internet security regularly.



2021 will see many business adopt new technologies to help them streamline their administration. We predict most of our clients will move to Cloud accounting software ahead of the April 2022 “Making Tax Digital” deadline. Cloud accounting software has several advantages for business owners:

1. A clear picture of your current financial position, in real-time;
2. Your accounts 100% online, so there’s no software to install and everything is backed up automatically. Updates are free and instantly available;
3. Your bank feeds your data directly into your accounts on a DAILY basis;
4. You take a photo on your phone of a purchase invoice and it is posted automatically; and

5. Could see your results, who owes you money, who you owe and your business bank balance 24/7, 365 from your smart phone, tablet or computer.

Please talk to us about moving your accounting system online ahead of the new legislation in 2022.

WHAT IS THE BEST USE OF YOUR TIME IN JANUARY?

Clearly there will be short term actions on EU trade for some. However we encourage all clients to consider taking time to prepare a 2021 Strategic plan.

“A sailor without a destination will never get a favourable wind”

It is easier to get to your destination with a plan. We all know this simple truth. If you are driving from A to B it helps to know where A is and the directions you need to take.

If you have a vision of what you want your business to look like when it is “complete” then you are in a position to drive your business towards the vision, and you can monitor how you are doing as you go along.

If you do not have a strategic plan then you could get blown around like flotsam in the sea. This way and that way without any control.

If we agree it is hard to accomplish anything without a plan, let’s start thinking about putting one in place. A plan looks at all the things a business could do and narrows it down to the things it is actually good at doing. A strategic plan also helps you determine where to spend time, resources and money.

So how do you do a strategic plan?

1. Take time to review your own personal objectives - the business is there to provide you with what you want from life, do not forget this.
2. Look at where you are now, your strengths, weaknesses, opportunities and threats. Take external advice so you have a clear understanding of your position in the marketplace, the competition, your systems and the way you do things and what you are good at and what you are not.
3. Focus on where you want to be (say) in 2 years, what you want your business to look like when it is “complete” or running profitably and successfully. Then you can determine your priorities - the big issues that you need to focus on - this is the strategic plan!
4. Write down your vision and define what you must achieve and the actions you need to take. Monitor how you are doing towards your vision each month and what actions have been completed and what needs to be done to keep you moving towards your plan.
5. Allocate responsibility for taking the actions.
6. Monitor, review and adjust your regular activities to keep you on track towards your plan.

We have useful tools and checklists to help you analyse where you are now, set a strategy, agree actions and monitor them. Please talk to us about how we can help you achieve your goals - we have helped many other businesses grow and succeed!