Leisure/Hospitality

Specialist Leisure & Hospitality Accountants

Newsletter
Spring 2017

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Introduction

Welcome to our Spring 2017 leisure and hospitality newsletter.

The first quarter of the year has been hectic to say the least, with Article 50 now triggered which will see Britain formally exit the European Union within two years, the Chancellor of the Exchequer Phillip Hammond delivering his Spring Budget, and now the Prime Minister Theresa May has called for a General Election to take place on June 8th. The rest of the year looks set to be challenging for the hospitality sector with a level of uncertainty created by changes on the horizon for the UK economy.

In this issue, we look at:

- Spring Budget 2017
- Business rates increase
- 10 ways Brexit may affect tourism
- Making Tax Digital: Post-Budget update
- Apprenticeship Levy launched
- Car-Tax-Trophe for new car buyers!
- Hawsons Wealth Management seminar: Pensions Continue to Evolve

We hope you enjoy this edition of our newsletter and, as always, please get in touch if you would like any further information.

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Hawsons are specialist leisure and hospitality accountants

Hawsons has a dedicated team of specialist leisure and hospitality accountants in Sheffield, Doncaster and Northampton. Our specialist team offers a wide range of services which are tailored to meet your individual needs. Our understanding of the issues faced by businesses in this dynamic sector means that we can proactively seek out ways for you to maximise your profitability and minimise your tax liabilities.

For more information on our leisure and hospitality expertise, including the services we offer and our experience, please visit: **www.hawsons.co.uk/leisure**

Spring Budget 2017

The Chancellor Philip Hammond presented the last Spring Budget on Wednesday 8 March 2017. In his speech, the Chancellor was keen to point out that he wanted the tax system to be fair, particularly in relation to the distinction between employed and self-employed individuals. In this article, we look at how the Chancellor's Spring Budget impacts the leisure and hospitality sector.

Main Budget tax proposals:

Our summary concentrates on the tax measures which include:

- increases to the Class 4 National Insurance rates – Update 15/03/17 – Chancellor withdraws plans to increase NI.
- a reduction in the Dividend Allowance from £5,000 to £2,000
- changes to the timing of Making Tax Digital for smaller businesses.

Previously announced measures include:

- increases to the personal allowance and basic rate band (a decreased band for Scottish residents)
- the introduction of the Apprenticeship Levy
- changes to corporation tax loss relief
- the introduction of an additional inheritance tax residence nil rate band
- changes for non-UK domiciled individuals.

Main Budget announcements (Leisure and hospitality specific)

- Small businesses under VAT threshold have extra year (until 2019) to prepare for Making Tax Digital (MTD)
- Increase in National Insurance Contributions (NICs) – Update 15/03/17 – Chancellor withdraws plans to increase NI.
- Tax-free dividend allowance for individuals of limited companies to reduce from £5,000 to £2,000 from April 2018.
- £435m to support businesses affected by the increase to business rates from April 2017
- No business losing business rate relief will see their bill increase by more than £50 a month next year
- Pubs with a rateable value of less than £100,000 will get a £1,000 discount on their business rates bill
- £300m funding allocated to local councils to help the harder-hit businesses
- Beer and cider tax will rise at the rate of inflation – currently at 3.9%
- Sugar levy to go ahead as planned

Leisure and hospitality 2017 Budget impact

Mixed reaction to this year's Budget

The biggest headline for the sector without a doubt has to be the rise in businesses rates. Many businesses in the sector are going to hard-hit by the increase, but it seems the Chancellor has responded to the backlash and announced measures for those who are most affected. The delay to the Making Tax Digital (MTD) project until 2019 is also welcome news. Understandably, many small businesses were and still are, quite anxious about the introduction of Making Tax Digital.

Business rates

Local councils will be given £300m funding to help those businesses who are hardest hit by the increase. Therefore, any small business coming out of business rates relief will not pay any more than £600 more in business rates this year, than they did in the previous year. No business losing business rate relief will see their bill increase by more than £50 a month next year.

Alcohol tax

Both beer and cider tax is no longer frozen and will rise alongside inflation which currently stands at 3.9% from 12 March. Therefore, the price of a pint is set to increase by 2p which is the first rise in five years since the abolition of the Beer Duty Escalator.

National Insurance Contributions (NICs) increase

Now for the not so good news; the increase to National Insurance Contributions. Class 2 NICs are currently paid on profits of £5,965 or more and Class 4 NICs at 9% are paid on profits between £8,060 and £43,000. Class 2 NICs are to be abolished from 2018, but Class 4 NICs are going to increase by 1% to 10% in April 2018, and then by a further 1% in April 2019. Only the self-employed will be affected by the new rates, which apply if you have profits above £16,250. - Update 15/03/17 – The Chancellor, Philip Hammond, has withdrawn plans for the proposed National Insurance increases which will come as very welcome news to the self-employed.

Scott Sanderson, Partner at Hawsons, had this to say: "It's been a mixed bag one for the sector this year. While the delay to MTD is certainly a positive, as is the £435m to support the businesses with the business rates increase, the increase to the alcohol tax is certainly disappointing."

Business rates increase 2017/18

As of 1st April 2017, business rates have increased. In this article, we will discuss what business rates are, what has changed, what the government announced in the Budget in order to ease the strain of the increase and whether you can appeal the business rates assigned to you.

What are business rates?

Business rates are a tax charge on business properties such as pubs, offices, shops, warehouses and factories; you could say it's a council tax for businesses. The amount of tax you pay depends on the "rateable value" of the property, this means that if the area has high house/rent prices, the higher the annual rateable value will be. To put that into perspective, companies roughly pay half of the value of their yearly rent in business rates.

It is estimated that business rates will raise an estimated £29bn in total in 2016/17. That is around 4.5% of the entire UK tax take and around 1.8 million businesses are liable.

The changes

Before the changes came into effect (Pre-April 1st), if your property's rateable value was less than £12,000 and your business only uses a single property, you could have claimed small business rate relief. However, that threshold has now increased to £15,000.

You will get 100% business rate relief if your rateable value is up to £6,000 – in other words you won't pay any business rates. As of 1st April, if your property has a rateable value of £12,000 or less, you will be able to get 100% business rate relief.

To avoid clashing with the general election, the government postponed the last valuation from 2015 to 2017 (where they have now increased). On average, businesses who employ fewer than 10 people are expected to pay £17,000 to cover business rates under the changes.

The Budget

Due to the backlash the Chancellor faced following the increases, he announced in the 2017 Budget that the government will give £435m to support businesses that are affected by the increase to business rates. Therefore, any small business coming out of business rates relief will not pay any more than £600 more in business rates this year, than they did in the previous year. Also, local councils will be given £300m of that £435m to offer discretionary relief to those who are the hardest hit.

The Chancellor stated that he was unable to abolish these rates due to the taxes bringing in £29bn a year and a consultation is therefore set to focus on business rates.

Can you appeal against the new business rates?

Yes. The business rates that owners pay are determined by its rateable value, which is set by the Valuation Office Agency (VOA). You can then appeal the valuation or property details if you believe they are wrong. If you do wish to go ahead with appealing your business rates you have been set, you will need to make sure you have grounds for appeal and you can check here. You can then appeal directly to the VOA.

However, you will need to continue to pay your business rates until your appeal has been resolved but, if you are not able to agree on a rateable value, you can take your case to the Valuation tribunal. The Valuation Tribunal is a free service but you have to pay for your own costs.

10 ways Brexit may affect tourism

Wednesday 29 March was the date when Article 50 was officially triggered, and with that marks the two-year process in which the UK leaves the EU. However, the implications for British travellers are yet to be resolved. In this article, we look at 10 things that could have an impact on British travellers.

Mobile phone roaming charges

Using your phone abroad used to cost a significant amount, but after pressure from the EU, costs plunged dramatically. Currently, under EU rules, roaming charges are set to be abolished completely in June 2017. Therefore, when the UK does eventually leave the EU, it is anyone's guess as to whether these laws will still affect British travellers.

Increase in airfares

Low-Cost Carriers (LCCs) have helped in significantly reducing the cost of travelling and the opening of new routes was enabled by the EU's removal of old bi-lateral restrictions on air service agreements and the introduction of more open competition on routes between Union countries. However, with Britain leaving the EU, new agreements and arrangements will need to be made in order for LCCs like easyJet to continue to operate within EU countries and for Irish airlines like Ryanair to continue to fly into the UK without any restrictions.

The array of routes coupled with low fares that us Brits currently enjoy could be a thing of the past if no arrangements can be made during the negotiation process.

Health benefits abroad

Currently, UK citizens can have a European Health Insurance Card (EHIC), this card entitles UK nationals to free or reduced healthcare services when travelling abroad. This is by no means the same as travel insurance, but does allow many travel insurance policies to waive the excess payment you make on a claim. However, this agreement will now have to be renegotiated and it is assumed that any deal will depend on the UK allowing EU citizens access to our own healthcare services.

Delayed flights

Only one good thing comes from a delayed flight – the high levels of compensation you receive as a result of EU directive. However, this could all change with British airlines most likely lobbying for this to be reduced after we have left the EU. Regardless of this, flights in and out of Europe will still be governed by the directive, but claiming compensation may prove more difficult, and you might even have to go to court in another country.

The strength of the pound

It's no secret that the pound's value has dropped significantly since the EU referendum and as a result of this, holidays have become more expensive. Many predictions about the pound have been floating around and before the referendum, it was predicted that it could fall as much as 20%. However, while it has fallen, it hasn't quite fallen that much. The pound is expected to fluctuate between now and when the UK officially leaves the EU.

Borderless travel

It is currently expected that once the UK leaves the EU, British citizens will not need visas to travel and will still have to pass through passport control just like we do now. One thing that will change is that we won't be stood in the EU citizens queue so we may have to wait longer to be seen. Under the Schengen arrangement, most controls for border-crossing have been removed but if the Union collapses as a result of Brexit (and that is a possibility – albeit a small one) these controls could be back in place and border checks could be reintroduced.

10 ways Brexit may affect tourism continued...

Holiday protection

Under EU law (established in 1992), financial protection arrangements for package holidays was introduced to help holiday makers not get stranded in the event of a holiday company collapses. It is unlikely that the UK Government will look to water down these rules, but they will now be free to do so if they wish. In 2018, the EU's new Package Travel Directive was set to be implemented, so it is unlikely British travellers will see the benefits of this new scheme.

Duty free

In 1999, Britain lost the right to buy duty free when travelling to or from another EU country. However, we won the right to bring back an unlimited amount of duty free goods from EU member states. Therefore, if you were to bring wine home from France, you will have only paid 23p per 750ml whereas here in the UK, it's £2.08. With the UK leaving the EU, we will presumably have to revert back to the same arrangements that apply to all other countries.

Working in the EU

If you want to fund a trip around Europe by taking casual jobs, or if you want to work in holiday resorts, you can do so due to our EU membership. Now we're leaving the EU, there looks to be a big rethink on these rules and the mood seems to be around Government that they want restrictions on freedom of work and movement. British citizens will also presumably face similar restrictions when we want to work in the EU.

Beach pollution

Under EU law, it is a requirement for member states to have high standards of water bathing quality and those who didn't, were shamed until they improved this element. Britain has seen a big improvement in the reduction of raw sewage polluting our beaches in the last 25 years. While this is a dramatic improvement, more still needs to be done. The question is; is that likely to happen now we're leaving the EU?

If Brexit is a worry for you, and you would like to speak to one of our advisors, please click here to book a free meeting to discuss your business needs.

Making Tax Digital: Post-Budget update

What is Making Tax Digital?

MTD is the biggest shake-up of the personal tax system in 20 years and will fundamentally change the way taxpayers report to HM Revenue & Customs (HMRC) and keep their business records. Taxpayers will be required to keep records digitally and update HMRC more frequently than is currently the case. The roll out of MTD will commence in April 2018.

The general principles of MTD

The government has decided how the general principles of MTD will operate. Draft legislation has been issued on some aspects and more will be published in Finance Bill 2017.

Under MTD, businesses, self-employed people and landlords will be required to:

- maintain their records digitally, through software or apps
- report summary information to HMRC on a quarterly basis through their 'digital tax accounts' ("DTAs")
- make an 'End of Year' declaration through their DTAs.

DTAs are online areas where a business can see its tax details and interact with HMRC digitally.

Exemptions

Businesses, self-employed people and landlords with turnover under £10,000 are exempt from these requirements. There will also be a very limited exemption for businesses or people who "cannot engage digitally".

Changes announced in the Budget

The Chancellor announced a one year deferral (to April 2019) from the mandating of MTD for unincorporated businesses and landlords with turnovers below the VAT threshold (currently £85,000). For the self-employed and landlords that have turnover in excess of the VAT threshold, the commencement date will continue to be from the start of accounting periods which begin after 5 April 2018.

Lords call for delay

The House of Lords Select Committee on Economic Affairs, Finance Bill Sub-Committee (FBSC), have been looking at the potential impact of the MTD proposals. The FBSC have now published a critical report ("The Draft Finance Bill 2017: Making Tax Digital for Business") calling for a far more cautious approach by the government to the roll out of MTD. The committee has recommended delaying the introduction of the scheme to 2020 to allow for a full pilot.

The report concludes that the roll-out of the scheme is being rushed, imposing unnecessary burdens on small businesses and landlords, and will yield little benefit to the government. The Lords' committee recognised the unprecedented technological and logistical challenges that would be faced by the small businesses that do not currently maintain digital records or interact with HMRC on a frequent basis. The committee are also concerned that the government's estimate of the 'tax gap' saving is fragile and not based on adequate evidence.

New penalty regime

HMRC are set to introduce a new regime for late submission penalties and late payment sanctions under MTD. HMRC have now opened a consultation on how the new penalty regime should operate. The consultation paper sets out three possible models for late submission penalties and provides an update on late payment penalty interest. The proposals have been developed with the new MTD obligations in mind but the consultation also explores the suitability of the sanctions for other regular submission obligations. The consultation also provides an update on late payment penalty interest as a sanction for late payment of income tax, corporation tax and VAT.

The consultation closes on 11 June 2017.

How do I prepare for Making Tax Digital?

Over the coming weeks and months, we will provide further guidance on what MTD will mean for your business and explain the practical steps you should take to ensure a smooth transition to MTD.

If your business does not already keep digital records, you should consider doing so now so you can start to familiarise yourself with the software.

Apprenticeship Levy launched

The new Apprenticeship Levy will be launched in April 2017. We look at what this is and who will be affected by the government's new levy.

What is the Apprenticeship Levy?

First of all, only employers with a wage bill of over £3m will be affected by the Apprenticeship Levy. The levy will be set at a rate 0.5% of an employer's pay bill, but each employer will receive an allowance of £15,000 to offset against the levy.

Any employer with a wage bill of £3m or higher must adhere to the new rules, whether apprentices are employed or not.

The good news is that it is expected that only 2% of UK businesses will be affected by this new scheme.

All sectors

The new apprenticeship levy will apply to all sectors – including the charity sector who will not be exempt from adhering to this new scheme.

How is this levy paid?

The levy will be paid through the PAYE system alongside tax and National Insurance Contributions.

Apprenticeship funding

Any employer that is too small to fund the levy – roughly around 98% of those in England – will be eligible to receive 90% of training costs funded by the UK government. Along with this, employers and training providers that take on young apprentices aged 16 to 18 can claim extra support worth £2,000 per trainee.

Employers with fewer than 50 employees on their books can claim 100% of their training costs to be funded by the government if they take on apprentices or young care leavers. As well as this, there are to be 15 funding bands – with the caps ranging from £1,500 to £27,000 and, as previously stated, the plans will be launched in April 2017. The funding system will not be launched until a month later.

Employers that pay the levy

The new 'digital apprenticeship service account' will be the platform for employers to access government funding for apprenticeships to pay for the training. This service will also assist employers in finding training providers in order to deliver a successful apprenticeship programme.

This only applies to businesses in England; as separate arrangements will be made in regards to Scotland, Wales and Northern Ireland.

Employers that do not pay the levy

From May 2017, when the new funding system is launched, employers can use the registers on the digital apprenticeship service to choose the type of training they wish the apprentice to receive, the training provider and an assessment organisation.

Employers that do not pay the levy will not need to use the digital apprenticeship service in order to pay for apprenticeship training and assessment until at least 2018.

Full steam ahead

The British Retail Consortium had called for a delay to the introduction of the Apprenticeship Levy until at least 2018 which, according to its Chief Executive, Helen Dickinson, would "allow more time to design a truly viable system that delivers high quality training."

The manufacturers' organisation EEF had acknowledged that an increase in funding for topics such as maths, science and engineering would be a welcome change, but also warned that there should be a delay in the levy's introduction.

Despite the calls to delay the introduction of the levy, it will go ahead as planned from April 2017

Car-Tax-Trophe for new car buyers!

The way Vehicle Excise Duty (car tax) is calculated is changing. These changes are going to have a significant impact on all new car buyers and care will need to be taken to avoid potentially hefty tax charges. Below are details of the new rules affecting all new cars from 1st April 2017.

New Vehicle Excise Duties

From 1st April 2017
New Vehicle Excise Duties (VED) rules come into force for new cars registered after 1st April 2017. These tax changes mean that all new car buyers will face a significant increase in their car tax in the first year of registration, depending on CO2 emissions. Whilst currently low emission cars are exempt, the new VED system will only be free for vehicles with no emissions i.e electric and hydrogen cars. There is also a new five-year supplement to pay for cars costing more than £40,000 which will be £310 per annum. Buyers of smaller, more economical cars will face the largest increases in duty as they have previously benefited from the old regime favouring low emission cars.

Why change?

Manufacturers have slashed CO2 emissions resulting in less tax revenues for the Exchequer. It is estimated that a quarter of new cars pay no road tax as CO2 emissions are below 100 g/km.

The new changes in detail

Cars registered after 1st April 2017 will pay a one-off tax charge for the first year under a revised CO2 based band system. From the second year onwards, the CO2 scale becomes irrelevant as there will be two flat rates. A zero rate for zero emission vehicles and a flat rate of £140 for other cars. Cars costing over £40,000 will pay the £140 from year two plus £310 for the first 5 years, meaning a total of £450 pa. After five years, they revert back to the £140 flat rate. A £40,000 plus car with zero emissions will pay the £310 expensive car supplement. As part of the changes, alternative fuel vehicles e.g. hybrids, bi-ethanol and liquid petroleum gas will benefit from £10 lower rates for the first 5 years.

The VED tax bands from April 2017 are as follows:

Emissions (g/km of CO2)	First year rate	Standard rate
0	£0	£0
1-50	£10	£140
51-75	£25	£140
76-90	£100	£140
91-100	£120	£140
101-110	£140	£140
111-130	£160	£140
131-150	£200	£140
151-170	£500	£140
171-190	£800	£140
191-225	£1,200	£140
226-225	£1,700	£140
Over 225	£2,000	£140

Cars above £40,000 pay £310 annual supplement for five years.

Cars registered before 1st April 2017

Existing VED bands will remain in place so that these cars continue to pay the current VED rates even after the new bands come into force.

Car-Tax-Trophe for new car buyers!

Current (pre-April 2017) vehicle VED tax bands:

VED Band	Emissions (g/km of CO2)	Annual rate	First year rate
A	Up to 100 g/km	£0	£0
B	101-110 g/km	£20	£0
C	111-120 g/km	£30	£0
D	121-130 g/km	£110	£0
E	131-140 g/km	£130	£130
F	141-150 g/km	£145	£145
G	151-165 g/km	£185	£185
H	166-175 g/km	£210	£300
I	176-185 g/km	£230	£355
J	186-200 g/km	£270	£500
K	201-225 g/km	£295	£650
L	226-255 g/km	£500	£885
M	Over 255 g/km	£515	£1,120

Road tax refunds when you sell your car

Any remaining road tax is refunded to the seller and the buyer has to re-tax the car. The tax refunds should be sent automatically when the DVLA receives notification that the car has been sold. Sellers must inform the DVLA of the change of ownership immediately and fines for not doing so are £1,000.

Conclusion

With the news that only cars with zero emissions costing less than £40,000 will qualify for the new £nil rate tax band, it's clear that the government is keen to put pressure on manufacturers to provide more vehicles within this bracket. This is another step on the road towards the Transport Ministers goal for all cars and vans to be zero emissions by 2050.

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Hawsons Wealth Management Presents

Pensions Continue to Evolve

Hawsons would be delighted if you could join us for a seminar where Nigel Smith, Director of Hawsons Wealth Management Limited, will talk you through the ongoing changes in the pensions world.

As a qualified pensions specialist, he will provide details of the favourable tax benefits currently available with pensions, looking at:

- **Funding options**
- **Income requirements**
- **Flexible retirement options**
- **Death benefits**
- **Inheritance tax consequences**

During this seminar, Nigel will explore all these areas and inform you how our Wealth Management team can help.

Following Nigel, Erica Dietsch, Independent Financial Advisor at Hawsons Wealth Management Limited, will look at investment opportunities that may be suitable to provide income in a tax efficient manner. She will consider the following:

- **Investment bonds**
- **Offshore solutions and how they are taxed**
- **ISAs, Unit trusts & Investment trusts**

Sheffield

- **Tuesday 16th May 2017**
- **Tapton Hall, Shore Lane, Sheffield, S10 3BU**

Doncaster

- **Friday 19th May 2017**
- **The Portland Suite, Doncaster Racecourse, Leger Way, Doncaster, DN2 6BB**

Northampton

- **Thursday 25th May 2017**
- **Sunley Conference Centre, The University of Northampton, Park Campus, Boughton Green Road, Northampton, NN2 7AL**

Programme (for all venues)

- **Registration and refreshments: From 7:45am**
- **Presentation: 8:15am**
- **Finish: 9:30am**

To register for this event, click here.

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Spring 2017

Registered to carry on audit work in the UK and Ireland and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

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Find out more about how Hawsons can help your leisure & hospitality business.

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