Leisure/Hospitality

Specialist Leisure & Hospitality Accountants

Newsletter
Winter 2017

www.hawsons.co.uk

Introduction

Welcome to our Winter 2017 leisure and hospitality newsletter.

With the EU referendum result meaning the UK will be leaving Europe, and with Article 50 still waiting to be triggered, no one really knows what's coming next or what it could all mean in the long term. In this newsletter, we look at the challenges and opportunities for the sector in an uncertain financial market. We also look at a further rise in employment costs and the impact of the new apprenticeship levy.

In this issue, we look at:

- Autumn Statement
- Rising wage costs for employers
- Apprenticeship Levy – what it means
- Making Tax Digital
- Becoming more energy efficient
- Cloud accounting

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**

HLB International

Autumn Statement

Philip Hammond delivered his Autumn Statement on Wednesday 23rd November 2016. His speech set out both tax and economic measures the government will implement. In this article, we summarise the key points arising from the Autumn Statement and focus on what the changes may mean for the leisure and hospitality sector.

In Summary (general):

- The government reaffirming the objectives to raise the personal allowance to £12,500 and the higher rate threshold to £50,000 by the end of this Parliament.
- Reduction of the Money Purchase Annual Allowance.
- Confirmation of falling Corporation Tax rates to 17% from April 2020.
- Review of ways to build on research and development tax relief.
- Tax and National Insurance advantages of salary sacrifice schemes to be removed.
- Anti-avoidance measures for the VAT Flat Rate Scheme.
- Confirmation that future budgets will be in Autumn annually going forward.

In addition, the Chancellor announced the following pay and welfare measures:

- National Living Wage to rise from £7.20 an hour to £7.50 from April 2017.
- Universal Credit taper rate to be cut from 65% to 63% from April 2017.

Draft legislation relating to many of these areas will be published on 5 December and some of the details may change as a result.

In summary (Leisure and hospitality specific)

- Despite initial hopes, there were no changes to VAT.
- Rural Rate Relief increased which will help many local pubs and restaurants.
- National Minimum Wage to increase by 30p to £7.50 per hour from April 2017.
- Employers National Insurance Contributions and Employer Pension Contributions set to also increase.
- The above will result in an increase of over £500 per year per employee.
- 2% increase on Insurance Premium Tax from June 2017.
- From April 2017, the threshold for Employee and Employer National Insurance Contributions is set to be equalised.

Autumn Statement Leisure and Hospitality impact

Rural Rates Relief to be increased

Scott Sanderson, Partner at Hawsons, commented: "Overall, no drastic changes for the sector, albeit there are a few. The Rural Rates Relief increase will be very well received among local pubs and restaurants, this will allow for a £2,900 tax-break per year so rural-based businesses have welcomed this change. There has also been a 4% increase on the National Living Wage, increasing by 30p per hour to £7.50 from April 2017 which could potentially be a burden for smaller business in the sector."

"Each employee will also be receiving an extra £500 after the Chancellor proposed an increase to Employers National Insurance Contributions and Employer Pension Contributions, as well as equalising the thresholds for Employee and Employer National Insurance Contributions from April 2017. The only other announcements made that will affect the sector are is the 2% planned increases to Insurance Premium Tax from June 2017 and there was good news in the fact that Corporation Tax will be falling to 17% in 2020."

Rising wage costs for employers

National Minimum Wage

The government announced increases to the National Minimum Wage which came into effect on 1 October 2016, after accepting recommendations for the new rates from the Low Pay Commission (LPC).

The main National Minimum Wage rate (for 21- 24 year olds) has risen by 3.7% from £6.70 to £6.95 per hour, as the table below shows.

	Current rate	Rate from 1 October
21-24 year olds	£6.70	£6.95
18-20 year olds	£5.30	£5.55
16-17 year olds	£3.87	£4.00
Apprentice rate*	£3.30	£3.40

*This apprentice rate is for apprentices aged 16 to 18 and those aged 19 or over who are in their first year. All other apprentices are entitled to the National Minimum Wage for their age.

The table below shows the historic wage increases for the National Minimum Wage:

Year	21 and over	18-20	Under 18	Apprentice
2015	£6.70	£5.30	£3.87	£3.30
2014	£6.50	£5.13	£3.79	£2.73
2013	£6.31	£5.03	£3.72	£2.68

The National Living Wage

From 1 April 2016, following the introduction of the new National Living Wage, all workers aged 25 and over are legally entitled to at least £7.20 per hour. This was, however, until the Chancellor delivered his Autumn Statement, where he announced that the National Living will increase by a further 30p from April 2017 to £7.50 per hour. The National Living Wage rates are set to increase gradually alongside rises in the National Minimum Wage, and is projected to rise to more than £9 per hour in 2020.

A four-step checklist for employers following the announcements is:

1. **Know the correct rate of pay (including the National Living Wage)**
2. **Find out which staff are eligible which rates**
3. **Update the company payroll and keep an eye out for future announcements**
4. **Communicate the changes to staff as soon as possible**

Moving forward – more compliance for employers

National Minimum Wage and National Living Wage rates will now change every April, as opposed to every October and April respectively.

This is a positive change, but does mean that the above rates will only be effective up until 31 March 2017.

Following the introduction of the new National Living Wage in April 2016, and the imminent increase of the NLW, this will see be the fifth round of wage increases (in some form) in just two years. It is therefore unsurprising to see that many small (and indeed large) business owners are finding running their payroll an increasingly complex and time-consuming task. The compliance obligation on employers has never been greater and there has never been a better time to consider outsourcing your payroll.

Apprenticeship Levy – what it means

What is the apprenticeship levy?

First of all, only employers with a wage bill in excess of £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. Therefore, any employer with a wage bill of £3m or higher must adhere to the new rules, whether apprentices are employed or not. It is expected that only 2% of UK businesses will be affected by this new scheme.

How is this levy paid?

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

Apprenticeship levy update – what's new?

A new apprenticeship levy update has been issued (August 2016), stating that all businesses have until September to feedback on plans before the new rules are formally introduced next year. The government has ignored some businesses groups' advice for a delay to the introduction of the apprenticeship levy – which will be launched in April 2017 – because of the decision to leave the European Union.

Further guidance has now been given, providing additional details on how the apprenticeship levy will affect employers. The apprenticeship levy update proposes that 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 can claim 'extra support' worth £2,000 per trainee that take on young apprentices aged 16 to 18.

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

This section only applies to businesses in England, as separate arrangements will be made in regards to Scotland, Wales and Northern Ireland. The new 'digital apprenticeship service account' will be the platform for employers to access funding from the government for apprenticeships to pay for the training. Not only will this service provide funding, but will also assist employers in finding training providers in order to deliver a successful apprenticeship programme.

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.

The impact across UK 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. 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.

Scott Sanderson, Partner at Hawsons, commented: "At a time where employers are facing a number of other new obligations and costs, including the new National Living Wage, increases to the National Minimum Wage and auto enrolment, it is understandable that there are concerns with the apprenticeship levy being introduced in the upcoming Spring' time. The latest apprenticeship levy update has reaffirmed the government's commitment to the April 2017 introduction date, employers should now be starting to consider the implications for their business and how they will absorb any additional costs."

Making Tax Digital

HMRC have recently published six consultation documents on the 'Making Tax Digital' strategy – the biggest shake-up of the personal tax system in 20 years. These documents set out HMRC's plans to move to a fully digital tax system by 2020, with the aim of making the tax system more efficient. The government first announced the project in the 2015 Budget but has now provided additional details of the proposals for consultation.

The consultation documents

The six consultation documents cover:

- Bringing business tax into the digital age
- Simplifying tax for unincorporated businesses
- The simplified cash basis for unincorporated property businesses
- Voluntary tax payments in advance of liabilities being due
- Tax administration
- Transforming the tax system through better use of information

In summary

HMRC plan to make fundamental changes to the way tax reporting is carried out. Business owners and landlords will be required to keep records digitally and update HMRC more frequently than is currently the case. These reforms will be introduced from April 2018.

By 2020 most businesses and landlords will have to use software or apps to keep their records and report to HMRC on a quarterly basis. Tax returns will be replaced by an End of Year declaration which will need to be filed within 9 months of the end of the period of account.

HMRC also intend to make changes to some of the underlying tax rules for businesses and amend HMRC's compliance and enquiry powers. This will include the introduction of a new regime for late submission penalties, late payment sanctions and proposals to align interest across taxes.

Those taxpayers who are likely to be exempt from the changes include:

- All unincorporated businesses and landlords with an annual income of less than £10,000;
- Charities and Community Amateur Sports Clubs (CASCs) and;
- Those who cannot engage digitally

Reaction

Craig Walker, Senior Tax Manager at Hawsons commented: "The proposals are radical and wide ranging, and clearly significant consultation is required. There are deep concerns within the profession and the business community that HMRC's plans are overambitious and unrealistic, the proposals will place additional burdens and costs on businesses, and the current timetable for implementation is unworkable."

"Although the concessions for businesses with income below £10,000 are welcome, much more still needs to be done by HMRC to address the legitimate concerns of businesses."

More on Making Tax Digital

Over the coming weeks and months, we will provide further details on the new initiative, commenting on the new consultation documents and what they mean to taxpayers and the personal tax system.

Becoming more energy efficient

There are numerous opportunities for operators within the leisure and hospitality sector to reduce costs by becoming more energy efficient and more waste efficient. In this article, we look at how firms could reduce their energy bills, how much it might cost and why it is becoming increasingly more important.

Operators are wasting thousands every year

Energy prices have continued on an upward trend in recent years; many operators know that they are spending too much on heating, lighting and other utilities. Food waste is also a big, but often overlooked cost. Did you know that on average a restaurant wastes 22 tonnes of food every year?

When you consider the additional tax costs through disposing that waste, the business could be spending as much as £2,000 extra on landfill tax. The standard rate of landfill tax a business has to pay is £82.60 per tonne. There's big savings to be made.

Do many operators recognise how much they could save?

Martin Wilmott, Partner at Hawsons, noted: "Unlike a lot of businesses that shut down at the end of a working day, pubs and restaurants and, in particular, hotels, often need to work around the clock. Additionally, operators are understandably cautious about implementing energy efficient practices that may impact on a guest's experience. That doesn't mean efficiency practices can't exist though, as more and more operators are finding out."

"In a sector where profit margins are already generally quite low – and with the fast-approaching National Living Wage and rising utility costs – operators are recognising that this is more important than ever before. Although energy costs may only be a small percentage of a hospitality firm's turnover, it is a cost that can be reduced, and reducing it can make a big different to the bottom line."

What non-financial benefits might a firm see?

"Of course, the financial, cost-saving aspects of implementing efficiency practices are critically important. But, they aren't they only benefits a firm might see. Becoming more energy efficient could help improve the firm's reputation and help to bring in new guests. This is something we have seen time and time again, particular with the leisure & hospitality sector becoming increasingly more competitive."

Where can firms become more efficient?

"Heating, lighting, refrigeration, water and food wastage are just some of the key areas where pubs, restaurants and hotels can become more efficient."

What examples are there of firms becoming more efficient?

"Simple things like LED lighting should really not be overlooked. You might be surprised to see such relatively minor solutions generate big savings, particular over a number of years. Other solutions such as better insulation of baths or function rooms can bring much greater savings in a shorter space of time. Raising awareness and implementing small rules like turning off lights and closing refrigerator doors can also make a big difference. Definitely get your staff involved."

How expensive are efficiency solutions?

"That really depends. LED lighting might cost a few hundred pounds (depending on the size of your firm) to implement, whereas eco-smart shower devices, biomass boilers or solar panels will cost a lot more. I would add to that, however, by saying that most energy solutions have to be seen as long-term investments. Energy efficiency projects may have high initial costs – depending on the level of implementation a firm is thinking about – but deliver lasting savings."

"There are also potentially significant tax savings available that must be taken into account. Items such as lighting and electrical systems now both qualify for Annual Investment Allowance, reducing your tax bills! I would stress, however, that the qualifying conditions can sometimes be quite tightly defined. You should always take advice in this area."

Cloud accounting

Cloud accounting is the use of accounting software where your data and software is stored on the cloud rather than your hard drive. It can be accessed remotely from any device that has internet access, much like your internet banking. As your business grows, one of the key questions you will ask yourself is: "how can I prioritise my time?" and rightly so, with not having enough hours in the day is one of the key challenges many small business owners face. This is where Cloud accounting can help your business. Here are just a few ways where our online client accounting software can help your business:

Prioritise your time – online accounting brings new working practices. Bank fees that automate the postings into the software from entries on your electronic bank statement, the emailing of pictures of receipts on to your system and the scanning of supplier invoices all reduce the time in data inputting.

IT Services – The Cloud service providers deal with much of the IT maintenance such as the backing up of your data, installing software updates and this in turn reduces the need for on premise servers.

Flexibility – In today's environment, people are mobile working outside of their office hours and away from their office locations, usually on mobiles or tablets or other devices. It is also essential that you can securely access business software and data as and when needed, wherever in the world that may be.

Moving to the Cloud couldn't be simpler, working on the Cloud will give you the opportunity to reduce the amount of time you spend on tedious and time consuming administrative tasks, allowing you to concentrate on what you do best which is running and growing your business. After all, you started a business to run a business, not to be an accountant or a book-keeper. With Cloud accounting, you can do just that.

Our Cloud Accounting services

We will work with you to find out which Cloud accounting software best suits your needs. We work with a range of the leading traditional and Cloud accounting software providers:

- Xero
- Sage One
- QuickBooks

We will help you move to your new software and make the data transfer as automated as possible. Next, we will provide you with training on your cloud accounting software so you know how to use it efficiently and get the benefits as quickly as possible.

Ongoing Cloud accounting services

Once you are up and running we are available to help at any time answering any questions you may have. With your permission, we can log into the software at the same time as you and even take control of your screen to help you with any questions you may have.

How secure is the Cloud?

Charles Kavazy, Director of IT Services at Hawsons says: "It depends. Of course, that's not a very helpful answer, but much depends on many factors including your attitude to risk, the nature of your data and the strength of the security including the processes carried out by the company hosting your data. Some people argue that storing your data on the Cloud can be more secure than storing it on your desktop or an on-site server. The level of physical and electronic security that Cloud service providers offer may be higher, depending on the risk involved, and the duplicated continuous backup processes of Cloud providers are probably going to be better than most businesses would implement."

Wherever you store your data, there are always security issues, as Charles adds: "Most Cloud computing providers take great measures to ensure your data is safe, including backup power supplies, firewalls, data encryption software and regular, third-party security audits. They can also protect your data against floods and fires by having multiple servers in different locations."

Charles summarises: "The Cloud service providers take great care to protect your data, but ultimately each business needs to consider its attitude to risk, the data being stored and the implications of a security breach. If you decide the benefits of the Cloud outweigh the risks and you are happy to accept the risk, then you need to ensure you choose your Cloud provider carefully and implement robust procedures to mitigate the risk of problems. For example, controlling access rights, regular password changes and training your staff on security risks."

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