Small Business

Specialist Small Business Accountants

Newsletter
Spring 2017

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Introduction

Welcome to our Spring 2017 small business 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 small businesses 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
- Five ways technology could improve a small business
- Apprenticeship Levy launched
- Making Tax Digital: Post-Budget update
- 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 small business accountants

Our Business Services Department is dedicated to helping the smaller business. We help businesses of all forms, including sole traders, partnerships, limited companies and LLPs.

Starting up a new business is a challenging process and there are many aspects a small business owner must consider. We have a proven track record in helping small businesses get off the ground and continue to grow. Our clients choose Hawsons because we understand their needs and find them the right solutions, at the right time. Our small business specialists can help in all aspects of setting up and running your business, providing advice in Sheffield, Doncaster and Northampton. For more information on our small business expertise, including the services we offer and our experience, please visit: **www.hawsons.co.uk/business-services**

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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 small business 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
- 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 (SME 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.
- Class 2 NICs to be abolished in 2018
- Class 4 NICs will rise to 10% in April 2018 and then to 11% in April 2019.
- 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

SME 2017 Budget Impact

A bit of good, but mainly bad news for small businesses

But let's start with the good news; the delay to the Making Tax Digital (MTD) project until 2019. Understandably, many small businesses were and still are, quite anxious about the introduction of Making Tax Digital. The main reason for the worry was because of the quarterly reporting system – requiring businesses to file, effectively, five tax returns. HMRC haven't released a great detail about this project so there is still a lot of uncertainty surrounding MTD, along with the extra burden of filing even more tax returns. However, the delay of an extra year is welcome news to small businesses as we prepare for what is undoubtedly a huge change to the way we conduct tax returns.

Business rates

Another bit of good news is the £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.

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.

Dividends decrease

Finally, the tax-free dividend allowance is going to decrease from £5,000 to £2,000. The aim of this is to decrease to the tax difference between the self-employed and those working through a company.

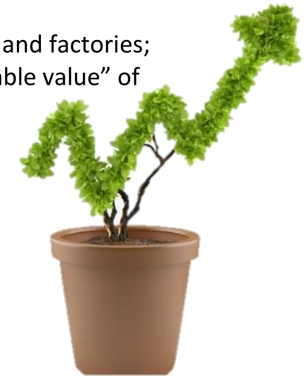
Scott Sanderson, Partner at Hawsons, commented: "It's been a difficult one for small businesses this year. While the delay to MTD is certainly a positive, as is the £435m to support small businesses with the business rates increase, the overall mood of small businesses after the Budget was announced has been a bit glum, and rightly so."

Scott added: "The decrease to the tax-free dividend comes as a surprise following its introduction from 2016/17 and could have a further impact on whether businesses choose to incorporate or not."

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.

Five ways technology could improve a small business

For small businesses, keeping up with all the latest technology can be a difficult task with the speed it moves at. From embracing augmented reality; to making use of 3D printing, we take a look at five ways different technologies could benefit your business.

3D printing

When 3D printing first entered the market, prices were sky-high and nobody really invested their time into it. Fast-forward a few years and 3D printing is mainstream and the prices are falling. It has never been easier to or cheaper to transform ideas into actual products.

Until recently, however, 3D printing has often required skilled digital designers who have a wealth of digital modelling experience. Now, though, tools have become available to make this much easier – such as being able to scan real-world objects into computers so designers can choose what they want to change, as opposed to modelling each object from start to finish.

Smart lighting

Although you may not notice, the lighting you are exposed to (whether this be at home or at work) has a major effect on your mental well-being. Studies show that fluorescent lighting can leave people feeling drowsy and agitated and until now, solutions to these kinds of problems were hard to come by. However, smart lighting devices are allowing businesses to have more control over their work environment.

These devices can be controlled over Wi-Fi using a smartphone or other devices and they're much more than simply being able to turn lights on or off, you can dim the lights to meet your own requirements or even customise the lights to follow a set schedule (instead of fiddling with them all the time).

While some SME's may not have the budget for their own technology department, it is more affordable to invest in these technologies in order to make work life easier and more convenient, making day-to-day operations also improve and as a result, saving your business time and money.

Wireless charging

Do you ever go to get your charging device and the wires are all tangled up? Well, this could be a thing of the past with wireless charging technology. Instead of finding a charger to plug in your phones, laptops and even office equipment such as lamps and printers, it will soon be possible to charge them in a more ease of access way via wireless solutions. Mobile phones are leading the way in terms of wireless charging pads, by connecting them to power via a USB and place your phone on top of it for it to charge wirelessly and at speed.

Augmented reality

You could be forgiven if you thought augmented reality and virtual are the same, but in actual fact they are very different things. Virtual reality can take you to different environments while augmented reality displays real time information over the real world. A good example of this is HP's Aurasma, this tool allows you to create an app that can turn any object, place or image into an opportunity for augmented reality.

Augmented reality experiences facilitate the opportunity to bring ordinary objects to life with digital information by simply using your camera on your smartphone to scan objects. So, if your presenting a presentation, this can make the facts and figures appear to jump off the page, this then enhances the presentation and creates a lasting impression.

Sturdier screens

It is common knowledge that phone screens, laptop screens and tablet screens are all too easy to break, and dealing with and paying for repairs can be a huge inconvenience for small businesses, costly and bad for productivity. This could also be a thing of the past with the new 'gorilla glass' soon entering the marketplace. Gorilla glass is designed to be damage-resistant and shatter-proof, but still offers brilliant screen quality as it is still thin and light enough for an excellent user experience.

Scott Sanderson, Partner at Hawsons, had this to say: "Over the past decade we have seen significant enhancements in technology which has led to increased operational efficiencies across our broad client base covering a variety of sectors, which is great to see."

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

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 turnovers 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 turnovers 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.

If you wish to discuss the implications of MTD for you and your business, please get in touch with your usual Hawsons contact.

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 cars 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 continued...

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 £0 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, please click here.

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Find out more about how Hawsons can help your small business.

Please call your local office or visit:

www.hawsons.co.uk/business-services

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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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