Transport/Logistics

Specialist Transport & Logistics Accountants

Newsletter
Spring 2017

www.hawsons.co.uk

Introduction

Welcome to our Spring 2017 transport and logistics newsletter.

Wednesday 29th March 2017 marked the day that Article 50 was triggered. The transport and logistics sector recently set out their demands for post-Brexit, highlighting that the logistics industry is key to an efficient, effective and growing economy. Throughout the negotiation process, we will keep you up to date with all the latest news. In this issue, we take a look at what 2017 may hold for the sector, as well as discussing the reported cut in grant funding for rail freight operators. We also take a look at what the sector demanded in its Brexit Manifesto among many other topics.

In this issue, we look at:

- What's up the road and down the line in 2017?
- Reported cut in grant funding for rail freight operators
- Ask and you will receive… Maybe
- Apprenticeship Levy: Launches
- Spring Budget 2017
- 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 transport & logistics accountants

Hawsons has a dedicated team of specialist transport & logistics accountants in Sheffield, Doncaster and Northampton. We act for a large number of clients in this sector across our three offices, ranging from hauliers to international couriers, and understand the challenges firms in this dynamic sector face. Nearly every other commercial sector is reliant on the services transport & logistics businesses provide and, in many ways, this specialist sector is the linchpin for our country's economy. With our experience in the sector and dealing with transport & logistics firms on a regular basis we are able to develop a close understanding of your business and, through active year-round involvement, we can help you anticipate and deal with challenges quickly and effectively.

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

HLB International

What's up the road and down the line in 2017?

Paul Wormald, Partner and transport specialist at Hawsons, takes a look at what the future may hold for two key elements of the transport sector in 2017.

Haulage

General economic outlook

On a global level, we are predicted to be in for another year of weak if any growth. Key positives are technological advancements, improved labour skills, and greater productivity, but these are hedged by ongoing political uncertainty around the world which may dampen business and consumer confidence. Domestically, an OECD report in November showed the UK economy still getting over the Brexit result. Sterling depreciation, and uncertainty about future trading relationships with the rest of the world may impact on business investment both within the UK and into the UK. Inflation is expected to pick up in 2017 which could reduce consumer spending power, squeeze margins, and hinder growth.

This is not great news for a sector that does well when businesses are investing and consumers are buying which stimulates demand for hauliers. Fuel costs are predicted to stabilise at least, but with Crude expected to trade at around $50 to $60 per barrel, this stabilisation point is at a much higher level than the sub $30 per barrel seen in early 2016. As a result, the FTA predicts bulk diesel prices to be around 95-96pence per litre (ex VAT) during 2017 compared to sub 90p pence for much of 2016.
Some positive news remains for 2017 though with fuel duty being frozen for the seventh consecutive year in the latest Autumn Statement.

Further cost pressures may materialise from the continuing shortage of skilled drivers. This drove up labour prices in 2016. With an estimated 664,000 qualified commercial vehicle drivers in the UK, and an estimated one in four drivers due to retire over the next ten years, the ability to promote the road transport industry as a career choice for the next generation remains a huge challenge for the industry. The financial impact for hauliers is that either through restricted supply, or by the need to increase wages to attract younger drivers, labour costs are likely to increase further.

Which brings us nicely to driverless vehicles… 2016 saw the first public trial of a driverless car in the UK, at Milton Keynes. Further trials are set to take place in Bristol and Greenwich in 2017, and whilst we would seem to be a long way from commercial vehicles heading hands free down the motorway, the potential that this line of technology has and the impact it may have in the future for the sector in some form could have sizeable consequences for the sector.

Rail

The fall in the level of freight lifted by Rail in 2015/16 has been well documented, with coal traffic declining, and uncertainty surrounding the steel industry. Coal now ranks third in the pecking order of volume moved behind Intermodal and Construction traffic, having once ruled the roost. This abrupt decline has meant that rail freight operators have the challenge of how to replace these revenue streams via diversification and how to deal with underutilised and redundant assets.

The volume of Biomass hauled on the rails should increase during the year as the reliance on coal fuelled power stations continues to reduce in favour of ones capable of using Biomass. Major infrastructure projects could help construction traffic grow during 2017 and beyond, although whether some of the longer-term projects are ultimately delivered may depend on how the UK's finance fare post Brexit. Rail infrastructure projects will continue through 2017 such as further progression on Crossrail along with other improvements around the network.

2017 will also see the start of the periodic review process. This will ultimately determine what Network Rail's outputs and funding will be for Control Period 6 (2019 – 2024). Since the last review, the funding landscape for NR has changed with it being reclassified as a public body in 2014. As a result, the borrowing that NR incurs forms part of the national debt. In CP5 there have been some high-profile budget overruns on major projects, causing other projects to be delayed or cancelled. Couple this with the continued uncertainty over Brexit, and pressure on the public purse, and it can be seen that those businesses who may benefit from these projects will need to keep a close eye on how that review develops.

Intermodal traffic is now the largest freight traffic category on the UK's rails, but the challenge here is that a lot of the key routes for intermodal are also those with the highest demand for passenger traffic. This pressure on network capacity looks set to increase in 2017, with more passenger services being timetabled on already crowded routes. So, whilst there is a need for further capacity in the rail network, there may be more limited resources available to Network Rail to deliver these.

2017 should see work begin on the ground on the first phase of HS2 between London and Birmingham. No doubt there will also be further developments across the year over how the northern phases of this project will ultimately look.
Overall 2017 looks set to be a year of challenge for those involved in the transport sector.

Reported cut in grant funding for rail freight operators

Proposals announced recently by the Department for Transport may have a major impact on rail freight operators and force more lorries on to the roads. In 2016/17, a total of £19.9m was awarded to freight operators under the Mode Shift Revenue Support Scheme (MSRS). The grants are paid to rail freight operators to allow them to better compete with road haulage operators. It has been reported that this amount is to be cut to £15.7m in 2017/18 and cut further again to £15.2m in 2018/19.

The DfT has not indicated why it was planning to reduce the budget for the grant, or whether any mitigating measures were planned in the future This is a further challenge for a sector that has already been hit by traffic flow reductions arising from the rundown of coal burning power stations and falls in steel traffic.

Conversely, analysts have estimated that the reduction in the grant will lead to approximately 190,000 additional HGV movements each year. Whilst on the surface this may seem like an opportunity for the road haulage sector, it will put further pressure on already scarce driver resources and the country's road infrastructure.

For further assistance on how the changes may affect your logistics business, please get in touch with your local Hawsons contact. In addition, we are experienced in dealing with monitoring reports for a range of grant schemes in the transport sector.

Paul Wormald, Partner and Transport Specialist at Hawsons, had this to say: "The need for a co-ordinated freight strategy that utilises the best aspect of both road and rail is crucial to the efficient cost effective movement of goods around the UK. The MSRS Scheme has played a big role in encouraging inter-regional freight movements from road to rail. The planned reduction in the MSRS budget is unlikely to help develop further co-ordination between the two modes of transport, will provide further challenge for the rail freight sector, and put additional pressure on both our road infrastructure and scarce labour resources in the road haulage industry."

Ask and you will receive… Maybe

With the Prime Minister's finger hovering over the Article 50 trigger, the Freight Transport Association (FTA) launched its Brexit Manifesto in February to outline its "key asks" from the negotiation process.

The main themes emerging from the manifesto are:

- The need for barrier-free and "frictionless" access to EU market
- The development of trade deals with other global partners that minimise red tape and border delays
- Investment in world class infrastructure and transport links to seize global opportunities
- Assessment and consultation with industry bodies over regulatory simplification
- A domestic industrial policy that is supportive to the logistics sector including attractive levels of taxation and continued financial support to transition to a low carbon economy
- The need to retain and attract talent into the sector

The full manifesto can be accessed via the FTA website.

Paul Wormald, Partner and Transport and Logistics specialist at Hawsons, had this to say: "The FTA has put forward a very demanding set of requests from the UK Government in this manifesto, garnered via feedback from its members. The logistics industry is key to an efficient, effective and growing economy, generating around £121bn Gross Value Added to the economy, and employs over 2.5 million people. A post-Brexit landscape that is not supportive of the sector is likely to harm the UK's longer term economic health on several levels."

Paul added: "The planned cut in government support for the rail freight sector is not a positive sign and it is hoped that there is no further disappointing news in the future. With the future operating environment for businesses in the sector being far from clear, the need for careful and flexible planning and monitoring of performance is paramount. Regular contact with professional advisors is incredibly important so that opportunities can be identified and grasped, and challenges dealt with."

Apprenticeship Levy: Launches

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

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 transport and logistics 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 (Transport specific)

- £690m fund for English Councils to improve local networks - £490m of which will be available by Autumn 2017
- £220m fund to improve congestion pinch points
- £270m fund to keep UK at the front of disruptive technology
- 12 month freeze in VED rates for hauliers and the HGV road user levy from 1st April 2017
- Increase in National Insurance Contributions (NICs) - Update 15/03/17 - Chancellor withdraws plans to increase NI.
- £435m to support businesses affected by the increase to business rates from April 2017

Transport and Logistics 2017 Budget impact

A relatively quiet Budget for the sector?

It certainly seems so. The two biggest headlines from the Budget came in the form of the NIC rates, the first being that they were increasing; and the second being the Chancellor withdrawing the increase a week later. 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 were to increase by 1% to 10% in April 2018, and then by a further 1% in April 2019. Only the self-employed would have been affected by the new rates, which apply if you have profits above £16,250. However, as previously stated, these will now not be going ahead.

Improvement to local road networks

By Autumn 2017, £490m of a £690m fund will be available for councils to improve local road networks and reduce congestion.

Improvement to congestion pinch points

£220m has been allocated in order to improve congestion pinch points on national roads. £90m of this is to be allocated to the North, and more than £23m for the Midlands. This measure was previously announced in the 2016 Autumn Statement and details of individual schemes funded by this initiative will be announced shortly.

Disruptive technology

The Chancellor also announced a £270m fund to keep UK at the front of disruptive technology, including driverless cars and helping the development, design and manufacture of batteries that will power the next generation of electric vehicles.

Paul Wormald, Partner and Transport specialist at Hawsons, had this to say: "A relatively quiet Budget for the sector with some of the investment programmes announced having been well trailed in the Autumn Statement. Programmes to reduce congestion both locally and nationally are welcomed, but whether these are enough to make a material improvement remains to be seen, particularly in the light of reported plans to reduce rail freight subsidies and the knock-on effect that may have on HGV movements."

Paul added: "The publishing of the review on modern Employment Practices in the summer is awaited with interest as this may lead to changes in how many in the sector who operate via Personal Service Companies are taxed. The planned reduction in the tax-free dividend allowance from £5,000 to £2,000 from April 2018 will also affect these individuals."

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.

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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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 transport or logistics firm.

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