Small Business News

Specialist Small Business Accountants

Newsletter
Autumn 2015

www.hawsons.co.uk

Introduction

Welcome to our Autumn 2015 small business newsletter.

The UK economy thrives on small businesses and the picture is largely positive. Small businesses are performing well – leading the way in innovation and technology – and driving growth throughout the UK. There are, however, a number of key challenges that many are facing, such as cash flow, lack of time, auto enrolment, tax and rising costs, which we have covered in this newsletter.

In this issue we look at:

- Small business outlook 2015/16 – challenges and opportunities
- National Living Wage – the impact on small businesses
- Small company accounts – big changes afoot
- Auto enrolment – bigger costs for those that wait
- Credit control tips – stopping late payments
- Cloud accounting – is it really secure?
- Tax corner – the good, the bad and the kneady!

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**

HLB International

INVESTORS IN PEOPLE

Small business outlook 2015/16

Although not all small businesses have seen an improvement in their financial performance in the last 12 months, the picture is largely positive. The UK economy thrives on small businesses and, generally speaking, they are performing well regionally and internationally. There are, however, a number of financial and strategic challenges facing many and it is essential owners understand the potential implications each may have on their small business. Some of those challenges also bring opportunities – big opportunities, as you will see.

Managing rising costs

Rising costs is arguably the challenge that preoccupies most small business owners' minds, particularly those in sectors with very tight margins, such as dairy farming and e-commerce. While certain costs – like the onset of auto enrolment – are out of your control, there are other areas where you can make savings. The starting point must be to look at tax. Are you maximising available reliefs and minimising liabilities? There are a large number of generous tax reliefs which are widely available to small businesses, but they are often overlooked because owners do not necessarily know they are there or that they even qualify, such as R&D tax credits.

Preparing for auto enrolment

The law on workplace pensions has changed and by 2017 every organisation in the UK must automatically enrol their employees into a company pension scheme. The ability of pension providers to provide solutions is becoming a real issue due to large numbers of small businesses being enrolled in a short period of time. The fourth quarter of 2016/17 will see approximately 215,000 small businesses enter into auto enrolment alone! Our advice is to prepare early, which could reduce your costs.

Getting paid on time

Late payments are still a big concern for many small businesses in the UK. Research shows that a third of businesses in the UK say that at least 20-30% of their debtors are constantly overdue. The impacts of this are considerable, particularly on cash flow, which makes the day-to-day running of the business much more challenging. A proactive credit control system is a must.

Not enough hours in the day

Running a successful small business usually means you are focused on looking after your customers, growing sales and improving profitability. It also means you are on top of your finances with up-to-date, accurate information so you can make well-informed decisions, improve profits and manage cash flow. There's a lot to keep track of and it is no surprise that one of the biggest challenges many small business owners face is simply not having enough hours in the day. There are opportunities here though, particularly through technology, in terms of cloud accounting, bookkeeping and outsourced payroll. Outsourcing such roles is simple and cost-effective, giving you more time with customers and freeing up time for you to grow your business.

Embracing digital change (from accounting to marketing)

There are many instances where technology can help a small business enhance performance and grow, whether it's through attracting new clients, having access to real-time data or improving operational efficiencies. Investing in technology should certainly be high on the agenda and, in particular, you should be considering the huge benefits that cloud accounting can bring and the effectiveness of your website – do you attract new clients online? The world is Googling and you need to have an online presence. Other big technological opportunities may be sector specific, such as 3D printing in manufacturing or precision farming in agriculture. Some key challenges within this are a reluctance to redesign traditional methods, a lack of digital and technical expertise and funding capacity.

As you can see, there are challenges and opportunities aplenty for small businesses in 2015/16. Now, with the drama and uncertainty of the General election behind us, we can focus on the future. With innovation and technology set to continue to drive small business development – with considerable time and financial savings – let's hope growth continues on an upward trend.

For more information please contact your local office specialist.

National Living Wage – the impact on small businesses

The recent Summer Budget 2015 was hit and miss for small businesses for a number of reasons. One of those reasons was the National Living Wage (NLW) – a new measure the government introduced for working people aged 25 years and above.

The NLW is effectively another higher age band of the National Minimum Wage (NMW). Initially the NLW is set at 70p above the current NMW, although this will fall to 50p when the NMW increase comes into effect in October 2015. Further increases are to be recommended by the Low Pay Commission in order to achieve the government's objective of reaching 60% of median earnings by 2020. This means that NLW increases will be independent of the NWM wage increases for each age band that are made annual in October.

The impact on small businesses

Ian Bryan, Head of Business Services at Hawsons, said: "The additional funding needed to cope with increases in wages with the introduction of the National Living Wage is likely to preoccupy many small business owners' minds, particularly in conjunction with the recent onset of Auto Enrolment."

"The impact of the NLW will vary significantly across different sectors, with small shops, hospitality firms, retailers and care providers, in particular, facing real challenges in affording the additional expenditure. It is therefore vital that, in a time of increasing costs and pressures to maintain margins, that you seek sound and proactive financial advice."

	Current hourly rate	Hourly rate from October 2015	Hourly rate from April 2016
National Minimum Wage: Apprentice	£2.73	£3.30	£3.30
National Minimum Wage: Under 18	£3.79	£3.87	£3.87
National Minimum Wage: 18 to 20	£5.13	£5.30	£5.30
National Minimum Wage: 21 and over	£6.50	£6.70	£6.70
National Living Wage	n/a	n/a	£7.20

For more information please contact your local office specialist.

Small company accounts – big changes afoot

For many years small companies have been able to limit the amount of information held about them on the public record at Companies House. This is all set to change with effect from 1 January 2016 with the introduction of the Companies, Partnership and Groups (Accounts and Reports) Regulations 2015.

Under this legislation, the option available to small and medium-sized businesses to file abbreviated accounts is removed.

Currently a small company can file at Companies House either:

- Their full accounts;
- Their full accounts, omitting the directors' report and / or profit and loss account;
- Or, they could choose to file abbreviated accounts.

Typically, a small company would file abbreviated accounts at Companies House and prepare full accounts for the purposes of their shareholders. This way commercially sensitive information could be kept from a wider audience including employees, customers, and suppliers.

This third option will disappear in the New Year.

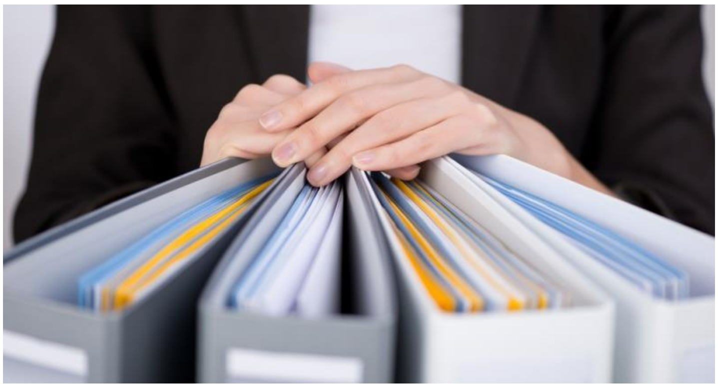
At the same time, the amount of information that small companies are potentially required to disclose to their shareholders will reduce.

The new legislation introduces the concept of 'abridged accounts', which, subject to shareholders' agreement, would fulfil the role of the full accounts for shareholders and be capable of being filed at Companies House.

These would provide less information than is currently the case for shareholders, in that the profit and loss account would start at the gross profit line and cut down on the disclosures required by law for balance sheet items.

The impact of this is that more information would be in the accounts filed at Companies House such as:

- Details of guarantees, commitments, contingencies and other arrangements that are not recognised in the balance sheet;
- Details of exceptional items;
- Average number of employees;
- Off balance sheets arrangements;
- Post balance sheet events;
- Related party transactions;



The small company will still have the option to remove its profit and loss account and directors' report from the accounts it files at Companies House

What constitutes a small company is also set to change from 1 January 2016.

The thresholds used for determining size will alter as follows:

Company size thresholds – 1 January 2016

	Micro	Small	Medium
Turnover	£0.632m	£10.2m	£36m
Balance sheet total	£0.316m	£5.1m	£18m
Average employees	<10	<50	<250

For those companies classed as micro-entities, the New Year may bring a new opportunity to reduce further the information that they lodged on the public record with additional simplifications for qualifying companies being under discussion.

The consequence of this is that a lot of companies previously classed as medium sized will in the future fall under the small company rules. For them, the amount of information that they are required to provide to shareholders and to Companies House will be a lot less than is the case now.

With such big changes in the pipeline, there is plenty of potential for companies to end up filing the wrong information with Companies House, which could lead to accounts being rejected (thus incurring additional costs), or commercially sensitive information being held on the public record unnecessarily.

We would encourage company directors to speak with their Hawsons contact at the earliest opportunity to make sure they make the right choice for their business.

Auto enrolment – bigger costs for those that wait

The law on workplace pensions has changed with the recent onset of auto enrolment. There are hundreds of thousands of smaller companies across the UK approaching their staging date, and between now and April 2017 millions of workers will be automatically enrolled into a workplace pension. Auto enrolment is the law and you must act now. As an employer, you're responsible for enrolling all eligible employees into your scheme (and contributing to it), providing they meet certain criteria.

We would advise you start talking to your pension adviser as soon as possible, preferably with more than nine months to your staging date (ideally twelve), to build a timescale and agenda to make sure it all falls in to place. Those that wait may face bigger costs.

Costs (including fines) will soon build up…

A key point to note here is that pension solutions are not necessarily free and some of the large insurance companies will charge employers a service fee to have their pension scheme. The ability of pension providers to provide solutions is becoming a real issue of capacity and if you delay your auto enrolment preparations you will likely be charged a more expensive service fee. The difference in fees can be quite high. Watch out for big fines too. The Pension Regulator is clamping down on businesses who fail to comply so any delay is risky. Regardless of their size, firms can be fined £400, with the possibility of further escalating fines.

Free auto enrolment seminars – be fine, not fined!

The law on workplace pensions has changed, but there are still many cloudy areas surrounding the regulation, particularly eligible employees and employer duties. We would therefore like to invite you to one of our seminars on preparing for auto enrolment, by Erica Dietsch, Independent Financial Adviser at Hawsons Wealth Management Limited.

- **Does my existing scheme meet minimum criteria?**
- **Are there enough schemes left for me?**
- **Will I be able to get a scheme at short notice?**
- **I am a new business, when is my staging date?**
- **What if I am a sole director, do I have duties?**
- **What if I do not have any staff?**

If you have any questions regarding auto enrolment, including those mentioned above, then please come to one of our free seminars in September and October – Sheffield (29th September) – Doncaster (1st October) – Northampton (8th October).

The seminars will provide an overview of auto enrolment and employer duties, covering who the new law applies to and what you need to do as an employer. You will also have the opportunity to ask our Hawsons Wealth Management Limited experts any additional questions. For more information and free registration, please visit:

www.hawsons.co.uk/auto-enrolment-seminar

Credit control tips – stopping late payments

Late payments are still a big concern for many small businesses in the UK. Research shows that a third of businesses in the UK say that at least 20-30% of their debtors are constantly overdue. The impacts of this are considerable, particularly on cash flow, which makes the day-to-day running of the business much more challenging.

The bare minimum you should know:

- The exact name of the customer and the trading address (consider using Companies House Webcheck service).
- Their type of business structure, e.g. are they a sole trader, a partnership or a limited company?
- Names and personal addresses of the proprietors' if their structure is unincorporated (consider verifying letter headed paper to support this information).
- Contact other suppliers to obtain references.
- Their credit rating.

There are a number of additional credit control tips available, which you can find on our website. Remember, cash flow is essential to the successful running and development of your business, so do not overlook your credit control system.

The details of stopping late payments:

Before you provide goods or services to any customer make sure you address the following:

- Discuss and agree payment terms with the customer before accepting the order.
- Agree the terms in writing.
- Review any documentation from the customer where they try to change the agreed payment terms.
- Negotiate and agree payment terms with suppliers before accepting the order.

After you have provided goods or services to a customer ensure that you:

- Raise invoices promptly.
- Raise invoices accurately to ensure all items are included at the quoted prices.
- Include a reference number for the order and then quote this if any dispute arises.
- Have everything the customer requires on the invoice.
- Have a process for chasing invoices.

Cloud accounting – is it really secure?

The question "how secure is cloud accounting?" is one that is raised by almost everybody making their first move to using the cloud. This is "the new way of working" compared to the traditional method of software delivery where the software and data are stored on your computer or server hard drive, and it is understandable that many are cautious.

Your data on someone else's computer…

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."

"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."

"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. For more advice on choosing the right cloud provider/moving to the cloud make sure you visit our website."

Tax Corner

The good, the bad and the kneady…

Good: AIA increase

The Chancellor announced that Annual Investment Allowance (AIA) will be set permanently at £200,000 from 1 January 2016. A welcome piece of news for many small business owners as the relief was due to reduce to £25,000.

This new rate should see businesses, small and large, continue to invest in equipment, plant and machinery, and should lead to increases in productivity and output. We have more details on our website at:

www.hawsons.co.uk/chancellor-gives-annual-investment-allowance-certainty

Bad: Dividend income changes

One of the biggest announcements in the recent Summer Budget was a shake-up in the way income is taxed from April 2016.

The announcement has added complexity to the current dividend system and the reaction has been, unsurprisingly, one of the confusion. What many small businesses owners do know, however, is that they will be hard hit by the change in regime. For example, if an owner makes £55k a year and pays themselves 30k as a salary and 25k as a dividend, they will see their tax liability rise by just over £1,600.

Not good news for many entrepreneurs! We have more details, including FAQ and examples, on our website at:

www.hawsons.co.uk/dividend-income

Kneady: When dough means dough!

R&D tax reliefs are available to those in the food industry throughout the supply-chain, whether its storing, packaging and preservation. Don't miss out!

Tax is often one of the largest single costs a business has to meet and businesses of all types and sizes are rightly anxious to minimise their tax liabilities. Yet our tax system is complex and constantly changing.

Many of the tax reliefs introduced to encourage saving and investment only serve to increase the complexity of the system as a whole. Businesses and their owners have to deal with numerous different taxes – Corporation Tax, Income Tax, Capital Gains Tax, Inheritance Tax, PAYE, National Insurance, VAT and Stamp Duty Land Tax (SDLT) – and these can often overlap or interact. In these circumstances good tax advice is essential.

Tax and the small business – Summer Budget

The recent Summer Budget was a bit hit and miss for small businesses. On the whole, though, it didn't bring much good news.

The most noteworthy announcements were the:

- Introduction of the National Living Wage
- Proposed decrease in corporation tax
- Big change in how dividend income is taxed
- Increase in Employment Allowance
- Certainty given to Annual Investment Allowance

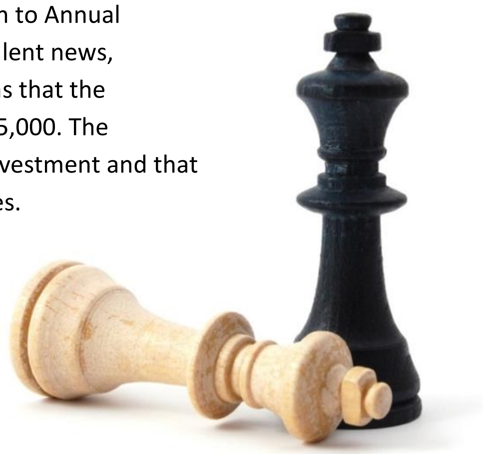
With small businesses dealing with auto enrolment and other rising costs, the timing of the introduction of the National Living Wage will not be welcome by the small business community. The impact will of course vary from sector to sector, with small shops, hospitality firms, retailers and care providers set to face a real financial challenge.

The cut to corporation tax, from to 20% to 19% in 2017 (and 18% in 2020) is undoubtedly good news for small and large business alike.

As we have mentioned in this editions 'the good, the bad and the kneady…' the change in the way dividend income is to be taxed is a particularly big blow for entrepreneurs. The change will significantly reduce the tax advantage of taking dividends rather than salary.

In contrast, the certainty given to Annual Investment Allowance is excellent news, particularly as the concern was that the allowance would be cut to £25,000. The government is encouraging investment and that is good news, for all businesses.

Tax will always be an issue, but it will also always bring opportunities. Are you maximising your tax reliefs?



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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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