



# Retail Sector

## Specialist Retail Accountants

Newsletter

Spring 2016

### Introduction

Welcome to our Spring 2016 retail newsletter.

With changing shopping habits, the focus on omnichannel retailing, the introduction of the new National Living Wage and the ongoing onset of auto enrolment 2016 promises to be yet another year of radical change in the retail sector. The picture, however, remains largely positive, particularly for those e-commerce retailers who are seeing no signs of the growth in online retailing slowing down.

### In this issue we look at:

- 2016 Budget retail review
- The National Living Wage impact for the retail sector
- The omnichannel retail trend – are you ready?
- Important changes to Employment Allowance
- Is now a good time to outsource your payroll?
- Tax opportunities for small business owners

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 retail accountants

Hawsons has a dedicated team of specialist retail, wholesale & e-commerce 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.

We can help in these areas through improving stock control, purchase re-ordering and reconciliation procedures. For retailers we have in-depth knowledge and experience of the sector from single sites to multi-channel retailers covering retail shops, e-commerce shops and many other sites such as Amazon, eBay, Shopify and Play.com. For more information on our retail expertise, including the services we offer and our experience, please visit:

[www.hawsons.co.uk/retail](http://www.hawsons.co.uk/retail)



# 2016 Budget retail review

On 16 March, the Chancellor delivered his first Budget of 2016. In this article we summarise the key points and developments arising from the recent Budget and focus specifically on what the changes may mean for the retail sector.

## 2016 Budget retail impact

Pete Wilmer, Partner at Hawsons, commented: "This year's Budget brought good news for retailers and particularly good news for small retailers. Although the Chancellor did not provide clarity on the retail rate relief or the new apprenticeship levy, the changes to business rate relief and freeze in fuel duty are both positive developments."

### Business rate relief for small businesses

The £1,500 retail rate relief could be an invaluable relief for small retailers, but was once again missed off the agenda in the Chancellor's Budget. However, the Chancellor did announce a progressive approach to business rates, which will bring good news for retailers up and down the country. The Chancellor announced that business rate relief for small businesses will more than double from £6,000 to £15,000. This increase to the annual limit will exempt thousands of small businesses, with 250,000 businesses paying less in business rates.

Sage data shows that, prior to the 2016 Budget, more than one in three UK small businesses said that reforming business rates would have the biggest impact in transforming their company. This is a big boost for small businesses and particularly for retailers, who argue that, in the digital age, those who have bigger physical presences (than those with big online presences) are taxed unfairly and uncompetitively.

Pete added: "The government provided some much needed clarity in its highly anticipated overhaul of business rates – even with the exception of retail rate relief – in the 2016 Budget. The business rate relief is critically important to the sustainability and stability of many high street shops, so with the rate more than doubling this is of course good news."

### Freezing of fuel duty

The fuel duty freeze will be extended for another year, taking it to 6 years at the current rate at the end of 2016/17. This is good news for both drivers and small business owners and will be welcomed across the country. The freezing of fuel duty will particularly benefit those who use vans or who take delivery of goods (e.g. retailers and hospitality firms) where using large amounts of fuels is unavoidable. As an example, the Chancellor announced that this would see a saving of an average of £270 for a small business with a van. Pete added: "The freezing of fuel duty for yet another year is welcome news for the retail sector. High street shops and online retailers all rely on the delivery of goods in some capacity – whether it's to the shop or delivering to customers – so a frozen fuel duty is again good news."

### Tackling unfair online competition

The government also announced new measures to take "firm action" to protect the UK retail market from unfair online competition. The government said that: "some overseas traders from beyond the EU avoid paying UK VAT, undercutting online and high street retailers and abusing the trust of UK consumers who purchase goods via online marketplaces....(and) Budget 2016 announces action that will help to protect consumers and level the playing field for businesses."

### Carbon reduction commitment

The Chancellor said in his Budget speech: "Many retailers have complained bitterly to me about the complexity of the Carbon Reduction Commitment – it's not a commitment, it's a tax. So I can tell the House, we're not going to reform it. Instead, I've decided to abolish it altogether... the most energy-intensive industries remain completely protected and I'm extending the climate change agreements that help many others."

## More information

**Please get in touch with your local office specialist for more information and to book your free initial meeting.**

You can find more information on the 2016 Budget at [www.hawsons.co.uk/guide-2016-budget](http://www.hawsons.co.uk/guide-2016-budget)

# The National Living Wage impact for the retail sector

The new 'National Living Wage' – the minimum wage for those aged 25 and over from April 2016 – has been at the forefront of many business owners' minds since the announcement of its introduction in July 2015.

From its starting point of £7.20 per hour in April later this year (50p above the current National Minimum Wage), it is projected to rise to more than £9 per hour in 2020. The introduction of the new rate has left some business owners understandably concerned about what the future may hold, particularly those in labour intensive dependent sectors – including retail.

## Retail impact

As with the leisure and hospitality sector, the retail sector had also seen steady growth in 2015 and has continued to be a vital part of wider economic growth in the UK. It too also employs a large number of staff who will be affected by the new National Living Wage.

Pete Wilmer, Partner at Hawsons, commented: "Retailers are going to be one of the hardest hit by the introduction of the new National Living Wage. Despite a big shift in the use of technology across retail – through online shopping and the growing usage of self-checkouts – retailers still rely heavily on staff; whether that's on the shop floor, in the warehouse, in customer service or further down the supply-chain."

"That last one, down the supply-chain, is possibly the key aspect to consider here; it's not just wage bills that retailers will see increase with the new National Living Wage, but also the prices suppliers charge as they too look to pass on the cost of paying the additional rate. This is of course relevant for all sectors, but I think particularly for retailers who rely heavily on a cost-efficient supply-chain process."

Research from The Resolution Foundation (below) indicates that the wage increase for businesses in the retail sector could be over three times more than the average across all sectors.

Estimated wage increases by sector by 2020 (Source: The Resolution Foundation)

Retail	2.0%
All Sectors	0.6%

Share of employees affected by the National Living Wage by sector (Source: The Resolution Foundation)

	2016	2020
Retail	41%	46%
All Sectors	18%	23%

Pete added: "The sector is likely to face some major challenges over the coming months, which will have a knock-on effect on inward investment, recruitment and staff retention plans."

"With more consumers looking to buy on the move and preferring to make purchases on the retailer's website rather than on the high street, we could see an even bigger focus online. In theory, this could save staffing costs...but when you consider the costs of web developers, cyber security experts and so on, a move to selling online may not be the cheapest alternative. Of course you need a balance between the two, but it is important retailers consider the increased costs that come with scaling online sales."

## Your next steps

As experienced Chartered Accountants our dedicated sector teams are well-placed to advise and help businesses in preparing for the new National Living Wage. We also work closely with our in-house tax and payroll specialists to provide businesses with a comprehensive and fully integrated service.

**For more information please contact your local specialist.**



# The omnichannel retail trend – are you ready?



Shoppers are having more of an influence than ever before and, unlike in the past, it looks as if the future of retail will be dictated by the consumers and not the retailers. The consumer is informed and in control of the buying process; consumers can purchase what they want, when they want and on whatever device they want to do it on.

Shopping is no longer a singular purchase event, but it is a continuous journey across digital and physical. This is the trend towards omnichannel retailing – the integration of a range of different channels to create a consistent, unified consumer journey.

## Living in an omnichannel world

Pete Wilmer, Partner at Hawsons, commented: “When I think about the future of retailing, although extremely difficult to predict – who would have predicted retail to be where it is now ten years ago? – I do see a continuation of the trends that have been emerging for the past couple of years; less shopping on the high street, more savvy customers and a focus on omnichannel retailing.”

“In particular, I would expect the line between online and offline communications to become increasingly blurred. In today’s technology enabled sector consumers are dictating the future and they are demanding a unified, omnichannel retail experience. If they browse and research online, they expect that product to be available in-store; if they order a product online, they want to be able to return it in-store; if they have a bad experience in-store, they want to speak to a customer service adviser on social media.”

“Those are some of the simpler examples for omnichannel retailing and, to be honest, omnichannel retailing will look very different for every business. For example, some businesses may go further by offering things like online stock counts for in-store products or in-store QR scanning that links to the product’s webpage where the consumer can find out more information or read reviews. Social media is also becoming more of a selling platform for retailers – partially thanks to the launch of shopping functionalities like ‘buy now’ buttons on Twitter and Facebook – and now presents a very real opportunity to become an important revenue stream.”

“I think retailers are now starting to get to grips with the complexities and opportunities that come with omnichannel retailing. Let’s not forget, retailers have been thinking about omnichannel communications for a long time, but perhaps maybe just in a different way. Phone numbers and store addresses have always been available online; retailers are now just taking the next step.”

## Omnichannel retailing challenges and opportunities

Although omnichannel retailing does undoubtedly bring complexities for the sector, it can also open any number of new opportunities.

Pete added: “Omnichannel communications is all about improving the consumer experience – delivering a more consistent, personalised brand experience – and with that comes opportunities for retailers. There are many examples where an integrated, unified retail experience has led to increases in sales, more frequent sales and a move back towards brand loyalty. With competition, regionally, nationally and internationally at an all-time-high, those retailers that do not embrace the omnichannel movement will likely very quickly fall behind.”

“Omnichannel retailing does however also introduce a lot of complexities, in terms of operations, order fulfilment, increased costs, IT infrastructure and of course cyber security and fraud management. These are areas that you should definitely not overlook and you should seek advice on before embracing the omnichannel retail revolution. We would be happy to help, so please get in touch for more information.”

**For more information please contact your local office specialist.**

# Important changes to Employment Allowance

The National Insurance Contributions (NIC) Employment Allowance was introduced from 6 April 2014. It is an annual allowance which is available to many employers and can be offset against their employer's NIC liability.

From April 2016, the government will increase the NIC Employment Allowance from £2,000 to £3,000 a year.

To ensure that the NIC Employment Allowance is focussed on businesses and charities that support employment, from April 2016, companies where the director is the sole employee will no longer be able to claim the Employment Allowance.

As well as the changes to Employment Allowance on 6 April 2016, the new National Living Wage – the new minimum wage for those aged 25 and over – also comes into force). The new rates will have a big impact on wage bills, particularly for smaller businesses in the care, retail and hospitality sectors.

Announcing the changes to Employment Allowance in the recent 2015 Autumn Statement, Osborne said he recognised that the 50% increase in the Employment Allowance was intended to help address this issue of increasing wage bills.

## Good news for small businesses

HM Treasury calculations estimate that up to 90,000 employers will see their employer NICs liability reduced to zero following the changes on 6 April 2016. The changes will help support those businesses in absorbing their additional wage costs.

The increase will mean that businesses – including those in the retail sector - will be able to employ four workers full time on the new National Living Wage without paying any NIC.

**For more information please contact your local specialist.**

# Is now a good time to outsource your payroll?

As the tax year draws to a close we ask: what actions could you take to make your life easier from 6 April, taking some of the stress out of running your business and giving you more free time on evenings and weekend? Outsourcing your payroll will not only likely save you time and money, but it's actually probably easier than you think too.

**Once you have decided to switch, let us know and we will take care of the rest. It's as simple as that.**

## An accurate and efficient payroll service

Many small business owners are finding running their payroll an increasingly complex and time-consuming task, particularly as the compliance obligations on employers has never been greater! Whatever size of business you run, now is a good time to consider outsourcing your payroll.

At Hawsons we provide a friendly and personal service that is accurate and will save your company time and money. We have a dedicated team of experienced staff who will liaise with you or your staff to ensure the payroll is completed by the deadline and is compliant with the ever increasing rules and regulations.

You can also be reassured that we will take care of your auto enrolment obligations and ensure your staff are paid accurately and on time.

Our team act for a large number of clients, ranging from small businesses with only 1 or 2 employees up to large business with more than 200 employees. Our aim is to replicate the benefits of an in-house payroll services, ensuring that:

- You will have the rigid benefits of an in-house payroll function i.e. flexible and responsive
- You can tailor our service to meet your specific needs and base our pricing structure accordingly, with no hidden costs!
- You will be provided with an integrated and fully comprehensive service
- You will have a dedicated personal contact that is readily available if issues arise
- We are not a bureau or call centre

**Please get in touch with your local office specialist for more information and to book your free initial meeting.**

You can find more information at [www.hawsons.co.uk/payroll](http://www.hawsons.co.uk/payroll)

# Tax opportunities for small business owners

Recent changes to corporation tax rates, the Annual Investment Allowance and R&D tax reliefs bring big tax opportunities for small business owners, but each have some detailed and complex rulings that you need to be aware of. This article gives a brief overview to each of the three tax changes and what they mean for small business owners.

## Falling corporation tax rates

Corporation tax rates were once again cut by the Chancellor in the 2016 Budget, which will see the main rate fall to 19% in 2017 and 17% in 2020. The corporation tax rate currently stands at 20% and is at its lowest point for over 20 years, falling from a much higher 28% just six years. A falling corporation tax rate brings many opportunities for small business owners and will likely have a knock-on effect on inward investment, staff recruitment, staff retention plans and business confidence.

## Annual Investment Allowance

The Chancellor announced in the Summer 2015 Budget that the Annual Investment Allowance (AIA) will be set permanently at £200,000 from 1 January 2016 – this is still a generous figure. The AIA was increased to £500,000 from 1 April 2014 for companies or 6 April 2014 for unincorporated businesses until 31 December 2015, but it was suggested that it may reduce back to £25,000 after this date.

### Who can claim AIA?

The AIA provides a 100% deduction for the cost of most plant and machinery (not cars) purchased by a business, up to an annual limit and is available to most businesses. Some of the examples of where you can claim the AIA on include lifts and escalators, electrical systems, office equipment, machinery, furniture and vans and lorries. There are of course plenty of opportunities for retailers here.

### Caution

You will need to be very careful of timings in order to maximise your AIA.

## R&D tax relief

The government is fully supporting innovation and R&D tax relief is now a very attractive and widely available relief. Latest figures released by HMRC show that more SMEs are now claiming R&D tax relief than ever before (increase of 23% on previous figures) and retail is one of the sectors with the highest number of claims. The figures show that there were 1,820 R&D tax relief claims by retailers in the latest period, with £85m in tax savings made. Yet, it is thought that many are still missing out on this very generous relief.

### How does R&D tax relief work?

R&D tax relief is available to both small businesses and large companies, with the small business rates being particularly generous. Small businesses obtain 'superdeduction' equal to 130% of expenditure on labour and materials (approx. 46% spend funded) whilst large companies obtain a tax credit of 11% (effective 11% funded).

### Case study

Over the past few years we have worked with many businesses in successful claiming R&D tax relief, amounting to hundreds of thousands of pounds. Below is a short example of a company that we have worked with:

- Sector: engineering
- R&D spend: £400k
- Tax saving: over £250k

What is interesting about this example is that the company was spending the money on R&D anyway – they were just not claiming back on their qualifying projects.

An important point to remember is that to claim this relief, you don't have to work in a lab or wear a white coat. We have submitted successful claims for Retailers, Food & Beverage businesses, as well as the more obvious Healthcare & Medical, Manufacturing and Engineering businesses. Whether you're developing a new product, service or process or materially improving an existing one, it may be worth speaking with Hawsons today.

**For more details on any of the topics covered please visit our website or contact your local office specialist.**



## Spring 2016

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 retail business.

Please call your local office or visit:

[www.hawsons.co.uk/retail](http://www.hawsons.co.uk/retail)



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