Small Business News

Specialist Small Business Accountants

Newsletter
Summer 2016

www.hawsons.co.uk

Introduction

Welcome to our Summer 2016 small business newsletter.

With Brexit now confirmed no one really knows what's coming next or what it could all mean in the long term. Brexit has created an air of uncertainty for the majority of UK businesses and small businesses are no different. In this newsletter, we look at the challenges facing UK small businesses and the impact of Brexit on UK tax policy. We also look at company car tax, the new apprenticeship levy and summarise some of the big recent buy-to-let tax changes.

In this issue we look at:

- Challenges for UK small businesses in 2016
- Is it time to review your company car policy?
- Hawsons launch new exit planning service
- The 2017 apprenticeship levy explained
- Brexit: tax implications as the UK votes to leave the EU
- A summary of the recent buy-to-let tax changes
- £17m training fund for the Sheffield City Region

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

Challenges for UK small businesses in 2016

Starting up and running a small business is a challenging process and there are many aspects an owner must consider. There are a number of challenges facing UK small business owners and it is essential owners understand the potential implications each may have on their business. This article summarises some of the key challenges facing UK small businesses today.

Small business tax

Tax is often one of the largest single costs a small business has to meet and business owners, sole traders and entrepreneurs are rightly anxious to minimise their tax liabilities, particularly in an increasingly competitive commercial environment. Tax isn't the most exciting part of running your own business, and most small business owners find tax a complicated burden that distracts from getting on with real work, but it is vital small businesses ensure that they are able to take advantage of any tax breaks.

Some things to consider:

- Is your new business set up using the most appropriate trading structure?
- Are you eligible to receive R&D tax relief for your research and development?
- Can you claim tax relief on the purchase of new machinery or equipment?

It can be difficult to know exactly with tax rules apply to you and your business, so speak seek professional advice.

Cyber security and data protection

As small business in nearly every commercial sector start to rely more and more on technology, now might be the time to review your data protection procedures and implement appropriate changes. Recent government estimates suggest that a data breach costs SMEs an average of £310,000. Additionally, with the new EU General Data Protection Regulation (GDPR) finally released, in April 2016, - which apply to any organisations that hold personal data – small businesses will need to start planning ahead and preparing for the changes. Data protection errors will now be far more expensive than ever before.

Find out more about the new GDPR data protection rules at www.hawsons.co.uk/new-eu-gdpr-rules

Rising wage rates and increasing payroll costs

As well as yearly National Minimum Wage increases, small businesses are going to be the hardest hit by the introduction of the new National Living Wage. Whatever sector they operate within, small businesses often employ staff working on the National Minimum Wage, so it is not surprising that payroll costs have risen significantly in recent months and years. On the back of The Pensions Regulator fining Swindon Town Football Company £22,900 after it failed to comply with auto enrolment, this is also a worthwhile and needed reminder about preparing for your auto enrolment duties.

Register for one of our free monthly auto enrolment workshops at www.hawsons.co.uk/workshops

Payroll errors

While certain costs – like the new National Living Wage and the onset of auto enrolment – are out of your control, there are other areas where you can make savings. Reducing the number of payroll errors is one of those key areas. Managing an efficient payroll can be a daunting prospect, but payroll is something that employers must get right. Recent research, however, shows that small businesses are being hit hard by a crackdown on payroll mistakes. The research found that HMRC has collected £737m from investigations into companies over tax avoidance and errors relating to employer compliance. Of that total, small businesses account for more than half (£373.4m) of the additional sums collected, despite larger businesses making up 89% of total UK payroll.

Determining your business' correct payroll position can be a complex process and, with more casual workers, ongoing changes in wage rates and the continued implementation of auto enrolment small businesses are being caught out. Beyond the financial implications, payroll errors can be costly for small businesses – it can be detrimental to staff morale, effect productivity and ultimately impact upon business performance. If your small business is struggling with the ever-increasing compliance obligation on employers it may be time to consider outsourcing your payroll matters. This can be an affordable and effective option for your business.

Is it time to review your company car policy?

Company car tax efficiency is at the forefront of many business owners and employees' minds and, whether you're thinking of purchasing your first company car or upgrading an old one, it is important to understand the pros and cons of company car tax. It may come as a surprise to a lot of people, but company cars can actually work out very expensive for tax purposes and you (as a business owner) could potentially save money each year by purchasing the car personally and claiming mileage.

It is important to note that as company cars can be an extremely complicated area for tax purposes. This briefing provides general guidance and we would strongly recommend that you seek professional advice before taking any action.

What is company car tax?

A car benefit arises when an employer makes a car available to a director or employee for private use. The amount of company car tax you will pay is dependent on a number of factors, including CO2 emissions, the official list price of the car, what type of fuel is used and your income levels. The starting point for working out your company car tax is to find out the CO2 emissions of your chosen car.

The list price of the car is then multiplied by a percentage that is linked to the CO2 emissions of the vehicle to arrive at the taxable benefit in kind. It should also be noted that if fuel is also made available for private use that a fuel benefit charge is levied. This is based on an amount of £22,200 as multiplied by a percent linked to the cars CO2 emissions. The car and fuel benefit is then taxed at the individual's marginal tax rate and the company will pay Class 1A National Insurance on the benefits at 13.8%.

Company car tax rates and recent changes

As noted above the CO2 emissions of your chosen car are important as different emission level bands are taxed at different percentages of a vehicle's list price. Although the government continues to favour low emission vehicles even some of the lowest CO2 emitting cars have seen the taxable benefit percentage increase in recent years.

See the latest table of CO2 emissions and fuel benefit charges at www.hawsons.co.uk/company-car-tax-2016-efficient-option

Company car tax levels to 2019/20 were announced in the 2015 Budget, so that the taxable benefit is known prior to acquisition for the life cycle of most company cars, which is typically three or four years. In summary, car benefit percentages will increase each year by 2% until 2019/20, when they will increase by 3%. It was also announced in the 2015 Budget that the removal of the 3% diesel supplement which is used to calculate the Benefit in Kind value of a company car, and was proposed to come into force from April 2016, will be deferred to April 2021. This follows some of the recent high profile emissions scandals involving diesel engines.

What this means for you

These planned increases in company car tax may discourage businesses and business owners from retaining the same car. For example, if you purchased a company car (petrol) emitting 130g/km this month and it was yours for the next four years, the percentage of list price on which you pay company car tax rises from 23% to 30% over that four-year period.

Despite the car being four years older, this example would see a significant tax increase. These announcements, therefore, require careful consideration in terms of vehicle choice and purchasing structure if you are buying a new company car.

The forthcoming company car tax changes mean that businesses, employers and employees need to carefully consider the right choice now or could face significant tax increases over the typical four-year life of a vehicle. We recommend that you seek professional advice and talk to an adviser about your options from tax efficiency point of view.

This is an area we have a great deal of experience in and would be happy to help, so please get in touch.

One of the most common questions accountants are typically asked by small business owners is whether it is beneficial (from a tax perspective) to purchase or lease a car through the business, rather than personally.

Find more information on the pros and cons of buying a company car through your company or acquiring the car personally and charging the business/company for the business mileage at www.hawsons.co.uk/company-car-tax-2016-efficient-option

Hawsons launch new exit planning service

Hawsons are pleased to announce the launch of a new exit planning service. The service is aimed at owner managed businesses looking to realise the maximum value of their business as they exit the business in the next 5 years. It puts a structure to the advice and guidance that we have been providing to clients through our corporate finance function.

Pete Wilmer, Corporate Finance Partner at Hawsons, said: “Our expert exit planning service is designed for businesses of all types and sizes to help them ensure their business is ready for sale, at the best possible value.”

“The advantage of our successful exit planning methodology is that it looks at the full spectrum of business functions – from processes, to marketing and intellectual property – to add real value to the business. Sometimes the true value of a business lies with an individual, rather than the business itself, and this is where we can work closely with business owners to set out a proactive plan to lower the risk for the prospective buyer and, in turn, increase the value of the business.”

“Typically, selling a business is a once in a lifetime transaction – one shot to get it right – and, whilst the majority of business owners recognise that exit planning is an essential part of any business, it can be quite a daunting task. Our exit planning service is all about executing a plan over a period of time, looking at finances in advance and preparing the business for sale.”

As part of our new exit planning service we are also launching a business attractiveness test. The test uses a series of tools to see if there are any areas that could improve the value of your business. Find more information and take the test at www.hawsons.co.uk/exit-planning

The 2017 apprenticeship levy explained

With a lack of detail about how the apprenticeship levy will be implemented when the new rules were announced, there remains some uncertainty around the levy and what it may mean for SME companies. Although the government has now provided additional details, many SMEs are still unsure about whether they will be levied with the new charge. For groups of SME companies, in particular, this is a worthwhile reminder and update on where connected companies stand with the apprenticeship levy.

What is the apprenticeship levy?

In April 2017 the way the government funds apprenticeships in England is changing, introducing the new apprenticeship levy.

How will the apprenticeship levy work?

Starting 1 April 2017, the apprenticeship levy will be set at a rate of 0.5% of an employer’s paybill. Each employer will receive an allowance of £15,000 to offset against the levy, so only employers with a wage bill in excess of £3m will be affected. All employers operating in the UK with a wage bill of over £3m will therefore need to pay the new 0.5% levy, regardless of whether or not apprentices are employed. Because of this allowance, it is expected that nearly 98% of companies will not pay the new charge.

SMEs could still be caught out

Based on the additional details the government has now published, there appear to be wider consequences for connected companies and groups than initially expected. The government has confirmed that: “where a group of employers are connected they will only be able to use one £15,000 allowance” to offset against the levy. It was initially drafted that the allowance could not be split between connected companies, meaning that many SME groups would have had to pay the 0.5% levy. Some SME groups, however, may still be caught out by the levy….even those connected companies that have paybills below £3m when the group total paybill exceeds £3m.

You can find more on the apprenticeship levy in our detailed guide at www.hawsons.co.uk/apprenticeship-levy-explained

Brexit: tax implications as the UK votes to leave

From the argument over selling bendy bananas to the threat of an emergency Budget, the EU referendum campaign has undoubtedly had its share of the headlines over the past couple of months.

The biggest headline now though is of course that the UK has voted to leave the EU.

So what happens next? Will the Brexit vote result in a complete overhaul of UK tax as we know it? The purpose of this short article is to briefly explore some of the potential tax implications of the UK's decision to leave the EU. It is important to stress that the impact of Brexit on UK taxes is extremely difficult to predict at this stage, since many questions remain unanswered.

VAT

The EU has certainly had a significant influence on the UK tax system, perhaps most notably with regard to VAT. VAT is essentially an EU driven tax and leaving the EU could result in significant changes to this area of tax. Whilst the UK may no longer be obliged to have a VAT system once post-exit terms have been agreed, it is fairly safe to assume that VAT will not be abolished given its contribution to the Treasury. The UK will, however be free to decide which goods or services are eligible for reduced rates or exemptions. Freedom from strict EU VAT rules could, for example, allow the government to remove the 5% VAT charge on domestic fuel that is currently required by the EU – a change proposed by the Vote Leave campaign during the referendum.

Even if no amendments are made to VAT law in the UK, there could be changes in how HMRC applies VAT legislation because interpretations of the VAT rules would no longer be bound by decisions made by the European Court of Justice. It is unclear at this stage how the VAT treatment of the UK's trade with the EU will be affected – this will depend on the terms the UK is able to negotiate post-exit. It may be that trade could continue in much the same way as before if the UK is able to obtain access to the single market, or alternatively UK exporters may be subject to EU import VAT and Customs duties.

The Brexit is likely to create winners and losers for both businesses and consumers.

Other taxes

A total overhaul of UK taxes is unlikely to happen because of Brexit alone. A large proportion of the UK's taxes are entirely domestic in nature, and the Brexit by itself won't directly change any of these. There may be small changes to the Gift Aid rules, which could affect UK taxpayers who wish to donate to EU-based charities. At present, UK taxpayers can make donations to EU charities and benefit from UK Gift Aid tax relief, however this approach could be changed post exit.

It will be interesting to see how the UK's existing commitment to international tax agreements will be affected, both in terms of corporate tax and increased transparency.

In summary

The UK tax system will probably remain largely unchanged following Brexit. The most significant changes are predicted to revolve about VAT, but most of these changes are expected to be gradually implemented and will emerge over time, as the UK negotiates post-exit terms. We will keep you updated. The real, practical tax implications of the UK's decision to leave the EU will vary from business to business. For more information, please contact your local office specialist.

A summary of the recent buy-to-let tax changes

The UK property market, whilst cyclical, has proved over the long-term to be a very successful investment. This has resulted in a massive expansion in the sector and investments in buy-to-let properties have been and continue to be a very popular form of investment by many people. However, the gross return from buy-to-let properties i.e. the rent received less costs such as letting fees, maintenance, service charges and insurance is no longer as attractive as it once was. There have been some significant buy-to-let tax changes for the sector, with the government introducing some very restrictive measures in the 2015 Summer Budget, 2015 Autumn Statement and, most recently, in the 2016 Budget.

This article is a worthwhile reminder of the significant changes and what they may mean for landlords and property investors.

The headline buy-to-let tax changes

- Tax relief on interest payments to be restricted to the basic rate of tax (i.e. 20%) by 2020;
- The Wear & Tear Allowance was abolished from April 2016;
- A Stamp Duty Land Tax surcharge of 3% will generally be charged on buy-to-lets from April 2016;
- Non-residential properties are exempted from the 2016 Budget Capital Gains Tax cuts, and;
- Accelerated capital gains payable on disposals of certain properties.

It is clear that the Chancellor is trying to use the tax system to clampdown on the number of buy-to-lets in the UK.

Of the buy-to-let tax changes mentioned above, the changes to loan interest relief and the new stamp duty surcharge will likely hit landlords the hardest. The exemption from the more recent capital gains cuts which will, in effect, leave landlords paying an 8% surcharge is also an unwelcome measure for the sector.

The impact for buy-to-let landlords with several properties could be huge and could significantly increase tax bills.

It is therefore not surprising that the buy-to-let sector is becoming an increasingly detailed and complicated area for tax purposes and anyone thinking of investing in the sector, expanding their existing portfolio or selling a property following the changes must think very carefully about their tax position.

How we can help you

Whilst some generalisations can be made about the tax position of your buy-to-let properties, it is always necessary to tailor any advice to your personal situation. Any plan must take into account your circumstances and aspirations.

There are a number of things that you may be considering following the buy-to-let tax changes, such as reducing borrowings, purchasing property through a company, transferring property, selling property, incorporating, postponing refurbishments and repairs. These are areas we have a great deal of experience in and, whilst a successful buy-to-let cannot be guaranteed, professional advice can help to sort out some of the potential problems and structure the investment correctly.

The full effect of the significant buy-to-let tax changes covered in this briefing could be devastating for landlords. The changes, however, will likely have less of an impact for those effected who make sound and proactive plans to adapt.

If you are unsure about any of the buy-to-let tax changes or if you are looking for advice in a particular area, please get in touch.

£17m training fund for the Sheffield City Region

Do you know about the new Skills Bank for the Sheffield City Region? The Skills Bank is a government/LEP initiative aimed at workforce training and development in the Sheffield City Region. It is a £17m fund – new for 2016 – comprising of funding from the European Social Fund and Growth Funding.

What is the Skills Bank?

The Skills Bank is an exciting new service which invests in skills and expertise to drive business growth, and will run from Spring 2016 until March 2018 to help local businesses develop skills and grow.

The Skills Bank is a facility to help improve the skills base of the workforce in the Sheffield City Region, whilst also changing the way the skills system operates – placing the purchasing power for skills in the hands of employers. The £17m support will be used to either fully fund or partially fund the training and development needs of local employers.

The employer (i.e. you) may be eligible for funding, but will still likely be required to make a cash contribution towards the cost of training. The employer's cost of the training and development will depend upon the number of learners, the duration of course, the method of delivery and the course content.

The Skills Bank is an opportunity for employers in the Sheffield City Region, comprising of nine local authority areas: Barnsley, Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales, Doncaster, North East Derbyshire, Rotherham and Sheffield.

What does the Skills Bank mean for employers?

The Skills Bank will support employers who have training and development needs in the Sheffield City Region.

The process of the Skills Bank works as follows:

- Identify what training and development you need to grow your business;
- You can do this by completing the "skills assessment" on the Skills Bank's website;
- Visit the Skills Bank's "online marketplace" to find the training courses that suit your needs;
- There are over 1200 courses already available;
- If you are unable to find a course for your needs, the Skills Bank will help you find a solution;
- The solution could mean a new course option becomes available, depending on demand;
- Consider how, where and when you want your training delivered;
- You will work with the Skills Bank to build a "skills deal" for your business;
- This will involve agreeing your Skills Bank funding, your own costs and your training provider;
- Complete your training and development with your training partner;
- Submit feedback and a review on the learning that has taken place.

This is an exciting opportunity for all employers in the local region, particularly for those who have very specialised training and development needs, which may not be cost-effective to provide in-house.

Can the Skills Bank support your business?

A new website has been launched for the Skills Bank in the Sheffield City Region. Please take the time to visit the website to understand how the Skills Bank can support your business and check whether you are eligible for a skills deal.

You can quickly complete the "eligibility checker" and register your business for training opportunities.

Find more information at www.sheffieldcityregionskillsbank.co.uk

Sheffield City Region SKILLS BANK

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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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