

Transport & Logistics Newsletter

HAWSONS CHARTERED ACCOUNTANTS

AUTUMN 2017



In this issue...

- Self-driving convoys to be tested in UK
 - Making Tax Digital: More delays to follow.
 - How to value your road haulage business
- Doncaster High Speed Rail college opens its doors



Introduction

Welcome to the Autumn 2017 edition of the Transport and Logistics Newsletter



In the last edition of the newsletter, we looked at RailFreight, R&D incentives, haulage firms and their relationships with drivers, rates systems and appeals from April 2017, the snap Election result, and CEO Fraud.

This season, we have a more compact issue, a brand new cover, and more extremely interesting articles.

In this edition, we will be looking at a wide range of matters in the Transport and Logistics sector. First of all, we will be considering self-driving convoys, and how they, by the end of 2018, will be tested on some of the UK's major roads. In the long term, this switch to self-driving vehicles could considerably

ease congestion, but could also cause job losses in haulage.

We also look at the delays and changes in Making Tax Digital, and the impact it could have on you and your business. In the most recent update of the Finance Bill, only businesses with a turnover above the VAT threshold (currently £85,000) will have to keep digital records, and even then, this will only be for VAT purposes, initially.

Valuing your road haulage business is also a topic of conversation in this issue; with the winter break on the way, there may be a chance for an overview of how your business is performing, and where it will be heading in the coming years.

Finally, news of investment in skills for the rail sector, as Doncaster sees the opening of the new National College for High Speed Rail.

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Why do I need to sign up...again?

Due to the new General Data Protection Act (GDPR), that comes into force on the 25 of May 2018, we need confirmation that you are still happy to receive our updates, newsletters and events.



What do I need to do?

Just fill in your details to confirm that you still want to receive our updates, events and newsletters. It only takes a minute, and will mean you stay in touch with us:

<http://www.hawsons.co.uk/newsletter/>



Anything else?

Not at all! Although...you can follow us on social media to stay even more up to date with everything that we're up to here at Hawsons.



Self-Driving Convoys Heading to UK Roads



“Self-driving” convoys of lorries are set to be tested on some of Britain’s public roads late next year, after similar testing was carried out in Europe two years ago.

The trucks will be wirelessly linked, which will allow them to synchronise braking and accelerating – this technique is known as ‘platooning’, and is hoped to significantly improve congestion on the roads. There is one human driver, who controls the leading truck, with all the other trucks in the convoy responding immediately to the leading truck. Due to this synchronised braking system, the self-driving lorries can drive much closer to one another than they would otherwise be able to do with human drivers. This in turn reduces wind resistance, congestion and as a result lowers fuel consumption.

Advances in this technology could be a huge benefit to businesses, and other road users. Lower fuel emissions mean cheaper fuel bills, and hopefully less hassle for those on the roads.

The trial will be carried out in three stages; the first trial will focus on the potential for platooning on the UK’s major roads. Information from this test will then help determine details such as distance between the lorries, and which roads would be best suited for the self-driving vehicles if they are used within the UK. These trials are expected on the roads by the end of 2018, and the Transport Research Laboratory have reassured drivers that each phase of the testing will only be undertaken when the previous phase has completed safely.

However, some motoring groups have questioned the usefulness and the safety of the autonomous vehicles. A spokesperson for the AA expressed their concerns, stating that despite “wanting to promote fuel efficiency and reduce congestion” they are “not yet totally convinced that platooning on UK Motorways” is the best way to achieve this.

The RAC foundation echoed these concerns, stating that “streams of close-running HGVs could provide financial savings on long-distance journeys, but on the UK’s heavily congested motorways, with stop start traffic, and constant lane changes, the benefits are less certain”.

Finally, it’s unclear how this move to platooning lorries will impact on the jobs situation in transport – moving to one driver for an entire convoy is an effective way to streamline, but the implications could be considerable.

Paul Wormald, Transport and Logistics expert at Hawsons said: “The advance of technology impacts on many business sectors, and haulage is no exception. It will be interesting to see how these trials progress and the results that they deliver. If successful, the concept of self-driving lorries have the potential to rewrite the economics of road haulage, with the possibility of lower labour and fuel costs per tonne carried. Although the sight of self-driving lorries being commonplace may be some way off yet, haulage business need to anticipate how they may alter their recruitment programmes, capital expenditure plans, and pricing models in future years.”

Making Tax Digital: More Delays to Follow

Delays and changes have been announced for Making Tax Digital.

In the most recent update of the Finance Bill 2017-19, the government have announced a delay in the timeline for Making Tax Digital after concerns were raised, and the changes were put on hold due to the snap election back in June.

Under the new timetable:

- Only businesses with a turnover above the VAT threshold (currently £85,000) will have to keep digital records
- Even then, this will only be for VAT purposes
- This will only be mandatory from 6th of April, 2019

Businesses will not be asked to keep digital records, or update HMRC quarterly, for taxes other than VAT until April 2020 at the absolute earliest.

This means that any businesses and landlords with a turnover below the VAT threshold will be able to choose if they will move over to the digital system, but will not be compelled to do so.

For businesses over the threshold, they will have to provide digital tax records for VAT to HMRC from 6th April 2019, but not for any other taxes until at least a year after this point, maybe even later.

However, businesses above the threshold will be mandated to record VAT digitally from April 2019 in order to send HMRC standard quarterly updates.

Those businesses that are VAT exempt won't have to change to digital tax until all tax moves online – which will be Spring 2020 at the soonest. This includes health and education services.

The first businesses that have already started keeping digital records, and providing updates to

HMRC digitally will continue, and this pilot will be extended. By the end of the year, HMRC plan to turn this into private, small-scale testing, which will then be followed by wider, live pilot testing starting in Spring 2018. This gives just over a year for testers before businesses over the VAT threshold have to change over to digital records for VAT purposes from April 2019.

Most businesses will not feel any change, as they do not need to provide information to HMRC under Making Tax Digital for business any more regularly than they do now. VAT has been available online since 2010, and over 98% of VAT registered businesses already file electronic returns.

Despite these clear delays, concerns are still being raised about the pace and scale of the change.

How can we help?

With our knowledge of dealing with SMEs and of dealing with various accounting software packages we can help you cope with and plan for the forthcoming changes and provide a range of tools to help with the crossover to digital. Get in touch with your usual Hawsons contact, or head to our website.



How to value your road haulage business



As 2017 draws to a close, there is chance to give an overview of how your business is performing, where it is heading over the coming years, and what that business is ultimately worth. In this article we take a brief look at valuing your haulage business.

Why do it?

There are many reasons why business owners look at the value of their road haulage business:

Sale – If a business owner is thinking of selling a business, a valuation will enable them to choose the best time to sell from the viewpoint of maximising their return.

Purchase – Conversely if a business owner is thinking of investing in a road haulage business, a valuation is crucial to ensure that they are not paying a higher sum than the business is realistically worth.

It is important that both buyer and seller understand what the value of a business is so that the sale can be made with realistic expectations from both parties.

If a business owner is looking to increase the value of their business, a valuation can highlight areas where improvements can be made and show issues that can be addressed to increase profits.

In addition, business valuations can be a motivator for its staff as it can expose flaws in a business as well as encourage management to focus on the most important issues.

Retirement, inheritance tax planning, internal shares market, and occasionally, just curiosity, are all reasons why someone would choose to have their road haulage business valued.

How do you do it?

There are various valuation methods used to determine the value of any business, and the methodologies employed are far from an exact science. At its most basic level, the value of a business is what someone else would be prepared to pay for it, but there are a few rules of thumb that can be observed.

Most valuation methods look at either the assets value of a business, its past profitability, expected future profitability, or some combination of the three. Depending on the nature of the business, differing weightings may be given to each of these approaches.

As part of the process, we may need to establish the true underlying profitability of the business.

Typically, when valuing a haulage business we would take the following approach to establish the true underlying profitability of the business:

Look at the published profit for the past 4-5 years as disclosed in the accounts;

Adjust these for payments made to the owner and other shareholders;

Consider adjusting for depreciation and interest costs on external borrowings;

Adjust for costs that maybe be capable of being reduced under new ownership, such as excessive overheads, or staff costs;

Once that figure has been arrived at, a price earnings multiple can be applied to estimate the value of the business. The level of this multiple can vary widely, and can depend on a number of factors such as:

The marketability of the shares in the company – quoted

companies tend to have higher P/E multiples than privately owned companies. However, a simpler share ownership pattern in a private company may be more attractive to a purchaser than one with a wide range of smaller shareholders.

Businesses with higher forecasted profits tend to attract better multiples – so a haulage business with a new lucrative contract will be in a better position than one with a major contract coming to an end that has not yet been renewed.

Wider economic conditions can play a part also, with the success of the haulage sector being very much linked to the underlying economic cycle. However, haulage business owners can put some measure in place to help themselves here too, by maintaining strong customer relationships, hedging against fuel cost and interest cost risks, and looking to improve fleet efficiency.

How can I increase the value of my haulage business?

As a general rule, the more a new owner can 'plug and play' with regard to a potential acquisition, the more they will be willing to pay for it.

Making sure that your haulage business has the right people and the right processes in place is crucial to this.

It is always worth taking time to carry out a review of your haulage business to see if its value is matching up with your expectations and to identify where matters could be improved and then put actions into place to achieve this.

Acting now ahead of any possible rushed sale in the future can yield beneficial results.

For more information about how Hawsons can assist your haulage business please [click here](#) to book a free initial meeting.

High Speed Rail College opens in Doncaster



The National College for High Speed Rail has officially opened in Doncaster. The £25million college is expected to train thousands of engineers to enable them to work on transport developments, such as the forthcoming HS2 line.

The employer-led college is the largest of five new national colleges created by government to ensure British workers can learn world-class skills.

The first campus has been set in Doncaster due to the rich railway history of the town, and because it is at the forefront

of keeping the UK's rail network moving, and building and developing infrastructure for the future.

Within the town, there are more than 20 major rail companies that specialise in traction, rolling stock, advanced manufacturing, infrastructure and power supply, making Doncaster the perfect place for budding apprentices and future transport developers. The campus on Carolina Way has been equipped with the very latest cutting-edge technology, including VR (virtual reality) training on board a Eurostar power car, an augmented reality classroom, and a dedicated BIM (building information

modelling) cave.

With a second campus in Birmingham, the new college will train 150 learners across both sites during the 2017/18 academic year and at full capacity the college will train 1,200 learners a year.

The college runs a number of highly specialised apprenticeships for budding engineers, including a high speed rail and infrastructure higher technician apprenticeship and an operations and departmental manager apprenticeship. They also run higher education certificates in high speed rail and infrastructure.

The opening of the National College for High Speed Rail signals the beginning of bright future for Britain’s upcoming engineers,

and will bring pioneering developments in high speed rail to the UK.

Paul Wormald commented on the prominence of the college: “Ever since the Great Northern Railway established its plant in the town in 1853, Doncaster has been synonymous with excellence in railway engineering.

The rail sector remains central to the economic story of the town, and the opening of the high speed rail college is the latest chapter in this story.

The presence of the college in the town is not only good news for the rail sector here, but also for the wider local economy as a new generation of highly skilled young people are trained here.”

Hawsons New VAT Service

After 20 years of working in the VAT office, Tony has gained a wealth of knowledge of VAT processes, including VAT visits to customers, client education, VAT repayments and error corrections.

Tony provides practical VAT advice to a wide range of clients in numerous business sectors and advises on matters relating to sole proprietors, partnerships and corporate bodies on all VAT issues including exporting, importing or providing goods/services within the UK. European Union dispatches and acquisitions can also be advised upon. He also has a good knowledge of HMRC’s penalty system.



Hawsons Northampton Tax Seminar 7:45am-9:15am

Wednesday 15 November
Sunley Conference Centre
Boughton Green Road
Northampton
NN2 7AL



To register, go to hawsons.co.uk/northampton-tax-seminar or scan the code



Programme	8:15am Presentation	Free parking is available at the venue
7:45am Registration & Refreshments	9:15am Finish	