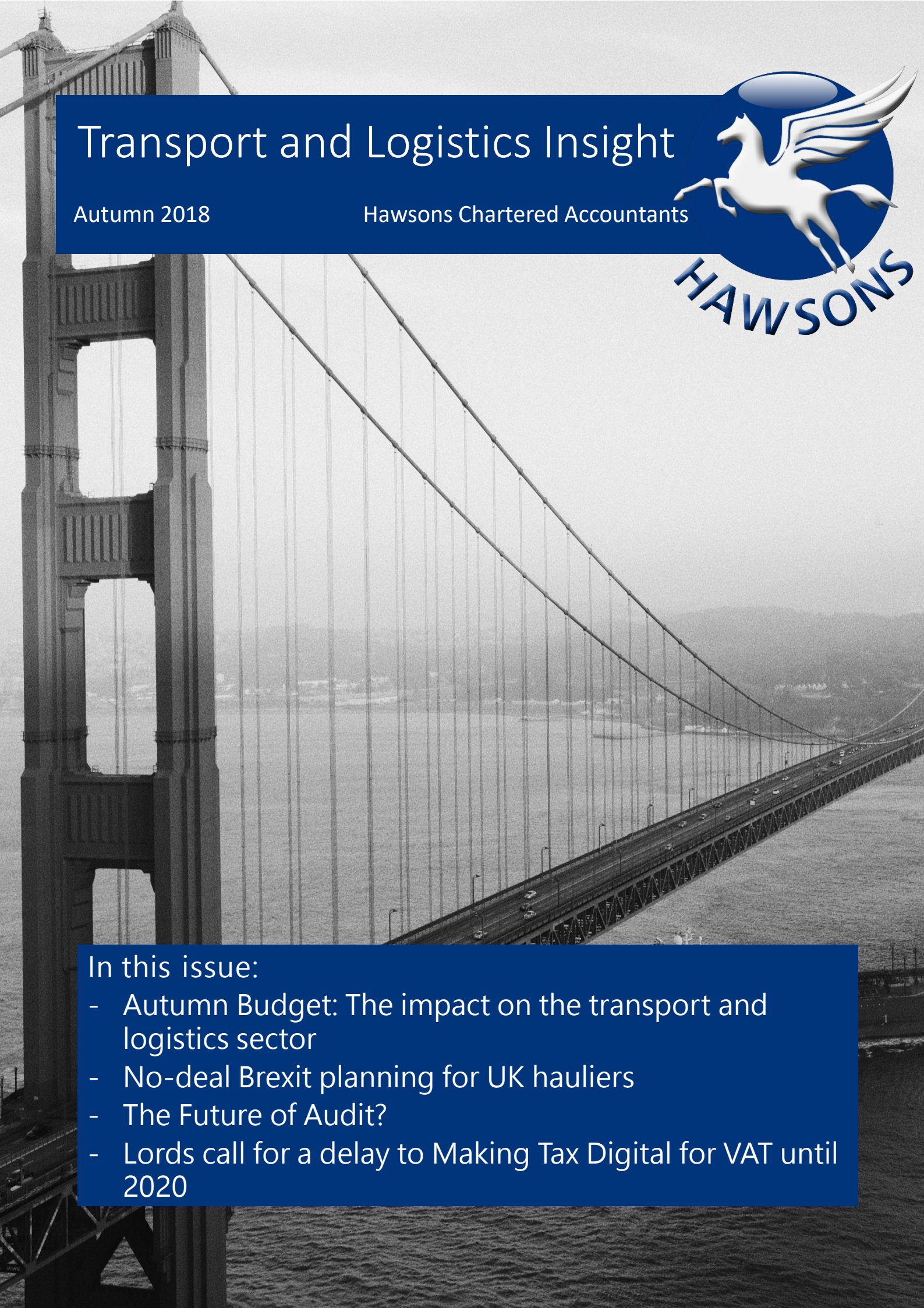
Transport and Logistics Insight

Autumn 2018

Hawsons Chartered Accountants



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Introduction

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Welcome to our Transport and Logistics newsletter

Welcome to our final newsletter of 2018. The long nights are drawing in and Christmas is right around the corner. Before we know it we will be well and truly into the Christmas party season indulging in the usual excesses it inevitably brings.

Overall it appears as though the UK economy is holding up fairly well with a steady expansion throughout the year. However Brexit uncertainty seems rife and there are hints of tougher times on the horizon. Not a week passes by that there aren't new forecasts or estimates predicting wildly different outcomes depending on the type of deal struck with the EU. Where it will all end up, only time will tell so in the meantime, to all our clients and contacts, have an enjoyable festive season and a prosperous New Year!

We hope you enjoy our final newsletter of 2018 and, as always, please do get in touch if you would like any further information.

Hawsons are specialist transport and logistics accountants

Hawsons has a dedicated team of specialist transport and 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 this dynamic sector faces.

Nearly every other commercial sector is reliant on the services transport and logistic businesses provide and, in many ways, this specialist sector is the linchpin for our country's economy. With our experience in the transport and logistics sector 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 transport and logistics expertise, including the services we offer and our experience, please visit: www.hawsons.co.uk/transport-logistics-accountants

Autumn Budget: The impact on the transport and logistics sector

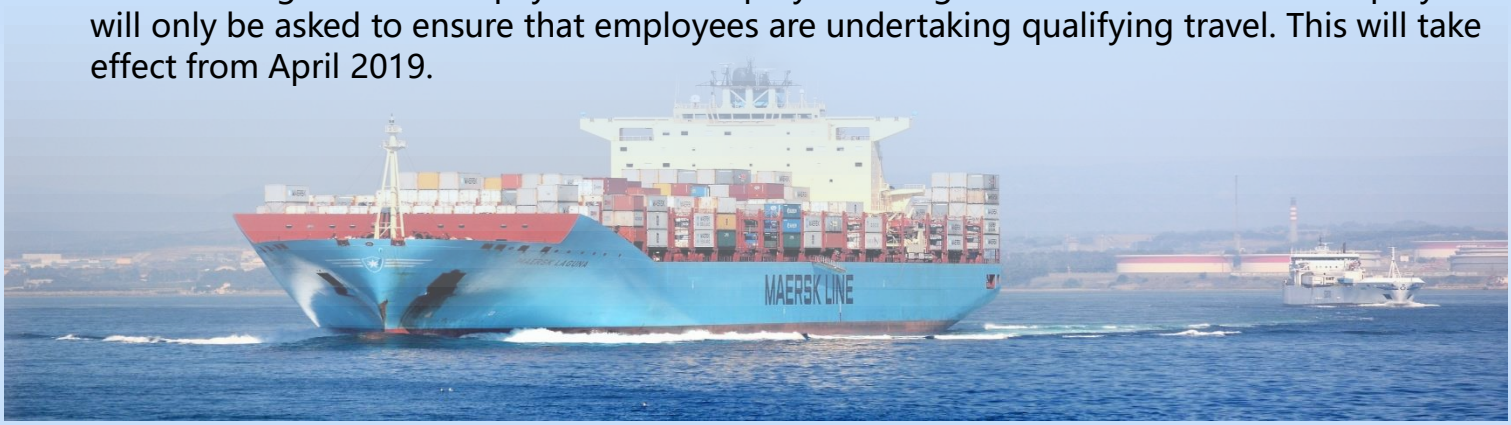
Phillip Hammond delivered his Autumn Budget on the 29th October 2018 which included a number of measures that affect the Transport & Logistics sector. In this article, we take an overview of some of these measures and apply them to areas of this sector.

Business Tax Measures:

- There were no alterations announced relating to HMRC's Making Tax Digital programme and businesses affected by this will need to make sure they can comply with the new rules from 1st April 2019. (For more details relating to Making Tax Digital, check out our Making Tax Digital Hub at https://www.hawsons.co.uk/making-tax-digital-hub/
- An increase in the Annual Investment Allowance for two years starting on 1st January 2019 was announced. This is being increased from the current level of £200,000 per year to £1,000,000 per year. This is a welcome increase for the sector particularly where fleet or plant renewals are anticipated. On the flip side, the rate at which allowanced are quoted on Special Rate Pool plant and high emissions cars are to reduce from 8% per annum to 6% with effect from April 2019.
- The current 100% First Year Allowance per expenditure on electrical charge point equipment will be extended until 2023.
- Expenditure incurred on non-residential structures and buildings incurred after 29th October 2018 will qualify for allowances on 2% straight line basis.

Employment Tax Measures

- Medium sized and large organisations will be subject to the changes in IR35 that came into effect in April 2017 for the public sector. Responsibility for operating the off-payroll rules will be transferred from the individual worker to the organisation, agency, or third party engaging the working. This comes in to effect from April 2020.
- For the businesses with an employees' NIC bill of more than £100,000 in the previous tax year, the Employment Allowance of £3,000 will be disappearing from April 2020.
- Draft legislation has been issued which removes the need for employers to check receipts when making subsistence payments to employees using benchmark scale rates. Employers will only be asked to ensure that employees are undertaking qualifying travel. This will take effect from April 2019.



Capital Taxes

- Changes to Entrepreneurs Relief- two new tests have been added to the definition of a personal company which requires the claimant to have a 5% interest in both the distributable profits and net assets of the company. This is in addition to the existing tests that already require a 5% interest in the ordinary share capital and 5% of the voting rights.
- The qualifying period in which these conditions must be met is set to increase for disposals on or after 6th April 2019 from one year to two years. There will be an exception where a business ceased prior to 29th October 2018.

Other Announcements

Other measures announced relating to the transport and logistics sector were:

- Fuel duty was frozen for a ninth consecutive year.
- The fuel duty differential for alternative fuels to be maintained until 2032, subject to a review in 2024.
- Announcement of a £28.8 billion National Roads Fund to improve Britain's roads.
- Vehicles Excise Duty for HGV's to be frozen for 2019/20.
- Small pockets of further funding available for the development of Northern Powerhouse Rail and East West Rail.

Away from the budget, the Office of Road and Rail have concluded that Network Rail will be able to spend £39.7 billion to operate, support, maintain and renew the nation's railway over the five years from April 2019.

Paul Wormald, Partner at Hawsons, commented: *"There were a number of positives coming out of the budget for the sector. The announcement of major spending programmes on road and rail infrastructure is welcomed, and the increase in the AIA, along with the maintenance of the fuel duty differential for alternative fuel is a neat link up that may encourage investment in haulage fleets in particular. On the downside the changed to Entrepreneurs Relief will mean that care is required in making sure that planned disposals of shareholdings meet the qualifying criteria and professional advice should be sought when planning a business sale."*

No-deal Brexit Planning Information for UK Hauliers

The Department of Transport has recently published a series of technical notices which outline plans that will be put into place if the UK leaves the EU without a deal.

This information demonstrates the potential impact that a no-deal Brexit may have on areas of the transport policy.

The Government has stated that it remains confident that the UK will continue its strong partnership with the EU following Brexit and a mutually advantageous deal with the EU will be the most likely outcome.

However, the Department of Transport is putting in place contingency measures to ensure business and tourists can continue to travel and trade with the EU post-Brexit.

Given the current uncertainty surrounding Brexit, haulage firms may wish to review and plan for a no deal Brexit, including preparing for future permitting and trailer registration rights, and ensuring that drivers hold the correct documentation for their journeys.

Currently, UK hauliers carrying out international journeys must hold a Standard International Operator's Licence as well as a Community Licence for journeys through the EU. The Community Licence gives UK hauliers access to unlimited international journeys.

There is also a wider European Conference of Ministers of Transport (ECMT) permit that allows UK hauliers to carry goods to or through 43 countries. There is a limit number of these permits available to UK hauliers.

Professional drivers are currently required to hold a Certificate of Professional Competence (CPC). CPCs are currently recognised across the EU and allow drivers to operate without the need of an additional qualification.

However, this could all change if after March 2019 there is a no deal Brexit.

Community Licences, ECMT and Market Access

In the event of a no deal Brexit, UK hauliers can no longer rely on automatic recognition by the UK of UK-licenced Community Licences. The result of this will be that UK hauliers no longer being able to access EU markets with just their Community Licences. This would also end the ability of UK hauliers to perform cabotage.

EU countries could decide that UK-issued operator licences and associated authorisations are based on the same standards as EU Community Licences and may not require further authorisations. However, if this is not decided, UK hauliers will be able to use ECMT permits if there is a no-deal Brexit.

ECMT permits will be available in limited numbers to enable journeys to the EU.

With regards to driving licences, whilst UK drivers will be able to drive in EU countries post Brexit, International Driving Permits may be required for the countries to be visited.

Certificate of Professional Competence

The UK will keep its CPC scheme and any CPC documentation that has been issued in the EU will continue to be recognised in the UK. If there is no-deal, automatic recognition by EU countries of UK-issued CPCs will cease. As with the Community licences, EU countries may continue to recognise UK-issued CPCs but this is not guaranteed.

Trailer Registration

UK trailers will need to be registered in EU countries post March 2019 regardless of the outcomes of the Brexit negotiations.

Action for Haulage Firms

- Consider if you need haulage permits to carry goods internationally. New systems are being developed by the Driver & Vehicle Standards Agency to allocate permits required from March 2019, and the application process should open from November 2018.

- Prepare contingency plans – It is expected that demand for ECMT permits will outstrip supply. Hauliers need to consider how many permits they require, and if they are not allocated the number of permits they applied for, how they will move goods. This may require looking at alternative routes and/or modes of transport.

- Register trailers that are to be used internationally by 28 March 2019.

- Be aware of potential new requirements at borders and ports. These could create delays and affect routes. These in turn could have knock on effects on haulage costs and work schedules

The Future of Audit?

It has been a difficult few months for the auditing industry – and in particular for the national firms that audit large listed companies and other 'Public Interest Entities'. After the high profile collapses of BHS and Carillion, amongst others – where the question of blame was put at the door of the auditors by the press – last week Parliament's Business, Energy and Industrial Strategy (BEIS) committee launched an inquiry into what it called the 'broken audit market'.

The BEIS committee's inquiry is the fourth ongoing review into the audit sector or its stakeholders along with the Competition and Market Authority's review of the audit market, the independent review of the FRC (the auditors' regulator) led by Sir John Kingman and Project Flora, a government-backed review into the future of the audit industry.

The outcome of these reviews is not yet known – but one thing that we can say with certainty is that the future audit market will look different to the one that exists today.

So, what does this all mean for firms like Hawsons? The partners here see the potential future disruption as an opportunity.

Medium sized firms like ours are agile and have the ability to adapt quickly to the changing world around us. Our partners have a wider skill set than that typically found in 'Big Four' partners, who tend to specialise in a service stream and have more time to spend with our clients, meaning that we can develop deeper working relationships. David Grunberg, founding partner of Grunberg & Co, said in his recent article in Accountancy magazine *'A commonly heard remark from clients who leave the Big Four is that they felt a stronger bond being created with the partner and the team they joined at the new firm'.*

This wider skillset and closer relationships mean that we really understand our clients' expectations and can adapt and innovate to meet those expectations. Innovation has been important for us – evidenced by our partnerships with Xero and Quickbooks for online accounting and our 'Making Tax Digital' workshops – and will continue to be as the market and clients' expectations change. Innovation is also important in the world of audit – making sure that we combine tried and tested methods with new technology to deliver efficient yet robust and effective audits.

Clients also expect us to be able to offer international expertise. Through our membership of HLB – the 12th largest global network of accounting firms – we have access to 25,000 professionals in over 150 countries. In any country that our clients want to do business in, we can provide guidance and expertise through the network. We currently do a great deal of work with the HLB network, so the service is seamless and the service level is similar to that offered by the Big Four networks.

The future of the audit market is unknown, but with our agility, close client relationships, ability to innovate and international network, Hawsons is well placed to be able to take advantage of any opportunities that arise.

Lords call for a delay to Making Tax Digital for VAT until 2020

The House of Lords Economic Affairs Committee have issued a scathing report on HMRC's Making Tax Digital ("MTD") for VAT programme. The committee have voiced disappointment that on many issues raised by the committee in their 2017 report HMRC had taken "no meaningful action". The MTD for VAT programme is due to be introduced in April 2019.

The 2017 report had suggested that the tax gap claimed by HMRC was "guesswork", the proposed timetable was "too tight" and that HMRC had underestimated the difficulties and costs faced by the "considerable number of people with limited digital skills or inadequate broadband access".

The tax gap

The committee found issue with the government's estimates that MTD will result in an increase in tax revenue of just over £1bn by 2020-23. They believe the benefits are overstated and highlighted that "reducing errors could reduce tax revenue as well as increase it".

The costs for taxpayers

Businesses using older software "face the cost of upgrading purely to meet MTD requirements". The committee criticised HMRC for believing that businesses would realise administrative savings that would outweigh any costs incurred in the transition to MTD. HMRC believe the average transition cost will be £109. However, this figure has been challenged by witnesses who appeared before the committee who suggested the average cost could be anywhere between £300 and £2,000.

The timetable

The committee said that HMRC "is alone in its confidence that all one million businesses will be ready for MTD for VAT in April 2019". They believe HMRC have "underestimated the time for research, planning, training and system changes that some businesses will need".

The committee continue to allege that HMRC are more motivated by the possibility of increased revenue for the government instead of the need for greater efficiency. The report suggests that the government should defer the introduction of mandatory MTD by a minimum of one year but encourage businesses to join voluntarily. They believe that HMRC should wait until at least April 2022 before they roll out MTD to any other taxes.

Communicating with businesses

The committee found that HMRC had communicated primarily with software providers, agent representative bodies and agents. They accuse HMRC of neglecting to inform taxpayers "until they were invited to join the pilot". Last month HMRC informed the committee that it was 'significantly increasing its communications activity" but the committee felt that with just five months until the introduction it was "too late to begin an effective communications campaign".

The pilot

Although HMRC extended their pilot to 600,000 businesses in October 2018, the committee said "there is too little time before 1 April 2019 to make up lost ground and respond to implementation issues identified by taxpayers". There will be "no pause to allow the lessons learned in the pilot to be evaluated, particularly from the perspective of taxpayer readiness, and changes made before it is mandatory for most taxpayers". They highlighted that the reliability and performance of "HMRC's systems are still unproven at scale".

Deferred for some

The committee criticised the deferral extended by HMRC on the grounds that it was given mainly to other public sector bodies and a selection of small organisations with the most complicated tax affairs rather than "to the smaller businesses for whom implementation will be most burdensome and who have the fewest resources to devote to implementation".

Reaction

An HMRC spokesperson responded to this report, saying: "We are disappointed that the committee's report does not reflect HMRC's wide and significant engagement on MTD over the last three years, nor the changes made as a result for small businesses."

Craig Walker, Senior Tax Manager at Hawsons commented "Despite this scathing report, HMRC have given no indication that the introduction of MTD for VAT will be delayed and therefore businesses should ensure they are ready for the new regime".

The full report can be read here:

https://publications.parliament.uk/pa/ld201719/ldselect/ldeconaf/229/229.pdf

How can Hawsons help?

We can help you to review your current VAT record keeping arrangements and identify the changes that will be necessary to comply with the requirements of MTD.
If you wish to discuss the implications of MTD for you and your business, please get in touch with your usual Hawsons contact.

You are welcome to attend one of our FREE workshops that are running every month by signing up here: https://www.hawsons.co.uk/making-tax-digital-workshops/

Your Local Specialists....

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

Due to the new General Data Protection Act (GDPR), that came 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.

WE ARE AN INDEPENDENT MEMBER OF THE GLOBAL ADVISORY AND ACCOUNTING NETWORK