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February | 2022

Transport & Logistics

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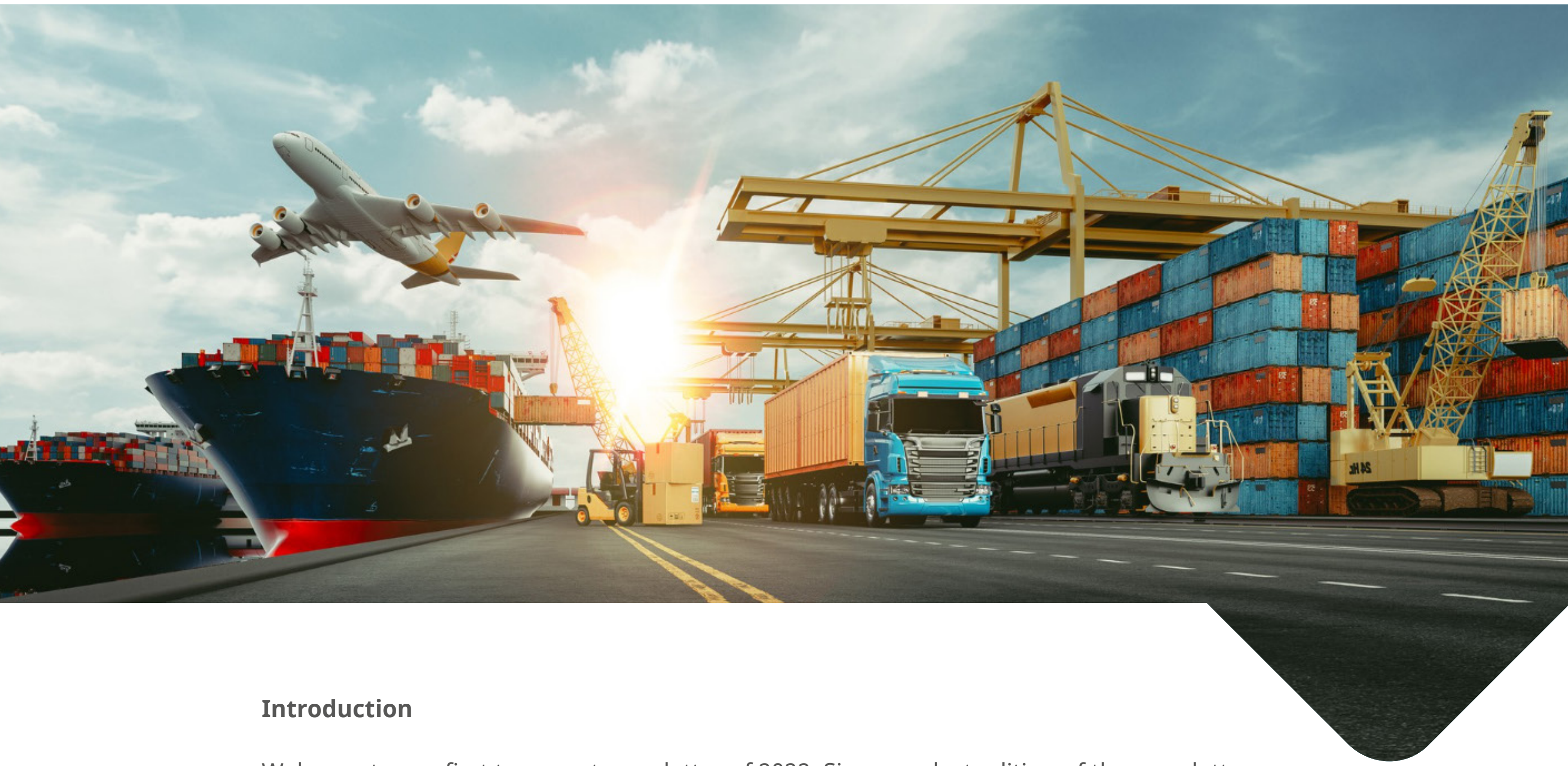
Paul Wormald
Partner



Introduction

Welcome to our first transport newsletter of 2022. Since our last edition of the newsletter we have seen the emergence of the new COVID-19 Omicron variant. This variant had a particular impact on the transport and logistics sector as this was one of the factors that contributed to the well publicised HGV driver shortage in late 2021.

In this edition of our transport & logistics newsletter we discuss the easing of the HGV driver shortage. The implementation of increased rail fare prices in March, and zero emission vehicles.

We hope you enjoy the articles in this newsletter and as ever if you have any questions please do not hestitate to ask.

HGV driver shortage is easing, but will it be short-lived?

Pallet-Track chief executive Caroline Green has reported there are promising signs that we could be through the worst of the HGV driver shortage crisis.

Wage increases and more tests easing HGV driver shortage

Since the height of the HGV driver shortage in September 2021, which was largely caused by the 'pingdemic' and Brexit-related issues, we have seen the noise around the HGV driver subside for a number of reasons.

Firstly, there have been significant pay rises across the sector. This has persuaded many drivers to return to the sector to take advantage of these increased rates of pay. Furthermore, bonuses and flexible shift patterns, as well as the implementation of government schemes, such as Skills Bootcamps, and fast-tracking HGV driver tests have helped ease the shortage.

However, top haulage and logistics firms have warned that wage increases will need to be maintained, else the easing of the HGV driver shortage may be short-lived.

Secondly, we are now seeing more HGV tests being conducted. Caroline Green believes that more trainee HGV drivers are coming through the testing system, but says that more needs to be done to make the sector a more attractive job prospect for new recruits.

Continued overleaf

HGV driver shortage is easing, but will it be short-lived (continued)

Underlying causes of HGV driver shortage still unresolved

Despite this Caroline Green has warned that issues such as Driver CPC becoming unpopular among older HGV drivers and low-quality facilities are still yet to be resolved.

With the Omicron variant of COVID-19 still being a concern, another ‘pingdemic’ could create another severe HGV driver shortage.

Although the HGV driver shortage is easing and we are not in a state of crisis, many haulage and logistics firms are reporting that they are still short of drivers and that the driver situation is not ideal.

The underlying issues currently facing the sector mean that we are only another ‘pingdemic’ away from a potential HGV driver crisis.

Paul Wormald, Transport partner for Hawsons commented:

We commented last year how the Nation’s lorry drivers are an often neglected element of the UK’s workforce, often having to work long, unsociable hours in less than ideal working conditions, and how they are indispensable to the UK economy.

From a macro economic viewpoint, it is good to hear that this acute pressure on the sector may be beginning to ease as pure economics dictate that if there is a scarcity of properly trained drivers, then hauliers are likely face increasing wage costs to attract the drivers they need. This in turn will filter its way to end-users in increased prices.

The early signs of stabilisation in the market for drivers may bring some marginally increased certainty for haulage firms anxious about spiralling wage bills, however, it would seem that there is still some way to go to bring longer-term certainty to the HGV driver market.

Rail fares due to increase in March by 3.8%

Rail fares increase in line with July's RPI inflation rate

The government has confirmed that rail fares across England are due to increase by 3.8% in March 2022. This is the largest increase in rail fares within the last nine years with the increase being in line with July's RPI inflation rate. However, this increase is less than many feared as rail fares increased by more than RPI inflation rate in March 2021.

Will the rail fare price increase result in fewer passengers?

Due to the pandemic, an increasing amount of people are now working from home, especially those that are in the commuter belt who will often use the train to travel to nearby cities for work.

This additional price increase is likely to result in fewer people using the train than in previous years. Industry leaders have suggested a freeze in rail fare prices in an attempt to get more passengers back on the railway. But, due to the new Omicron variant of Covid-19 passenger numbers are now falling again after a peak in November 2021 at around 70% of the pre-pandemic levels.

Treasury keen to reduce subsidy in rail

The government has invested over £14bn into rail services during the pandemic in order to keep rail services running. They have said that this fare increase would contribute towards meeting some of these costs. The rail minister Chris Heaton Harris has said that keeping rail fares in line with inflation strikes a fair balance.

The increase will be officially applied to regulated fares in England alone. However, it is likely that it will be reflected throughout the UK. Shadow transport secretary, Louise Haigh, has said that families who are already facing increasing taxes and bills will now be hit with a large increase to their daily commute costs which people may not be able to afford.

Others have also criticised the move as Paul Tuohy chief executive of Campaign for Better Transport has said that rail should be made as the affordable choice if the government is serious about reducing transport's carbon footprint and believes rail fares should have been frozen to match the fuel duty freeze for cars.

All new vehicles to be zero emission in the UK by 2040

Zero-Emission Vehicles

The UK has confirmed that all new HGVs in the UK will be zero-emission by 2040. Furthermore, by 2035, the UK has committed to phasing out all-new non-zero-emission HGV's weighing 26 tonnes or less. This is in addition to the UK's 2030 phase out for petrol and diesel cars and vans. At COP26 a group of industry leaders and ministers committed to working towards 100% zero-emission new car and van sales by 2040 globally and 2035 in leading markets. At the World Leaders Summit, 30 countries agreed to make zero-emission vehicles the new normal by 2030 as part of the new Glasgow Breakthroughs. This included making them more accessible, affordable, and sustainable.

UK's electric vehicle charge point concept

The UK government has revealed its new design for electric vehicle charge points. A design that could become iconic in years to come much like the Great British red post box or the London black cab. The aim was to design something inclusive and easy to use much like the traditional petrol pump. The concept also aims to increase excitement and awareness surrounding electric vehicles as the UK starts to build one of the most affordable and reliable charging networks across the globe. Currently, zero-emission vehicles are less expensive to run in the UK than petrol or diesel vehicles. In addition, it is expected that they will become less expensive to purchase in years to come as zero-emissions vehicles become more popular.

Transport Partner Paul Wormald commented:

The ability for goods and people to travel quickly and conveniently is key to an efficient economic system, however, this needs to be combined with a focus on sustainability and how our modes of transport, and transport infrastructure impact on the wider environment. The recent COP26 summit gave an opportunity for world leaders to set a framework as to how this may be achieved.

The commitment to phasing out conventionally fuelled motor transport will present a wide range of opportunities and challenges for many businesses across the whole economic spectrum, and it will be interesting to observe how these play out on a practical level over the coming years.

Changes to VAT penalty regime delayed until 2023

The government has announced that the new penalty regime for VAT, which was due to be introduced from 1 April 2022, will now be delayed until January 2023.

The delay is to provide HMRC with extra time to ensure their IT systems are ready and well tested. The new scheme will reform the penalty regime for late submission of VAT returns and late payment of VAT.

Under the new regime, HMRC will issue a single penalty point for each late submission of a VAT return and once a business has exceeded a points threshold for multiple missed returns, a flat penalty of £200 will be charged.

There will also be penalties for late payments. The first charge will be imposed at 2% of the outstanding tax if the tax due on a return remains unpaid 15 days after its due date. After 30 days the penalty increases to 4%. The second late payment penalty is a daily penalty (set at 4% per year of the tax still outstanding at that point), starting from 31 days after the due date until the business pays the tax that is due. Late payment interest will be calculated at 2.5% above the Bank of England rate and will be payable on tax outstanding after the due date.

HMRC give self-assessment taxpayers one month waiver

HMRC have announced that they will be waiving late filing and late payment penalties by one month for Self-Assessment taxpayers. This is to give them additional time to complete their 2020/21 tax return and pay any due tax if needed.

However, HMRC are still encouraging Self-Assessment tax payers to file and pay on time if they can. The department have announced that out of the 12.2 million people that need to submit a Self-Assessment tax return by 31 January 2022 nearly 6.5 million have already submitted.

HMRC have said that with Covid-19 affecting the capacity of some tax-payers and their agents it is making it increasingly difficult for taxpayers to meet the 31 January deadline. Therefore, HMRC have made the decision to implement a one-month waiver for late filing and late payment penalties.

This is a very welcome concession.

What are the new rules for self-assessment taxpayers?

The official deadline for filing and paying your tax return remains as 31 January 2022. The waiver implemented by HMRC will have two fundamental changes:

Firstly, anyone who cannot file their tax return by the 31 January deadline will not receive a late filing penalty if they file online by 28 February. Technically the return will have been filed late but the tax-payer will be treated as if they had a reasonable excuse and so the automatic £100 penalty will not be charged.
Secondly, anyone who cannot pay their Self-Assessment tax bill by the 31 January deadline will not receive a late payment penalty if they pay their tax in full, or set up a Time to Pay arrangement, before 1 April.

However, it is important to note that interest will be charged with effect from 1 February 2022 for those that miss the 31 January deadline. Therefore, we recommend that you pay on time to avoid any interest payments if you can.

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with our latest news and updates

Get in touch

Our experts

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.

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