

The Budget – what you need to know

The Autumn Budget may have appeared a fairly low-key affair for the business world, but there were a number of policies that will have repercussions this year and beyond. Director Tracy Jenkins takes a detailed look at the pivotal points for businesses.



The end of the indexation allowance for companies – and its hidden effects

Philip Hammond announced the indexation allowance for companies would be frozen from January 2018 and this will have a major impact on property investors – although the full effects may take several years to be felt.

Indexation allowance can mean a company pays less corporation tax on a gain than an individual would pay on the same disposal. When an asset is sold, part of the increase in its value will be due to the general rate of inflation. Since 1982 this inflation-related growth in value has been excluded from the taxable gain by the operation of indexation allowance.

The freeze now means that for disposals taking place from 1 January 2018 onwards, the company will be able to claim an indexation allowance but it will be calculated by reference to the RPI for the period to December 2017, and not up to the month of disposal.

Tracy says: "This is a loss for our property company clients, but also has an impact on certain investments like unit trusts and endowments where a corporate structure has made these more tax-effective.

"The impact will only be felt as time passes, and the effects of inflation start to be taxed, but this will need to be considered when working out the corporation tax on future property sales.

VAT threshold remains

Many small business owners will be breathing a sigh of relief that the threshold at which they begin to pay VAT will not be lowered.

This means that until 31 March 2020, businesses do not need to register for VAT until their taxable turnover exceeds £85,000 in any rolling 12-month period. Equally, businesses can apply to de-register from VAT if their turnover falls below £83,000.

During the two-year freeze the government plans to consult on whether the VAT

threshold should be reduced to encourage growth in small businesses.

Tracy says: "The freeze could potentially create issues for business that trade close to the threshold and those businesses should seek specialist advice where appropriate."

Off-payroll working

The government has announced it will consult this year on whether IR35 rules governing how freelancers and contractors are taxed in the public sector should be extended to cover the private sector.

Under these rules, when bodies hire consultants through personal service companies, a deemed employment relationship may be created for tax purposes. The public body is then responsible for accounting for PAYE.

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Getting ready for GDPR

Significant data protection laws come into force on May 25 and all businesses will need to be compliant.

General Data Protection Regulation (GDPR) will mean all organisations holding personal data will need to ensure their procedures are

fit for purpose and compliant with the law.

At the heart of the legislation is the requirement to have consent for processing of personal data or evidence that processing is necessary for the performance of a contract.

The legislation may also require updating of privacy policies, as well as a comprehensive review of the digital information held by businesses, including their own employee data.

Richard Bacon, head of IT, says: "As a responsible and forward-thinking business,

we take GDPR compliance very seriously. We see it as an opportunity and other businesses should too.

"Being GDPR-compliant is not just a legal requirement – for all businesses it should be seen as an exercise to be resilient to cybersecurity threats and give people confidence that their personal data is safe in your hands."

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Be alert to threat of internal fraud

Charity decision-makers need to be alert to the threat of fraud within the organisation and take appropriate steps to reduce the risk, says Director Michaela Johns.

The Charity Commission has cited figures suggesting that one third of fraudulent incidents against charities were suspected to involve volunteers, staff or trustees.

The Commission recently launched a major awareness initiative to promote fraud prevention and help charities develop anti-fraud cultures.

Charity specialist Michaela, who provides advice and support to a range of not-for-profit organisations, says: "Insider fraud can be hugely damaging to any charity

and the statistics suggest it may be on the rise.

"A breach can have a number of consequences: taking funds away that could be spent on beneficiaries; harming a charity's hard-earned reputation; and denting confidence in the charity.

"It's crucial that charity directors get to grips with good internal practices and effective housekeeping to significantly reduce the threat and take steps in order to mitigate the impact should a fraud incident occur."

Michaela advises:

- Charities should undergo a "top to bottom" assessment of fraud risk exposure.

- A corporate culture that reduces the risk of fraud – with a focus on motivating high performance rather than financial manipulation.
- Ensure that employees/volunteers are appropriately screened before they join.

For further information on how to protect your organisation from internal fraud, please contact:

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Michaela Johns

Auto enrolment contributions increasing

Minimum contributions that employers and employees pay into auto enrolment workplace pension schemes are increasing.

The current total minimum contribution of 2% of qualifying earnings rises to 5% on 6 April 2018, and again on 6 April 2019, reaching a total minimum amount of 8%.

Here's a summary of the timeline:

Date	Employer minimum contribution	Staff contribution	Total minimum contribution
Until 5 April 2018	1%	1%	2%
6 April 2018 to 5 April 2019	2%	3%	5%
6 April 2019 onwards	3%	5%	8%

James Alesbury, auto enrolment specialist, said: "All employers need to be aware of these important changes and need to ensure that these rises are implemented.

"Businesses that have chosen certification will also need to review their total minimum contribution rates on these dates.



"We offer a cost-effective and all-encompassing outsourced auto enrolment service that can streamline the entire process and ensure your business is compliant."

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James Alesbury

Countdown to Making Tax Digital for Business

The countdown has begun for the digital tax system coming into operation – and now is the time to make sure your business is ready for the transition.

From April 2019, as part of the Government's Making Tax Digital for Business (MTD) programme, VAT registered businesses with taxable turnover above the VAT registration threshold (currently £85,000) will have to keep their records digitally (for VAT purposes only) and submit their VAT return information to HMRC digitally.

Digital record keeping provides businesses with the ideal opportunity to introduce financial systems to help make more informed budgetary decisions, but many SMEs may still not be ready for the change.

Andrew Kershaw, Associate Director, explains: "A year may sound like a long time, but I would advise businesses to act as soon as possible in order to ensure compliance and avoid potential penalties.

"If you are VAT registered and don't currently use a digital accounting package such as Xero, now is the opportune time to make that transition.

"Xero is a cutting-edge platform that will make the switch a seamless, hassle-free process and it also offers a host of other benefits to assist businesses.

"We have a team of specialists who can provide expert advice and support on the best option for your business, as well as provide training and assistance on how to use the software and maximise its benefits."

Advantages of using Xero include:

- Safe and secure.
- Run your business finances anytime, from anywhere, on any device.
- Real-time collaboration with us, your advisers.
- No installation or IT maintenance required.
- Pay as you go and no up-front costs.

HMRC has outlined a penalty points system for enforcing MTD, with businesses receiving a penalty point every time they fail to submit on time and financial charges when a certain threshold is reached.

As a result of a government review last year, MTD will be available on a voluntary basis for the smallest businesses and businesses will not be asked to keep digital records or update HMRC quarterly for other taxes until at least 2020.

For more information about MTD and our online accounting packages contact:

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Andrew Kershaw

Mandatory company car reporting

From April 6 it will be mandatory for employers that currently voluntarily payroll company cars as a Benefit in Kind (BiK) to report information about car and car fuel benefits in their Full Payment Submission (FPS), under new HMRC requirements.

The change only applies to businesses who have chosen to voluntarily payroll company cars as a BiK. Employers who are not registered to payroll employees taxable benefits and expenses by 6 April must continue to process and report company cars through form P11D and P46 (Car).

Associate Director James Alesbury says: "As the new tax year approaches, employers should be considering the real long-term advantages of payrolling of benefits.

"It effectively removes the administrative burden of completing P11D forms and allows your employees to pay tax on their benefits in real time, keeping tax code changes to a minimum in the future.

"The scheme currently excludes living accommodation and interest-free loans, but it seems likely that more elements will move over to payrolling of benefits."

If you wish to payroll any benefits you must register online with HMRC before 6 April 2018.

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Tax Enquiry Insurance

Investigations are becoming a common occurrence for compliant businesses, with HMRC maximising its powers to visit premises and inspect financial records.

Fee Protection Insurance ensures you have the support you need without incurring related professional fees.

The protection covers a wide range of areas, including Corporation and Income Tax enquiries, PAYE/NIC Employer enquiries, and Business Records checks.

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We are not authorised under the Financial Services and Markets Act 2000 but, in certain circumstances we are able to offer a limited range of investment services because we are ICAEW members. We can provide investment services if they are an incidental part of the professional services we have been engaged to provide.



Fundraising pledge for vital children's hospital unit

We have a host of fundraising initiatives under way for our HWB Charity of the Year, The Murray Parish Trust.

We are proud to be supporting the Trust's drive to raise £2m for a dedicated children's A&E department at Southampton General Hospital.

To kickstart the fundraising, we held a month-long charity auction with prizes donated from a range of businesses and organisations in the region, including Paultons Park and Ageas Bowl. HWB staff silently bid on the donated items, raising £800. Michaela Johns also appeared on That's Solent TV in February discussing the firm's planned activities.

Next on the agenda is the Three Peaks Challenge. An intrepid 15-strong team from HWB will attempt to climb the highest mountains in Scotland, England and Wales – Ben Nevis, Scafell Pike and Snowdon – in just 24 hours. Their challenge will mean driving 462 miles, walking a total of 23 miles and ascending a total of 9,843ft. The team is hoping to raise £3,000 and has launched a sponsorship page.

The Murray Parish Trust was set up by actress Sarah Parish and her husband James Murray, who have raised thousands of pounds for Southampton General since losing their daughter Ella-Jayne, who was treated there in 2009.

Geoff Rhodes, Managing Director, said: "Many of us are parents, so we wanted to support a charity that will make a real difference to hundreds of families across the region."

Sarah Parish said: "To have the support from companies such as HWB is absolutely invaluable to our cause and demonstrates how the more progressive firms such as this really do grasp the inherent value of corporate sponsorship."

Contributing businesses to the charity auction were: Ageas Bowl, Birdworld, Marwell Zoo, Paultons Park, Ringwood Brewery, Southampton FC, Stoneham Golf Club and Pieroth Wines.

To sponsor our team's Three Peaks Challenge visit <https://mydonate.bt.com/events/hwbclimbs/455256>

tax evasion

Responding to new tax evasion laws

Businesses need to be aware of important new laws that require them to take reasonable steps to prevent the facilitation of tax evasion by employees or agents.

The Criminal Finances Act 2017 includes a new corporate offence of failure to prevent facilitation of tax evasion. It means that companies and partnerships are criminally liable if they fail to prevent the commission of tax evasion facilitation offences by a person associated with them – namely an employee, agent or any other person who performs services for or on behalf of the company.

Any business cannot simply claim ignorance of the actions of its employee or agent in order to avoid a conviction and an unlimited fine. Rather, they must show that "reasonable procedures" were put in place to prevent its associated persons from committing tax evasion facilitation offences.

HMRC has provided guidance to assist companies in the development of their "prevention procedures", including carrying out a detailed risk assessment as well as ongoing communication and training.

Arthur Bell, Director and the firm's Money Laundering Compliance Officer says: "Companies and partnerships of all sizes need to be prepared and implement appropriate measures in order to avoid falling foul of these new laws.

"At the heart of the matter is that top-level management in any organisation must be committed to preventing the facilitation of tax evasion and must make clear that this is the case to all employees and agents.

"The key to coping with the requirements for any business is an initial risk assessment followed by having a system of reasonable prevention procedures in place. We are able to help businesses perform a risk assessment and can assist in introducing the appropriate prevention procedures."

If you would like help responding to the new legislation, please contact:

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Allowing small businesses to flourish

A leading survey by UK insurer RSA reported that the tax system remains one of the greatest threats to the survival of small businesses, with 44% citing it as a barrier to success.

In recent times, there has been a huge change in the way people think about financing recurring payments such as VAT and Corporation Tax. While many businesses had previously seen it only as an option for struggling businesses, attitudes have changed, with businesses now looking for ways to spread their cash flow and manage their money more efficiently.

Getting a traditional business loan can be a long and frustrating process – and for many people, the gain just doesn't outweigh the pain. However there are other options including LDF's short-term business loans to help businesses spread the cost of essential outlays such as Corporation Tax and VAT every year.

To find out more contact:

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Arthur Bell

Seminars to step up your business

We hold a number of seminar events throughout the year to provide insightful and pragmatic assistance to businesses on a range of topics.

If you are interested in attending any of our seminar events or would like more information on the events planned throughout the year, please contact Vicky Holman at vicky.holman@hwb-accountants.com

