

Welcome to Focus On... our monthly business bulletin looking at issues relevant to particular sectors and topics of interest.

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Tax crackdown brings in extra £23bn



New figures from HM Revenue and Customs (HMRC) have revealed that it brought in a record £23.9 billion in extra taxes over the last year, after stepping up activity to make sure people pay all the tax they owe.

The additional tax, brought in through HMRC investigations, on top of funds collected from those who pay their taxes on time, is up £3.2 billion on the previous year, up £9 billion on three years ago and nearly £1 billion above the target set at Autumn Statement 2013.

More than £8 billion was secured from large business, more than £1 billion from criminals and £2.7 billion from tackling avoidance schemes in the courts.

HMRC said its compliance activity had resulted in a number of tribunal wins, and had also seen corporation tax and stamp duty land tax loopholes closed.

Announcing the figures on 27 May, Exchequer Secretary to the Treasury David Gauke said "We set HMRC ambitious targets to increase its yield and the figures published today demonstrate that HMRC is successfully meeting these challenges.

"It also sends a clear signal – HMRC will pursue those seeking to avoid their responsibilities and will collect the taxes that are due."

HMRC has also published an overview of compliance activities and action taken to tackle tax avoidance, including launching taskforces, publishing the details of deliberate and serious defaulters and challenging tax avoidance through the courts.

The document also set details of planned further steps to tackle tax avoidance and evasion, including tackling high-risk promoters and offshore tax avoidance.

IP protection stepped up

UK businesses will be able to better protect their intellectual property rights in the UK and abroad as new legislation was given the final go-ahead.

A key part of the new Intellectual Property Act, which received Royal Assent on 14 May, is to create new powers for the UK to implement the Unified Patent Court Agreement – a central part of introducing a single patent across almost all EU countries, which could lead to savings of up to £40 million per year for UK businesses.

The Intellectual Property Act also provides new protections for designers and will also introduce a number of online services to help businesses better manage their intellectual property (IP).

Minister for Intellectual Property Lord Younger said: "Continued investment in intellectual property is vital to all businesses, as it contributes £16 billion to the UK economy each year.

"I am confident that this Act will further strengthen our

world-class IP system – from research to market – and to help businesses of all sizes continue to thrive.

Key policies in the Act include:

- introducing a criminal sanction for intentional copying of registered designs
- introducing measures to help businesses assess the strength of their IP case before going through formal and costly legal proceedings, with the creation of a design opinions service
- an exemption to the Freedom of Information Act to better protect pre-publication research, so that researchers will be able to more easily validate and analyse their work before putting it into the public domain
- allowing the UK Intellectual Property Office to share information on unpublished patent applications with other national patent offices.

It is expected that the new measures will come into force from October 2014, with all measures implemented by late 2015.



Late payments still high on business agenda

Late payment remains a concern for many small businesses, according to the latest research from the national small business group, the Forum of Private Business.

In the organisation's latest banking and finance survey, published on 13 May, 23 per cent of members reported an increase in late payment over the past year compared with only three per cent who reported a decrease.

A total of 29 per cent had also seen an increase in the average number of days beyond the deadline that a payment is made late while eight per cent reported a decrease, and 19 per cent saw an increase in both elements of late payment.

Respondents were keen to see more measures to tackle the issue, with 39 per cent saying they would like to see prompt payment better promoted and 37 per cent that they would prefer to pay VAT on money that has entered their account rather than when an invoice is submitted. A total of 36 per cent wanted to see persistent late payers barred from government contracts.

Phil Orford, chief executive of the forum, said: "Improving cash flow is the likely cause for late payment issues remaining static, despite lengthening payment terms.

"However, upwards of £30 billion remains tied up in late payments, costing a typical small business 130 hours a year to chase and meaning that a third are

forced to seek external finance to cover the gaps in cash.

"Government is mulling over responses to a recent late payment discussion paper, which revealed ample ideas for tackling the issue in a more robust manner, including the reintroduction of compulsory reporting of company payment terms and practices, and annual checks for Prompt Payment Code signatories.

"It is essential that government uses the recommendations to introduce effective measures and accepts that it not only has a responsibility to play in this area but also that its increased action can also act as an important catalyst for better payment practices."

Entrepreneurs urged to check for professional qualifications

UK small businesses could be damaging their growth prospects by paying accountants who aren't even qualified, an accountancy body has warned.



The ACCA (the Association of Chartered Certified Accountants) issued the alert on 27 May, after research from cloud accounting software provider ClearBooks showed just eight per cent of small businesses considered an accountant's qualifications when choosing one.

ACCA warned that there was no law preventing anyone from calling themselves an accountant, and that as a result small businesses could be unknowingly paying someone without the necessary skills to handle their finances and help their business grow, who is not regulated or insured against risk.

Sarah Hathaway, head of ACCA UK, said: "Unlike solicitors and some other professional roles, the term accountant is not protected by law, so absolutely anyone can call themselves one, even without any training.

"The ClearBooks survey showed that 32 per cent of small businesses, when asked what they wanted help with from their accountant, identified business strategy – the largest response to that question.

A successful small business accountant (whether it's an external practitioner or an in-house person) has to perform multiple roles and be able to provide strategic and operational input.

"It is impossible to get this from an unqualified person who has trained for bookkeeping or tax only, because their skill set is too narrow.

"Equally, any business with serious growth potential needs a person who can adapt quickly to their changing management accounting needs, and ideally be able to build and manage a professional finance function. Business growth is never even and rarely goes according to plan, so it's vital to have the right skills in place early.

"If you were employing someone for a job, you would check their qualifications. You should be even more thorough when you are hiring the services of someone who will be at the helm of your business strategy. To be sure you have the right kind of finance professional for your small business who has a wide skill set the enterprise needs to grow, check they are fully qualified."

Businesses give verdict on banks

Thousands of UK businesses have given a frank assessment of banking services on a ground-breaking new website.

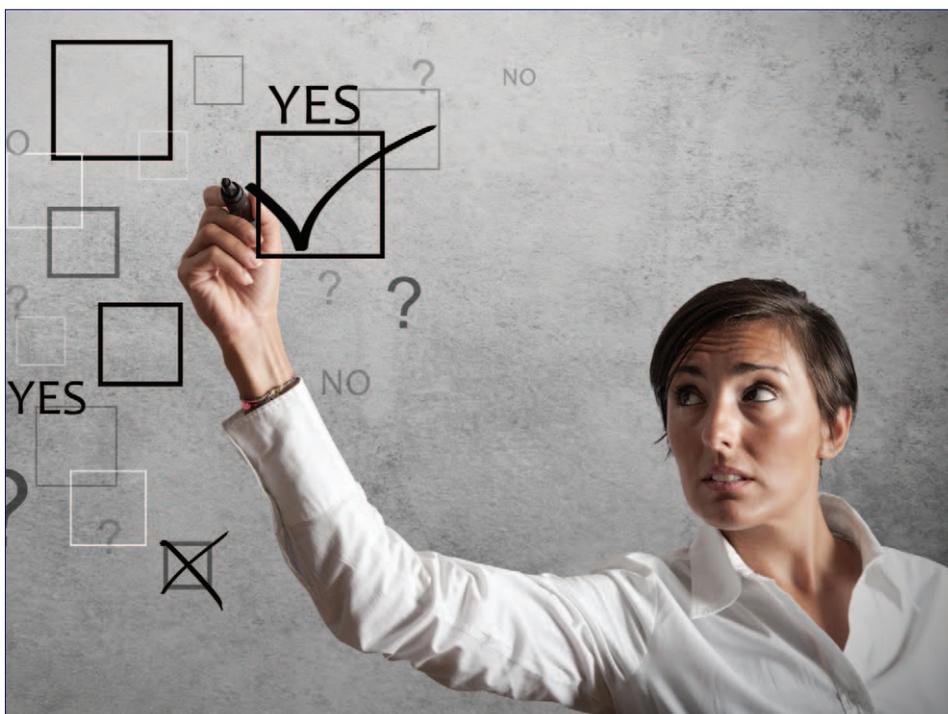
The Business Banking Insight (BBI) website, which looks at how well the UK's small and medium-sized enterprises (SMEs) are being served by banks, went live on 28 May.

Commissioned by Chancellor of the Exchequer George Osborne, BBI is designed to help businesses make better informed banking decisions. It is supported by organisations including the Federation of Small Businesses (FSB) and the British Chambers of Commerce.

BBI showcases the experiences of more than 5,000 businesses and how they rate their banks, in research carried out by ICM. A total of 74 bank brands are ranked, using a mixture of percentage and star rating systems, and three different business sizes were interviewed – sole traders, businesses with between one and nine employees and those with between ten and 249.

Key findings for each business group within business current accounts include:

- sole traders gave banks an average current account satisfaction score of 60 per cent. They gave more than half the reviewed banks only three stars or below for credit approachability, out of a maximum of five stars
- businesses with one to nine employees also gave banks an average current account satisfaction score of 60 per cent. More than half the ratings gave a score of 3.5 stars or less for value for money
- the largest businesses gave banks an average current account satisfaction score of 65 per cent. No bank received a five star rating for value but 81 per cent received 3.5 stars or more for credit approachability.



Mr Osborne said: "A key part of our long-term economic plan is increasing competition and choice in banking, and ensuring Britain's SMEs get the best possible service from their bank. This new survey will be a powerful tool for these businesses, providing them with the means to see who's up for the challenge and who isn't."

John Allan, national chairman of the FSB, said the organisation expected to see the BBI "help stimulate more competition in the market as firms become more aware of the products and services on offer, as well as the new challenger banks that have recently come on to the market."

Anthony Browne, chief executive at the British Bankers Association, said: "It is great that the newer and smaller banks are included as well as the established brands, which just shows how many different institutions there are out there competing for new customers."

"Whether large or small, every bank will want to be at the top of these ratings so this can only help spur competition between banks leading to even more innovation, new products and better service for businesses."

The research will be repeated every six months, and all findings will be published on the BBI website.

Tax chiefs issue warning over capital allowance claims

Businesses have been warned that HM Revenue & Customs (HMRC) will challenge attempts to claim capital allowances beyond their scope after a multi-million pound claim made by one of the UK's largest clothing retailers was rejected for the second time by a tax tribunal.

Next Distribution Limited, part of the Next Group Plc, claimed the Industrial Buildings Allowance (IBA) on £19 million it spent on constructing two buildings used for warehousing and other activities.

Under the now-defunct IBA, businesses could write off some of their construction costs if the sites being built were used to carry out a process on goods or to store goods on their arrival in the UK.

HMRC refused Next's claim for the allowance on the grounds that unpacking bulk deliveries and repackaging them in smaller packages was beyond the scope of the allowance.

The company's appeal against the decision was dismissed by a First-tier Tribunal and that HMRC

announced on 28 May that the decision had been upheld by the Upper Tribunal. This decision safeguards about £2.8 million of revenue.

Jim Harra, director general, business tax at HMRC, said: "HMRC's decision to reject Next's claim for this tax relief has now been backed by two tribunals."

"This case shows that, when any business – large or small – tries to claim capital allowances beyond their intended scope, HMRC will challenge it, including through the courts if necessary."

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