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focus on...

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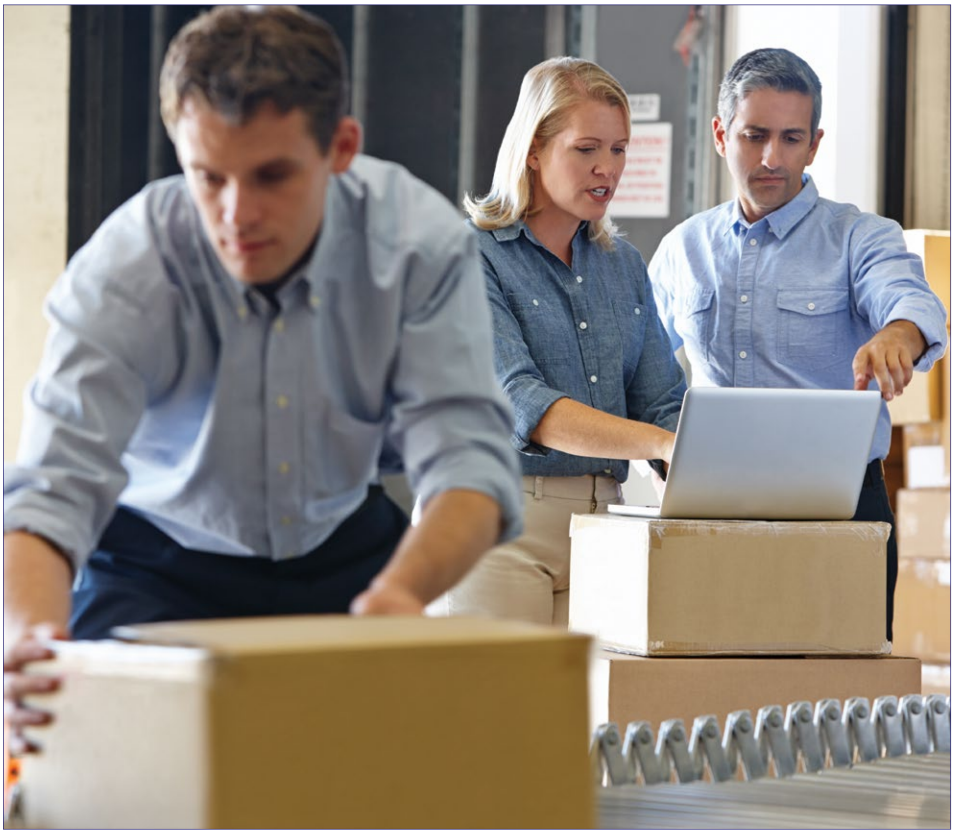
Welcome to Focus On… our monthly business bulletin looking at issues relevant to particular sectors and topics of interest.

If you would like to discuss any aspect of our services, please contact Richard Grayson, Managing Partner at Nicholsons, at richard.grayson@nicholsonsca.co.uk or phone 0845 27 66 555.

SMEs 'fail to use expert advisers'



Small business owners are running the risk of costly mistakes by failing to make use of expert advice when setting up their enterprises, according to new research.

A survey of 1,507 small and medium-sized enterprises (SMEs) for insurer Aviva found that two in five (38 per cent) relied on advice from family or friends, while only 13 per cent sought the advice of financial professionals, like accountants, nine per cent used legal advisers and six per cent insurance providers.

The research, published on 22 April, found that the top three hurdles when setting up a business were financial administration (32 per cent), marketing and sales (31 per cent), and understanding and fulfilling legal obligations as an employer or business owner (30 per cent). These remained the key challenges even when the business was established.

All were areas that those questioned had little or no knowledge of when setting up – three-quarters of SMEs said they knew little or nothing about bookkeeping or marketing and sales and 85 per cent very little about their legal obligations as an employer.

A key issue for expert advice highlighted by the Aviva survey was providing a workplace pension scheme, in line with auto-enrolment requirements.

A third of respondents had already implemented auto-enrolment and one in five (21 per cent) had yet to do so, but were aware of their obligations.

But more than a third (36 per cent) of micro employers, with up to five employees, did not think they needed to.

Angus Eaton, managing director of commercial lines at Aviva, said: "It's only natural to want to consult with your family and friends but advice from professional experts can save time and money, helping small business owners with practical solutions."

Firms warned to beware fraudsters

Fraudsters are using a new scam to target small firms with established finance facilities, according to a small business finance specialist.

Ashley Business Finance warned other businesses to beware after two of its clients, in Wigan and Manchester, lost more than £100,000 between them.

In both cases, the fraudsters met their victims at networking groups. They posed as genuine businessmen, who had secured a major order from a big company that they were unable to fulfil themselves and offered a share of the profits in return for help to buy stock.

Jonathan Cranston, chairman of Ashley Business Finance, said on 29 March that the losses could have been much greater. He said: "In both these cases the fraudsters had infiltrated networking groups, where people tend to assume they are dealing with bona fide businesses.

"They then cleverly use the conversation to identify firms with access to established factoring or invoice finance facilities, and claim to have won a big contract which they are unable to fund themselves. They persuade victims to buy stock and invoice them for it and, to build confidence, may even pay the first invoice.

"These are highly sophisticated fraudsters who catch people off guard, come up with a plausible story and even provide a viable paper trail using the names of real companies and directors who are unaware of what is happening. However, frauds such as these can be devastating for small firms.

"We are advising businesses to beware of deals which may appear too good to be true, check out the companies concerned and never offer to let others take advantage of their finance facility, no matter how good the deal seems."

Both cases were reported to Action Fraud, the UK's national fraud reporting service.

Businesses sit on cash as AIA 'deadline' approaches

UK businesses are waiting for the right moment to start investing, according to the Institute of Chartered Accountants in England and Wales (ICAEW).

The Institute surveyed 500 of its members working within businesses and found that 62 per cent had a cash surplus this year, with 69 per cent expecting the same next year. In nearly a quarter of cases (24 per cent), businesses were sitting on 20 per cent or more of their annual turnover.

The research, published on 8 April, also revealed that more than two-thirds (70 per cent) of respondents said increased confidence in their business prospects would encourage them to invest while 52 per cent wanted to have long-term assurance about the UK economy. Issues including the outcome of the general election, issues in the Eurozone and their experiences during the financial crisis were adding to their uncertainty.

ICAEW director of business Stephen Ibbotson said businesses were "getting their houses in order" and waiting for the right moment to invest but added: "We don't want to see firms just battening down the hatches which could stop our recovery in its tracks."

He urged the new government to take swift action on the annual investment allowance (AIA), which was increased in the 2014 Budget to £500,000 until the end of 2015. The allowance – which enables businesses to invest in plant and machinery and

deduct the cost from taxable profits – had previously been increased from £25,000 to £250,000 for a two-year period starting on 1 January 2013.

In the March 2015 Budget, Chancellor George Osborne said that the Autumn Statement – usually in December – would be a better time to address future levels of the AIA.

Mr Ibbotson said: "The next government should make it a priority to confirm the new rate of the annual investment allowance. Businesses plan long-term and waiting until December's Autumn Statement isn't quick enough. This will provide our growing firms with the confidence and impetus they need to take themselves and our economy to the next level."

Mike Randall, chief executive of Close Brothers Asset Finance, which specialises in funding options to support asset purchases, said businesses should be thinking now about major capital investments, ahead of a potential reduction in the AIA later this year.

He said: "I would like to urge businesses to consider the impact of an increased annual investment allowance now as it could revert to a lower level come 2016. Depending on the timing of the investment, the temporary increase in AIA means that many businesses are able to bring forward the tax relief on their asset purchases."

Tax experts welcome 'trivial' delay

Tax specialists have welcomed a government announcement that it is delaying legislation introducing an exemption from income tax for 'trivial' benefits in kind (BIKs).

Trivial benefits provided by employers include gifts such as a box of chocolates at Christmas or a bouquet of flowers for an employee who has had a baby or is absent from work through sickness.

Under the proposed legislation, which had been due to take effect from 6 April, small benefits of up to £50 would have been exempt from income tax, provided they were not made in recognition of services, part of a contractual obligation or made in conjunction with a salary sacrifice arrangement. However, the measure was dropped from the 2015 Finance Bill when it was published on 24 March.

The current rules will continue to apply, requiring employers to agree with HM Revenue & Customs which benefits they provide count as trivial.

The Association of Taxation Technicians (ATT) had called for a delay in implementing the exemption, arguing that more time was needed to allow guidance to be prepared and shared with employers.

ATT president Natalie Miller said: "The draft legislation would have made life for employers more complicated as it suggested a significant change in what should be considered a trivial benefit. We hope that the Revenue will use the time afforded by the postponement to reconsider the finer details of some aspects of the policy."

British Business Bank programme set to boost lending

The British Business Bank is opening its ENABLE Guarantee programme to all banks that lend to smaller UK businesses, following completion of the first transaction under the scheme.

The programme encourages participating banks to lend more to smaller businesses by reducing the capital they need to hold to support such lending.

The first transaction, with Clydesdale and Yorkshire Banks, will support £125 million of new lending to smaller businesses, of which at least £50 million will go to products and industry segments the banks have not previously covered, including cash flow lending for small and medium-sized enterprises and creating an emerging technology lending unit.

Vince Cable, Secretary of State for Business, Innovation and Skills said on 26 March: "I set up the British Business Bank to give small businesses access to alternative finance schemes that were badly needed. It is delivering and is supporting £1.8 billion of finance to over 43,000 smaller businesses.

"This new guarantee programme will make it easier for challenger banks to lend to small businesses and help to accelerate the transformation of UK banking into a more dynamic and competitive marketplace."

Keith Morgan, chief executive of the British Business Bank added: "Our ENABLE programme represents a significant scaling up of our firepower in making finance markets work better. The funding unlocked by the programme will make a real difference to smaller UK businesses."

HMRC brings in £513bn tax haul

HM Revenue & Customs (HMRC) has revealed that it collected £513.6 billion in tax in the 2014-15 financial year.

HMRC's latest monthly report, published on 23 April, revealed that the total annual tax take has soared by £166 billion since 2003-04, when the figure stood at £347.5 billion.

VAT made up a fifth of the 2014-15 total, coming in at £111 billion, almost £40 billion more than in 2003-04.

Income tax contributed £163 billion and corporation tax £42 billion. Meanwhile, the inheritance tax take climbed to £3.7 billion, close to its previous peak of £3.8 billion in 2007-08.

HMRC said: "Over the last decade IT, CGT and NICs (income tax, capital gains tax and national insurance contributions) have made up on average 56 per cent of total receipts.

"VAT (Value Added Tax) and Corporation Tax (CT) are the next biggest, contributing an average 19 per cent and 10 per cent of total receipts respectively."

HMRC updates 'phishing' guidance

HM Revenue & Customs (HMRC) has updated its guidance on the way it contacts customers to help them recognise "phishing" emails.

Phishing involves emailing someone in order to fraudulently obtain personal or financial information such as passwords and credit card or bank account details. The emails often include a link to a bogus website encouraging the recipient to enter their personal details.

The updated guidance, published on 24 April, explains how to recognise genuine contact from HMRC, and how to tell when an email is a fake.

HMRC stresses that it would never send notifications of a tax rebate by email or ask someone to disclose personal or payment information by email.