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Was the 2017 Autumn Budget good for business?

The Budget on 22 November 2017 left most business owners wondering what was in it for them. Not a lot on the face of it; just a little sprinkling of fiscal tonic, alongside some worrying developments. Bishop Fleming Partner, Fleur Lewis, takes a look at what the 2017 Autumn Budget had to offer Small and Medium-Sized businesses.

Business rates

There was welcome news on business rates, with the scrapping of the so-called "staircase tax", which had imposed extra rates on firms using different floors in a building.

Future business rate revaluations will now take place more frequently (every three years instead of five) from 2022, and intermediate rises would be linked to the lower Consumer Price Index (CPI), rather than the higher RPI.

But we have yet to see any progress on a root-and-branch reform of the business rates system that would align it more fairly and closely to business performance. Bishop Fleming has been calling for this fundamental reform for many years.

Investment

The Chancellor is spending £500m on a range of technology projects, alongside a further £2.3bn for large company R&D tax credits. This is great news, though it was disappointing that small and medium-sized companies were not also offered improved R&D help.

Philip Hammond is also doubling the Enterprise Investment Scheme (EIS) allowance to help start-up businesses. This could be very important if the European Investment Fund is no longer available post Brexit.

There will also be a new £1.7bn 'Transforming Cities Fund' for cities outside London to have more control over investments in transport and infrastructure. Provided the regions get a fair share of this, it should help them improve their physical and digital infrastructures to make businesses outside of London more competitive.

As well as more funds for technology, there are also additional funds for education in science and maths, and a new retraining partnership with industry and the trade unions to boost digital skills.

VAT

There was speculation before the Budget that the Chancellor would reduce the VAT threshold from its current £85,000, following an Office of Tax Simplification recommendation. So there was tangible relief when Mr Hammond decided instead to leave the threshold as it was, for the next two years at least, while the government consults on a redesign. But freezing the threshold in this way will force thousands more businesses to register as they approach the so-called 'cliff edge'. This is not helpful to small businesses.



Making VAT Digital is still meant to be happening on 1 April 2019, which is not that far away, and coincides with the UK leaving the EU. As the software and detailed rules are far from being ready for this, we can perhaps expect the date to be a movable feast.

A welcome development is that the government is looking at reforming the current VAT penalty regime to replace the onerous VAT surcharges with a new points-based system.

IR35

A potentially unfriendly business measure is the Chancellor's intention to consult on extending the IR35 reforms introduced into the public sector earlier this year into the private sector. This would cause chaos for the private sector, as it has already done for the public sector, by forcing business owners to work out whether a contractor they engage is employed or self-employed. To impose this case-law-based uncertainty on businesses that already operating in an uncertain economic environment, would be a hammer blow.

Cars and vans

The Chancellor announced further increases in benefit charges for cars and vans, and was particularly unfriendly towards diesel cars. The Company Car Tax diesel supplement will rise from 3% to 4% in April 2018. This is used for calculating the taxable benefit of a diesel car available for private use, and it will apply to diesel cars registered on or after 1 January 1998 that are not certified to the Real Driving Emissions 2 (RDE2) standard. The supplement will not apply to diesel hybrids or to vehicles that are not cars, so vans are not affected – at least for the moment.

This change gives employers with diesel car fleets very little time to respond, which is unfair and will cost them dearly. It could certainly push some employers to accelerate their replacement cycles to reduce the potential extra tax charge and Class 1 NICs.

So what now?

Overall, the Chancellor's "balanced Budget" was hardly exciting or transformative, which is worrying as there won't be another one until November 2018 – just four months before Brexit. The tax system needs to be less complex and more geared towards supporting businesses post Brexit, so it is disappointing that the Chancellor was not more helpful.

If you would like to discuss the implications of the Autumn Budget, please contact your usual Bishop Fleming adviser.

☎ 01392 448800 ✉ advice@bishopfleming.co.uk

Where do you go when the bank says no?

It can be a major challenge for a business to raise funds to grow a business, invest in new equipment, or to recruit new staff. If an application for a loan is rejected by a high street bank, a sense of despondency can arise in a business owner who wonders what to do next.

Well the good news is that all is not lost, far from it in fact. There are many alternative forms of finance available. It is surprising that very few businesses appear to spend much time researching these alternatives.

In fact since November 2016 high street banks have been legally obliged to refer businesses who have been refused finance to alternative providers. And whilst this can appear rather like mechanistic signposting from a computer printout, a much wider range of solutions will be available from a professional adviser.

Let's take a look at what's out there.

R&D Tax Credits

Innovative companies may be able to claim Research & Development (R&D) Tax Credits from the government amounting to tens of thousands of pounds. There has been a 20 per cent increase in Midlands-based companies claiming R&D tax credits in the last year. Over £230m was paid out to West Midlands companies alone, but when you consider that total claims across the UK amounted to over £2.9bn, you can appreciate the potential for further claims.

Many companies simply don't think they are eligible to claim, which is a stubborn myth; the benefits are there for all that are developing and improving their products, services or processes. It's not just for those who wear white coats in labs.

The government has sought to make the R&D scheme even more attractive through relaxing the rules and increasing the rates of relief.

In the past year Bishop Fleming has secured over £66m in R&D tax credits for businesses, having secured over £200m in R&D relief over the past six years. We continue to help hundreds of companies to grab their share of the R&D cake.

Grant funding

Grant financing can best be sourced through a professional adviser who will have the specialist knowledge to find the right funding. An adviser will be able to explain what schemes are available and whether your business meets the qualifying criteria, as well as assist with the application process.

Bishop Fleming maintains a grants database of more than 100 schemes. We've already helped secure over £20m of grant funding for various projects, covering capital investment, recruitment and training, consultancy, mentoring and marketing.

Local Enterprise Partnerships (LEPs)

LEPs are voluntary partnerships between local authorities and businesses that are a valuable source of advice and support. Bishop Fleming is an active member of the Worcestershire LEP. LEPs help with sources of finance, networking, and sharing knowledge, best practice and intelligence.

Other sources

Other sources of finance can include: Peer to Peer Business Lending, crowdfunding, invoice trading, and pension-led funding. Bishop Fleming's award-winning corporate finance team is available to discuss all the options for your business.

There are a number of additional routes to explore when the bank says no. It is important you are challenging your advisors to help explore and sign-post those sources of alternative funds.

For further information please contact your usual Bishop Fleming advisor.

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GDPR - reporting a breach of personal data

The Information Commissioner's Office (ICO) has provided some clarity on what action organisations will need to take under the forthcoming General Data Protection Regulations (GDPR) where there are serious breaches of personal data.

The ICO has attempted to de-bunk misleading GDPR stories in the media that all breaches will have to be reported to it and customers immediately, and that there will be huge fines for not doing so.

When GDPR comes into full effect on 25 May 2018, the ICO says it will become mandatory to report a personal data breach if it is likely to result in a risk to the rights and freedoms of individuals. Conversely, where the breach is unlikely to create such a risk, there will be no need to report.

Under current rules, most personal data breach reporting is not compulsory, though it is best practice. So mandatory reporting under GDPR, where a breach results in a risk to people's rights and freedoms, will be a new requirement for many.

Reporting threshold

The threshold to determine whether an incident needs to be reported to the ICO depends on the risk it poses to the people involved.

European guidelines will assist organisations in determining thresholds for reporting, though the best approach will be for those organisations to themselves review the types of incidents they may face, and develop a sense of what constitutes a serious incident in the context of their own data and customers.

The ICO says high risk situations are likely to include the potential for people to suffer significant detrimental effects through, for example, discrimination, damage to reputation, financial loss, or any other significant economic or social disadvantage.

Where organisations are not sure about who is affected, the ICO will be able to provide advice and, in certain cases, order organisations to contact the affected people.

For further information please contact your usual Bishop Fleming advisor.

✉ advice@bishopfleming.co.uk

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National Living Wage to rise in April 2018

Chancellor Philip Hammond has announced that the rates of the National Living Wage and National Minimum Wage are rising from 1 April 2018.

The hourly rates will increase in April 2018:

- from £7.50 to £7.83 for workers aged 25 and over (the National Living Wage)
- from £7.05 to £7.38 for 21-24 year olds
- from £5.60 to £5.90 for 18-20 year olds
- from £4.05 to £4.20 for 16-17 year olds
- from £3.50 to £3.70 for apprentices aged under 19 or in the first year of their apprenticeship.

The rise in the national living wage for workers over 25 is almost 5 per cent; however, the target of it hitting £9.30 by 2020 has slipped and it won't get to £9.10 until 2022.

Workers aged under 25 will see the largest increase in a decade in their statutory minimum wage in April 2018, according to the Low Pay Commission.

For more information, please contact your usual Bishop Fleming advisor.

✉ advice@bishopfleming.co.uk

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New Managing Partner to head up Bishop Fleming



Top 30 advisory firm Bishop Fleming has announced Andrew Sandiford as its new Managing Partner as part of planned enhancements to the management structure of the business.

The changes, which include a newly constituted Management Board, came into effect on 1st January 2018.

Mr Sandiford (pictured left), a partner in Bishop Fleming's Bath office and Head of its Corporate and Business Services group, takes over from Matthew Lee who previously held the position since 2001.

Ian Smith (pictured right), Chair, commenting on the changes said: "As we enter 2018, the restructuring of our management team is an important step for a firm of our size and ambition. I'd like to thank Matthew for his years of leadership, during which we have doubled in size, quadrupled our turnover and extended the reach of our work both nationally and internationally. Matthew's track record certainly provides a great launch pad for the future."

Matthew Lee said: "I am proud to have led Bishop Fleming for the last 16 years and of our achievements - particularly our 'Excellent' rating with Investors in Customers and our 42nd place in the Sunday Times Top 100 Companies to Work For rankings. I am pleased to hand over the reins to Andrew who will further drive our business forward."

Bishop Fleming is a leading provider of accounting, tax and business consultancy in the UK having recently secured its place in the UK Top 30 of the Accountancy Age league table, and its status as the number one firm in the Academies sector. In 2017 it won Large Practice of the Year at the Practice Excellence Awards.

Andrew Sandiford commented: "We are entering an exciting new phase for Bishop Fleming and I am delighted to be taking up this position as we look to build on our growth and achievements."

He added: "Our commitment to client service excellence will ensure the continuation of our outstanding rate of growth and client satisfaction. There is much work to do as our industry faces the challenges presented by the unprecedented economic and political situation, but I am confident we are well placed to continue to thrive in these promising times."



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Carillion collapse causes chaos for creditors

With Carillion Plc being put into compulsory liquidation, what can businesses that rely on income from the construction and facilities management group do?

The collapse of Carillion will have wide-ranging implications for the public and private sectors. The company is now being managed by the Official Receiver, who will have to decide what to do about the employees and the company's creditors.

There will also be a government investigation into the conduct of the directors of Carillion to check whether the board acted appropriately and whether their actions led to any unjustified harm to creditors for which they may be required to contribute to the insolvent estate.

Carillion's public sector contracts

The government has stepped in to secure ongoing public sector contracts managed by Carillion.

Carillion suppliers

Suppliers and subcontractors may be the most affected by Carillion's collapse. It appears likely that any money owed to this group will not be paid and will have to be written off.

The Insolvency Service has also set up a web page to provide further guidance.

What action should I take?

If it is likely that either yourself, your business or a client of yours is going to be negatively affected by the collapse of Carillion, which will depend mainly on the extent of the exposure to the group, contingency plans should be put in place now.

It may be that the income generated from Carillion represents a small proportion of overall income, in which case the impact will hopefully be less severe. However, if Carillion was a major customer of yours, or perhaps your only customer, we recommend that professional advice is sought immediately.

Early information does suggest that balances due to subcontractors and other creditors will not be settled, which may result in insurmountable cash-flow problems for many affected businesses.

The Bishop Fleming Business Recovery and Insolvency team can provide all the advice and guidance you need, so that you can be clear on your position and the options available in order that informed decisions about the future can be made.

✉ exinsolvency@bishopfleming.co.uk

☎ 01392 448800

advice@bishopfleming.co.uk • www.bishopfleming.co.uk

Bath: 01225 486300 • **Bristol:** 0117 9100 250 • **Exeter:** 01392 448800 • **Plymouth:** 01752 262611 • **Torquay:** 01803 291100 • **Truro:** 01872 275651 • **Worcester:** 01905 732100

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