

BREXIT - what are the likely implications for business?

The new Secretary of State for Exiting the European Union, David Davis, has recently indicated that formal Brexit negotiations could begin by the start of 2017 - so what could this mean for UK businesses?

It is important to note that in the short to medium term (until 2018 at least), there will not be any changes to tax and employment laws as a result of the vote.

VAT

However, once Britain's withdrawal is complete, VAT (which is operated in line with EU law) could be subject to some significant reforms. If the UK is no longer obliged to comply with the EU VAT Directive, the UK Government could choose to amend the legislation to apply different rates to goods and services without constraint.

If VAT were to be applied to items that were previously exempt, or if there are changes to the rates of VAT, the financial implications for business could be sizeable.

Importing and exporting

The potential restrictions on the free movement of goods between the UK and its EU neighbours could also trigger significant changes to how businesses import and export. For example, currently when a UK firm buys goods from an EU business it makes an 'acquisition'. The transaction does not result in any VAT being payable - a book entry in a VAT return being the only consequence, unless the UK business makes exempt supplies. However, following Brexit the transaction is likely to be treated as an 'import' and import VAT would be paid to HMRC at the time of importation. Although this would be reclaimed by the business on the next VAT return (unless the business makes exempt supplies), the changes could have implications for the firm's cash flow.

Business reliefs

Once Britain leaves the EU, the UK Government could have greater control over business reliefs such as R&D tax credits for SMEs, which currently have constraints placed upon them due to EU State Aid rules.

Other regulations

With much employment legislation derived from Brussels, concerns have been raised over whether this is another area that could be open to reform. Meanwhile, David Davis has suggested that the 'flood of unnecessary market and product regulation' will be halted, which could be good news for business owners.

A new Chancellor, a new economic policy

With a new Prime Minister and Chancellor at the helm, there could be significant changes to Britain's economic and fiscal policies in the months and years ahead. The Government has already axed its plans to achieve a budget surplus by 2020, although we will have to wait until the Autumn Statement for further details on the Government's latest economic strategy.

The dust may be settling on the EU referendum result, but there is still much that remains unknown about the future of UK tax and employment law. Whatever happens, we will be happy to advise you on any issues that may arise.

Employers favouring price hikes over staff cuts in response to National Living Wage

Many employers have raised prices or reduced profits rather than deciding to cut jobs in response to the introduction of the National Living Wage (NLW), research from the Resolution Foundation suggests.

The think tank's report on the issue is based on a survey of 500 businesses, carried out before the EU referendum. The research reveals how employers responded to the introduction and implementation of the NLW.

Of those affected by the NLW, 36% said they had raised prices, while 29% are reported to have reduced their profit margins in order to compensate for the new wage.

The data also revealed that 14% of firms have decided to reduce labour, either by cutting recruitment levels or by offering fewer hours to employees.

Conor D'Arcy, Policy Analyst at the Resolution Foundation, commented: 'Encouragingly, evidence of workers seeing their hours cut or even losing their jobs has so far been relatively limited.'

The challenge now is for firms to continue to respond positively to the NLW, particularly by raising productivity.'

However, concerns have been raised over just how durable the NLW pay rate is in the aftermath of the UK's vote to leave the EU. Mike Cherry, National Chairman of the Federation of Small Businesses warned that the Low Pay Commission (LPC) must be 'extra vigilant' when recommending the NLW figure for 2017. Mr Cherry stated that the LPC should take 'extra care to ensure small businesses can sustainably support higher wages at this challenging time'.

Introduced in April, the NLW requires employers to pay employees aged 25 and over at least £7.20 an hour.

Employees aged under 25 continue to receive the National Minimum Wage at the appropriate rate.

We can advise on a wide range of business issues, including budgeting and cash flow forecasting - please contact us for more information.

Other news in brief

'Trustworthy' digital tax system must be created by HMRC, says NAO

HMRC must increase transparency and consider users in order to gain public trust in its digital tax system, the National Audit Office has stated.

Consumers could receive low savings rates text alerts under FCA plans

Individuals who receive poor interest rates on their savings accounts could be sent text or email alerts notifying them of better deals, under a proposal put forward by the Financial Conduct Authority.

Business groups react to new PM's plans for reform

Following Theresa May's appointment as Prime Minister, business groups have been giving their reactions to her appointment and plans to reform Britain's boardrooms.

New CBI report finds that 'scale-up' businesses are key to UK productivity

The Confederation of British Industry has launched a new report which claims that fast-growing medium-sized businesses – known as 'scale-ups' – are the key to UK economic success.

Small business confidence 'reaches four-year low'

Confidence has fallen among the UK's small businesses, a recent survey from the Federation of Small Businesses has revealed.

For more on these visit our website www.nhllp.com

ESSENTIAL TAX DATES FOR AUGUST

2 August

Submission date of P46 (Car) for quarter to 5 July.

31 August

Annual adjustment for VAT partial exemption calculations (May VAT year end).

The image shows the cover of a 'Broadcast' magazine special edition titled '30 WAYS TO REDUCE YOUR TAX BILL'. The cover features a photograph of a man and a woman in a professional setting. Text on the cover includes 'FACTSHEET: TAXATION', 'SPECIAL ISSUE', and '30 WAYS TO REDUCE YOUR TAX BILL'. Below the title, there are several numbered points: 1. Check your PAYE tax code, 2. Review personal allowances, 3. ...and optimise the income tax rules, 4. ...and optimise the income tax rules, 5. ...and optimise the income tax rules, 6. ...and optimise the income tax rules, 7. ...and optimise the income tax rules, 8. ...and optimise the income tax rules, 9. ...and optimise the income tax rules, 10. ...and optimise the income tax rules. The cover also features a small image of a piggy bank.

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Quote of the month

'We will do whatever we need to do to restore [that] confidence and to keep Britain as an attractive destination for businesses to invest and create jobs.'

The new Chancellor of the Exchequer, Philip Hammond, commenting on the Government's attempts to stabilise the financial markets in the wake of the recent vote to leave the EU.