

Your business

News for growing companies

Welcome to the January 2017 edition of Your Business - our regular round-up of news, views and advice specifically for growing companies, their owners, directors and shareholders.

Get in touch with any of our team members if you have any questions.

What to expect in 2017

The business community has become accustomed to uncertainty, change and increasing complexity over the past few years, and there's little doubt that 2017 will deliver more of the same. So what are the issues that you should be focusing on over the coming year? Our experts share their thoughts below:

Brace for Brexit

The Government is expected to trigger Article 50 of the Treaty of Lisbon before the end of the quarter, formally starting the two-year process of the UK leaving the EU.

Two years is not a long time to prepare for such a fundamental change, and our strong advice is to start your contingency planning now, in the spirit of 'planning for the worst and hoping for the best'. Establishing a view on the risks and opportunities that Brexit poses to your organisation is a good way of kick-starting this process. We will launch a Brexit analysis tool shortly to provide a framework for you to do this.

And be ready to flex your plans so that you can respond to Brexit risks as they crystallise in 2017; the most successful businesses will be the ones that are agile enough to readily respond as developments take place.

To discuss how your business can respond to Brexit, please contact [Rhodri Whitlock](#) on +44 (0)20 7516 2433 or rwhitlock@pkf-littlejohn.com.

Cyber security risk

Barely a week goes by without another cyber-attack making the headlines. At PKF Littlejohn, we've seen first-hand the challenges that clients face in tackling cyber-security issues.

Although the level and sophistication of cyber-attacks is increasing, many businesses have yet to adopt some of the basic IT system and data security controls needed to ensure that they are adequately protected. Cyber security will undoubtedly remain a key issue for 2017 and businesses need to respond to the challenge of keeping up-to-date with the emerging cyber risks and how they can be tackled. We're holding a series of seminars on cyber security throughout the year; look out for dates in future editions of Your Business.

For more information about tackling cyber-attacks, please contact our Head of IT Assurance - [Ian Singer](#) on +44 (0)20 7516 2236 or isinger@pkf-littlejohn.com

Get tough on fraud

Protecting your business against fraud and reacting effectively to fraud has never been more important, with recent estimates suggesting that fraud costs the UK economy as much as £193 billion each year. We provide some tips on how SMEs can tackle fraud in this newsletter.

Changes to the VAT Flat Rate Scheme

The Government has announced changes to the VAT Flat Rate Scheme which will come into effect from 1 April 2017. The Flat Rate Scheme was introduced in 2002 and differs from standard VAT calculations in that you pay a percentage of turnover rather than the difference between sales and purchases, thereby potentially making your VAT accounting easier.

A new upper VAT flat rate of 16.5% is being introduced for businesses with limited costs. If a business has VAT inclusive expenditure on goods of less than 2% of its VAT inclusive turnover in a prescribed accounting period, or if this is greater than 2% but less than £1,000 per annum, then the business will be captured by this new rule. Applying the new 16.5% upper rate to the VAT inclusive turnover would result in an actual rate of 19.8% (16.5% x 1.2) payable to HMRC, virtually eliminating any output VAT saving on the Flat Rate Scheme. Under the standard VAT calculations, a business would pay 20% to HMRC and be able to offset the VAT on purchases, whereas under the Flat Rate Scheme, you can't reclaim the VAT on your purchases, except for certain capital assets.

Anti-forestalling provisions have also been published to prevent affected traders taking action now to enable them to continue to use a lower flat rate from 1 April 2017. The Government hopes these changes will tackle aggressive abuse of the Flat Rate Scheme.

HMRC has published a [technical note](#) summarising the changes, and will contact affected businesses over the next few months. In the meantime, we recommend that you review your income and expenditure against HMRC's parameters; HMRC will introduce an online tool in due course to assist with this.

If you have any concerns about the changes or require advice, please contact [Luigi Lungarella](#) on +44 (0)20 7516 2228 or llungarella@pkf-littlejohn.com.

Five tips to minimise fraud

Fraud is a serious problem for growing businesses. The latest estimates show that fraud costs the UK economy up to £193 billion each year and that businesses lose almost 6% of their annual expenditure due to fraud.

Protecting yourself against fraud and reacting effectively to fraud has never been more important. Fraud can lead to significant losses, reputational damage and, in the case of large frauds, potentially the loss of a business; effective fraud advice can help you significantly reduce costs and increase profitability.

James Earp, the new head of our Fraud and Forensic team, shares five tips on how SMEs can tackle fraud:

1. Prevention is better than cure – Spending relatively limited amounts of time and money now could save you significant amounts of time and money in the future. Remember, the biggest threat to your business isn't always a financial one - the reputational damage caused by fraud, especially if it is shown that you made no attempt to minimise the risk, could be terminal. In particular, your cyber fraud prevention systems are key.
2. Look for weaknesses – There are many red flags that can give you an indication that all is not well. You're particularly vulnerable when cash payments are involved, so try and reduce these to an absolute minimum wherever possible. Internal fraud may be small in value but over time these small amounts could represent a significant loss. Always ask for evidence of expenses and periodically check a random sample in detail to make sure all is well.
3. Strengthen your culture – An anti-fraud culture needs senior management buy-in and has to be led from the top. It will take time to develop if it is to be successful. Consider introducing a fraud policy, a whistle-blowing policy and a fraud response plan. Place fraud as a repeat agenda item at your regular management meetings; this will focus your thinking on the constant threat to your organisation. Consider training your staff to look out for fraud indicators.
4. Keep monitoring – Tackling fraud is an ongoing challenge. Fraudsters operate in the same way as a virus, continually mutating once a solution has been found to stop them. Fraud monitoring should not be something which is reviewed once a year on a tick sheet; it needs constant review. If you want your organisation to become more fraud resilient, you need to continually work at reducing the threats.
5. Don't bury your head in the sand – Fraud exists in all organisations no matter how large or small. It's not good enough to say 'We don't have a fraud problem in our organisation'. The fact is that you probably haven't found it yet. Don't wait for it to hit you hard; think about what preventative measures you could introduce. If you spot something's amiss, get help sooner rather than later.

If you would like advice about how to properly protect your business against fraud, please contact [James Earp](#) on +44 (0)20 7516 2479 or jearp@pkf-littlejohn.com or [Martin Moore](#) on +44 (0)20 7516 2320 or mmoore@pkf-littlejohn.com.

E-commerce – proposed changes to VAT treatment

The European Commission has published proposals aimed at simplifying the VAT rules for e-commerce businesses, including:

New VAT rules for sales of goods and services online

Currently, online traders often have to register for VAT in all the Member States to which they sell goods. It has been estimated that these VAT obligations cost businesses around €8,000 for every EU country into which they sell. The Commission is proposing that businesses instead make one quarterly return for the VAT due across the whole of the EU, using the online VAT One Stop Shop. This system already exists for sales of e services such as mobile phone apps.

Action against VAT fraud from outside the EU

Small consignments imported into the EU that are worth less than €22 are currently exempt from VAT. With the growing number of parcels being delivered, this system is open to fraud and abuse, creating market distortions disadvantaging EU business. The Commission has therefore decided to remove this exemption and this is expected to be aligned with the changes above.

Simplifying VAT rules for micro-businesses and start ups

A new annual threshold of €10,000 in online sales will be introduced under which businesses selling cross-border can continue to apply the VAT rules they use in their home country. The aim is to make complying with VAT rules easier for the growing number of small businesses that trade internationally.

A second new annual threshold of €100,000 will make life easier for SMEs when it comes to VAT, with simplified rules for identifying where their customers are based. The thresholds could be applied as early as 2018 for online services, and by 2021 for online goods.

Equal rules for taxing e-books, e-newspapers and their printed equivalents

Current rules allow Member States to tax printed publications such as books and newspapers at reduced rates or, in some cases, super-reduced or zero rates. The same rules exclude e-publications, meaning that these products must be taxed at the standard rate. Once agreed by all Member States, the rules will allow Member States to align the rates on e-publications to those on printed publications.

For more information, particularly as to whether these proposed changes will be implemented in the UK in the light of Brexit, please contact [Nick McChesney](mailto:nmcchesney@pkf-littlejohn.com) on +44 (0)20 7516 2262 or nmcchesney@pkf-littlejohn.com.

We hope you've found this issue useful. If people within your business would like to receive future issues, please send their details to Ruby Crowley (rcrowley@pkf-littlejohn.com).

Our specialist team is here to help. If you would like advice on any of the issues discussed in this newsletter, please contact one of our Growing Business specialist partners.

PKF Littlejohn LLP

1 Westferry Circus
Canary Wharf
London E14 4HD
Tel: +44 (0)20 7516
2200

pkf-littlejohn.com

TIM HERBERT

Partner

E: therbert@pkf-littlejohn.com

T: +44 (0)20 7516 2249

CHERYL COURT

Partner

E: ccourt@pkf-littlejohn.com

T: +44 (0)20 7516 2279

AZHAR RANA

Partner

E: arana@pkf-littlejohn.com

T: +44 (0)20 7516 2232

ZAHIR KHAKI

Senior Manager

E: zkhaki@pkf-littlejohn.com

T: +44 (0)20 7516 2394

KEITH STEELE

Partner

E: ksteele@pkf-littlejohn.com

T: +44 (0)20 7516 2368

DOM FIORE

Partner

E: dfiore@pkf-littlejohn.com

T: +44 (0)20 7516 2253

JONATHAN BOYFIELD

Partner

E: jboyfield@pkf-littlejohn.com

T: +44 (0)20 7516 2369

STEPHEN GODERSKI

Partner

E: sgoderski@pkf-littlejohn.com

T: +44 (0)20 7516 2224

PETER HART

Partner

E: phart@pkf-littlejohn.com

T: +44 (0)20 7516 2221

JOSEPH ARCHER

Partner

E: jarcher@pkf-littlejohn.com

T: +44 (0)20 7516 2495

**GROWING
BUSINESSES**

This document is prepared as a general guide. No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication can be accepted by the author or publisher.

PKF Littlejohn LLP, Chartered Accountants. A list of members' names is available at the above address. PKF Littlejohn LLP is a limited liability partnership registered in England and Wales No. 0C342572. Registered office as above. PKF Littlejohn LLP is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

PKF International Limited administers a network of legally independent firms which carry on separate business under the PKF Name. PKF International Limited is not responsible for the acts or omissions of individual member firms of the network.