

Ban on anti-invoice financing clauses announced



Businesses are set to be freed from restrictive contract clauses which currently prevent them from gaining access to invoice finance when measures are brought into effect early next year.

The Department for Business, Innovation and Skills made the announcement banning these contract terms which some commercial customers apply to their suppliers.

Anna Sourby, Small Business Minister, said, "By scrapping restrictions on invoice finance, thousands of firms across the country could benefit from faster access to hard-fought funds."

"While invoice finance may not be right for everyone and is absolutely no excuse for late payment, I want small businesses to have the option of using it to increase cashflow."

What is referred to as 'invoice assignment' was originally designed to prevent suppliers from subcontracting work; but also raises the cost of, or completely blocks access to invoice finance.

The government has said that these unintentional consequences will be removed while preserving the right of a customer to prevent traditional sub-contracting agreements.

Invoice financing is seen as a vital source of cashflow for many small businesses allowing them to get money in faster than if they wait for a customers' payments.

This ban is set to open up more funding opportunities to them.

According to the Asset Based Finance Association (ABFA), which represents the UK invoice finance industry, more than 44,000 businesses receive over £19bn of funding through invoice financing at any one time.

Jeff Longhurst, chief executive of ABFA, said, "This is good news for UK businesses."

"Bans on assignment are often imposed by large companies on their smaller suppliers."

"With the work being done on late payment and now a ban on assignment, the government has shown it is committed to addressing poor payment practices and getting a fairer deal for smaller businesses."

The Latest UK Personal Debt Statistics

- 2.116 million people pay no income tax
- The average private renter spends 41% of their income on housing
- The average total debt per household – including mortgages – was £53,961 in June
- The outstanding consumer credit debt per household was £6,454 in June
- UK Banks and Building Societies wrote off £3.163 billion of loans to individuals over the four quarters to Q1 2015.
- 206 people a day are declared insolvent or bankrupt. This is equivalent to one person every 6 minutes 53 seconds
- 2,330 Consumer County Court Judgments (CCJs) are issued every day, with an average value of £2,171

Stats from The Money Charity

HMRC set to take lead from Chancellor and propose changes to IR35

Here are just a few reasons we should be your first choice for debt and cash flow problems

- **Service** – not only a great service, but an unrivalled one. Qualified and experienced staff with a 'can do' approach to getting the job done. A single point of contact for both introducer and client
- **Cost Effective** – higher targeted performance, free meetings and fewer costs
- **Reciprocal Work** – we believe in supporting those who support us and we do not compete
- **Full range of financial, insolvency and restructuring solutions available**
- **Big enough to cope with the large jobs but small enough to care for everyone**
- **Experienced and qualified board of directors who care passionately about what we do and how we do it**
- **Focus Business Club** – regular corporate events, newsletters, updates and blogs

A new discussion document has seen HMRC propose amendments to legislation related to people using service companies, otherwise known as IR35.

George Osborne has announced some significant changes to the benefits currently enjoyed by contractors. These include the replacement of the existing dividend tax credit with a new tax free allowance of £5,000, as well as the likely increase in dividend tax rates.

The Chancellor has also made suggestion that IR35 will be re-examined to ensure it is as effective as possible indicating a likely tightening of the legislation.

Elizabeth Marshall, Associate at law firm Kemp Little said: "Taken together, these changes are likely to reduce the appeal that the acclaimed 'contractor status' currently holds, and could drive a number of individuals to consider whether they would in fact be better off overall as employees."

Accounting firm Moore Thompson also added that any changes could have a "serious effect" on freelancers and potentially increase tax bills.

IR35 was originally introduced in 2000 with the aim of tackling 'disguised employment'. It means that those working through an intermediary will pay the same tax and national insurance contribution as any other employee, where they would have been providing the same services.

The discussion document states that the number of those paying tax under IR35 has stayed broadly consistent. However, the number of Personal Service Companies (PSCs) has increased "dramatically" from 200,000 in 2011-12 to 265,000 in 2012-13 and this number is expected to continue to grow.

HMRC has indicated that during 2015 the estimated cost of non-compliance regarding IR35 will top £430 million.

One reform proposed by HRMC to IR35 would be that an employer in a PSC should determine whether an employee falls under IR35. The discussion document notes that this could be complex and as such the test for determining whether someone falls under IR35 should be simplified.

If accepted this proposal could increase the amount of red tape faced by businesses.

Contact Focus Insolvency Group

If any of your clients need advice, please feel free to contact us on 01257 257030 or email a.fisher@focusinsolvencygroup.co.uk

"We pride ourselves on being the experts of choice for anyone struggling in business or with debt."

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