money matters

Winter 2013

Meet the Payroll Team

Linda Thomson and Sue Unwin make a great team, they've successfully run Tiffin Green's payroll bureau from our office in Brentwood for over 10 years.

Dealing with 100+ company payrolls per month Linda and Sue also find time to be our 'social club' organising firm's nights out and ladies lunches.

Sue & Linda

Without doubt Linda is a daredevil! Mother of 3 grown up daughters Linda passed her CBT motorcycle training in 2011 she has since progressed to 'big bikes' and now rides a Suzuki SV 650 S Motorbike.

Sue is a little more sedate, she enjoys dining in with friends – she's always purchasing the latest recipe books, gardening and spending time with her family; especially her 2 year old grandson.

Now you know a little about the personalities of the payroll team – here are some reasons to choose our payroll services:

- **Reduce hassle** – stop worrying and concentrate on your business rather than worrying about bureaucratic payroll formalities.
- **Avoid penalties** – we ensure compliance, so there is no need to keep up to date with complex changes in tax rules and government regulation.
- **Reduce costs** – eliminate the need for payroll software, technology upgrades and training costs.

Outsourcing your payroll is a strategic decision. It makes sense to choose a firm you trust.

Ask yourself… Is your company able to deal with payroll calculations with almost 100% accuracy, timeliness and compliance to tax legislation and employment law?

Contact us now on 01277 224422 to discuss how we could help you

Auto-enrolment rolls closer for SMEs

Auto-enrolment is well underway, requiring employers to enrol their employees into pension schemes that meet certain minimum standards. The new system is being phased in over a five-and-half year period and requires all employers – no matter how small – to make pension contributions for their employees. Failure to comply will result in hefty fines.

The auto-enrolment process began in October 2012 and will be completed in February 2018. The date at which an employer is required to start auto-enrolment (known as the staging date) can be found by entering the employer's PAYE reference into a tool on the Pensions Regulator's website (www.thepensionsregulator.gov.uk).

An employer's obligation

Employers must automatically enrol all their workers aged between 22 and state pension age if they earn more than the basic personal allowance (£9,440 for 2013/14). Employees who are automatically enrolled have the right to opt out of auto-enrolment and those who are outside auto-enrolment have the right to opt in. Employers must not encourage employees to opt out.

Employers must provide a qualifying pension scheme into which their employees can be automatically enrolled. The scheme must meet:

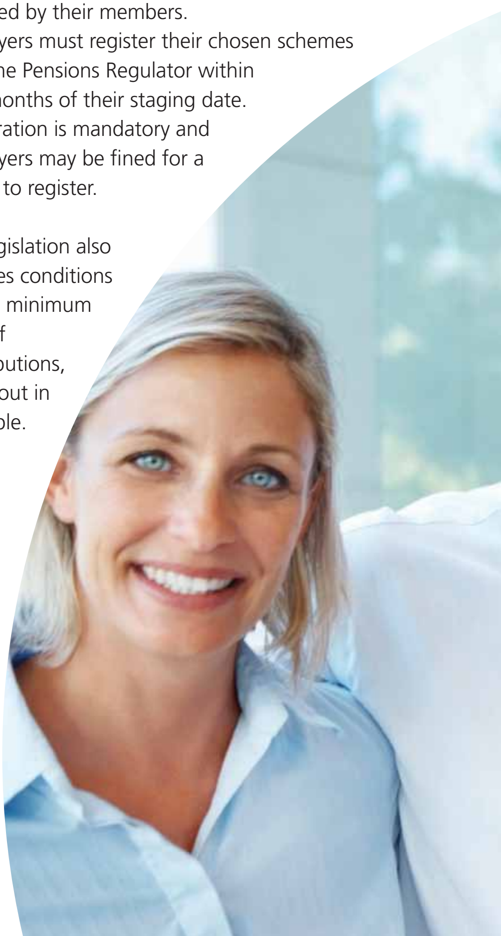
- The automatic enrolment criteria;
- The qualifying criteria; and
- The minimum requirements.

The employer can set up an occupational or personal pension scheme, which must be a registered pension scheme for UK tax purposes. Guidance on the qualifying requirements can be found on the Pensions Regulator's website.

The process

Employers can find a provider by contacting a financial adviser (FA) or they can use the Government's National Employment Savings Trust (NEST). The Association of British Insurers also produces a list of qualifying schemes provided by their members.
Employers must register their chosen schemes with the Pensions Regulator within four months of their staging date. Registration is mandatory and employers may be fined for a failure to register.

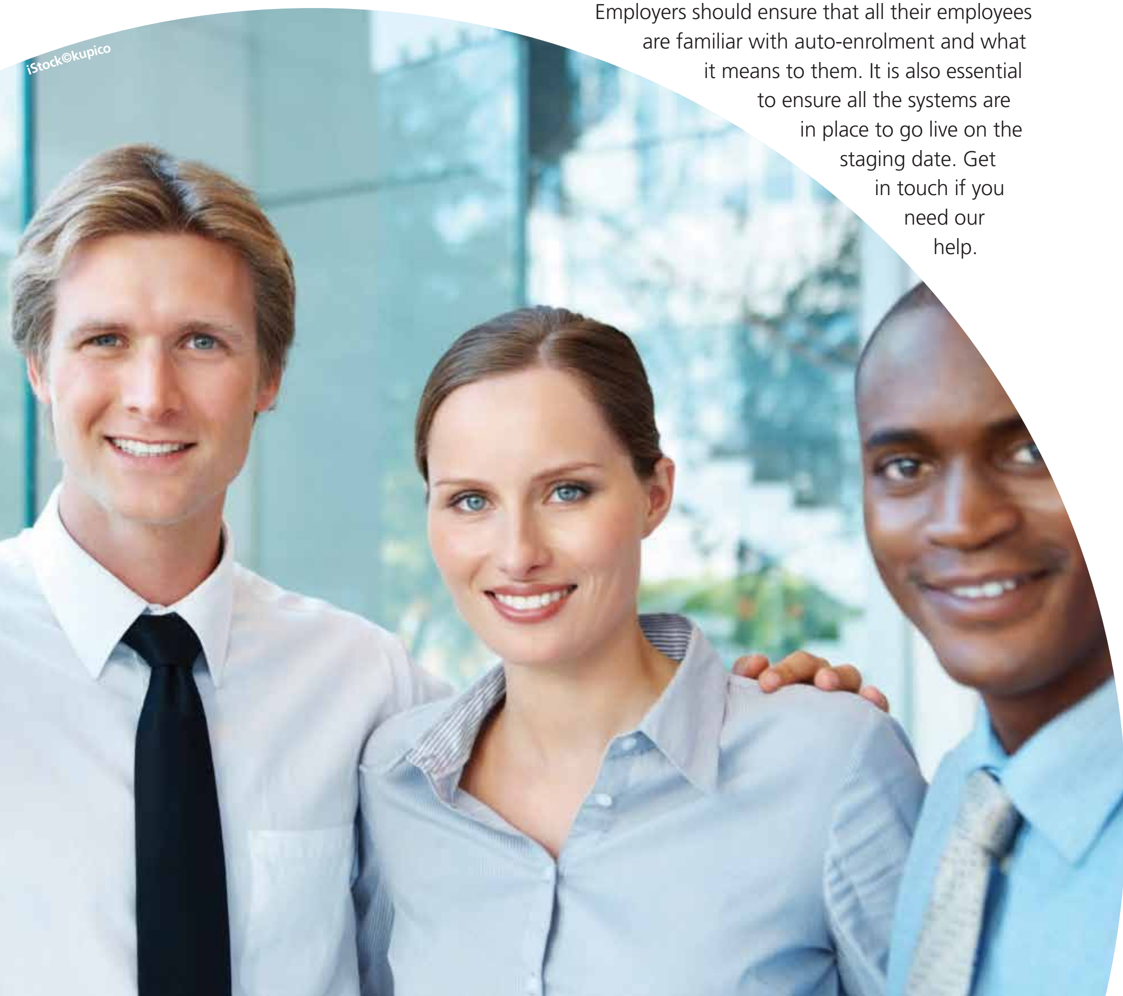
The legislation also imposes conditions on the minimum level of contributions, as set out in the table.



Date	Employer minimum contribution	Total minimum contribution
Staging date to 30 September 2017	1%	2%
1 October 2017 to 30 September 2018	2%	5%
1 October 2018 onwards	3%	8%

Employees’ contributions, together with the related tax relief, make up the difference between the total and the employer contributions. Schemes must comply with various reporting and regulatory duties, which include filing regular scheme returns. There are penalties for employers who fail to comply with the auto-enrolment rules.

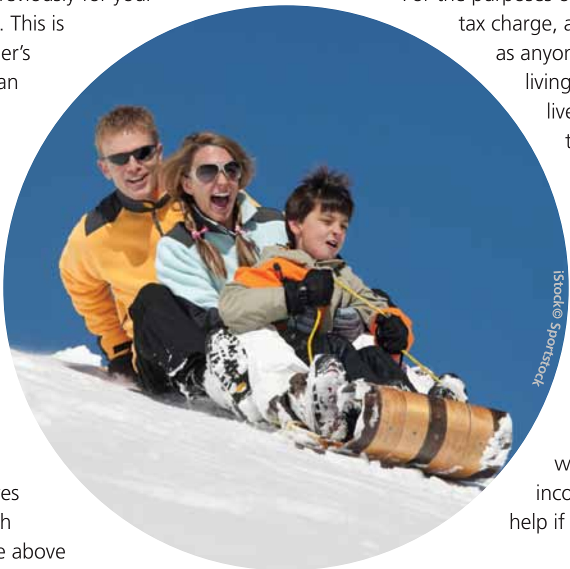
Employers should ensure that all their employees are familiar with auto-enrolment and what it means to them. It is also essential to ensure all the systems are in place to go live on the staging date. Get in touch if you need our help.



Managing the child benefit tax charge

We are now in the first full tax year of the child benefit tax charge, which means that you may find yourself in the scope of self-assessment – even if you have never had to file a tax return before.

The high income child benefit charge was introduced on 7 January 2013, meaning that even if self-assessment is not new to you, you may still have to provide us with more information than previously for your 2012/13 tax return. This is because your partner's financial position can now be relevant when it comes to completing your own tax return.



The child benefit tax charge applies where either you or your partner has income of more than £50,000 and either of you receives child benefit. If both of you have income above £50,000, then whoever has the higher income will suffer the charge. Of course you might be one of almost 400,000 people who opted out of receiving child benefit prior to the introduction of the charge, in which case you are unaffected.

However, if you are not yet registered for self-assessment and you should be paying the tax charge for 2012/13, it is already too late to register without incurring a penalty. The deadline was 5 October. The deadline for submitting the actual tax return is next 31 January (for online filing), but you will really need to contact us earlier than that.

Who counts as a partner?

For the purposes of the child benefit tax charge, a partner is defined as anyone that you are living with (or have lived with) during the tax year. This can put someone in the awkward position of having to contact a former partner to establish if they are claiming child benefit and/or who has the higher income. HMRC will help if there is a problem.

Child benefit is only ever paid to one claimant, normally the person the child is living with. However, someone else could claim if they are contributing towards the child's upkeep at least as much as the amount of the child benefit. This includes the cost of clothes, presents and pocket money.

Depending on your level of income, it might be possible to reduce the tax charge for the current tax year by making additional pension contributions, but you will need to organise this by 5 April 2014. If you need our help, please get in touch.

Self-employment rules change for LLPs?

The Government has consulted on proposals to remove the presumption of self-employment for limited liability partners (LLPs) and to tax salaried members as employees. HMRC is now considering the responses received with a view to introducing new rules from April 2014.

At present, individual members of an LLP are taxed as self-employed partners, even if they have more in common with employees (such as being on a fixed salary) than full partners in a traditional partnership. A person who is self-employed is generally taxed more favourably than an employee and HMRC is concerned that LLPs are being used to exploit the tax advantages of self-employment even though they are in substance employees in most respects.

HMRC plans to introduce new rules to prevent LLPs being used in this way, by removing the presumption that all individual members of an LLP should be taxed as self-employed partners. Instead, a member who meets the test for a 'salaried member' will be taxed as an employee, subject to income tax and primary Class 1 national insurance contributions.

A `salaried member' is a member who meets one of the following two conditions:

Condition one

They are an individual member of the LLP who, if the LLP were carried on as a partnership by two or more of its members, would be regarded as an employee of the partnership. The normal tests of employment and self-employment would apply.

Condition two

They are an individual member of the LLP who does not meet the first condition but who:

a) has no economic risk (loss of capital or repayment of drawings) if the LLP makes a loss or is wound up;
b) is not entitled to a share of the profits; and
c) is not entitled to a share of any surplus assets on a winding up.

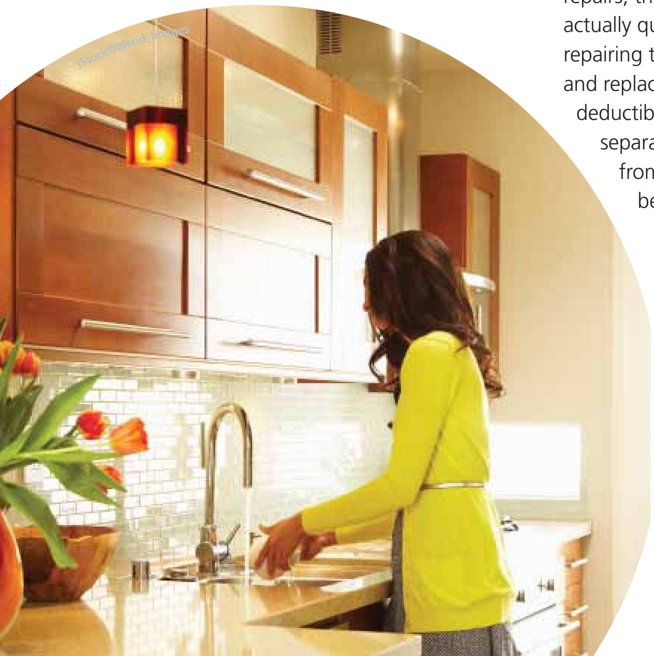
Where the substance of the relationship is that of employment, the member would be treated as a salaried member and taxed as an employee. Members of an LLP who do not meet either condition would continue to be taxed as self-employed partners. If you need to review your partnership and employment status before the intended rules change in April 2014, let us know.

Repair or replace but don't renew

The rules have changed about what expenditure is deductible for calculating the profit on a property letting. The so-called 'renewals basis' has been abolished affecting landlords of partly furnished residential property.

The problem essentially arises because items such as tables, beds, carpets, cookers and washing machines are classed as capital expenditure. A normal trading business can claim capital allowances, but these are not available if assets are used in a dwelling house, unless it qualifies as a furnished holiday letting.

However if you let out furnished property, you can claim a wear and tear allowance to cover the cost of providing furniture. The allowance is 10% of the rent received, although the rental figure is reduced for any costs that the landlord pays, which would normally be borne by the tenant. The 10% deduction covers those items that tenants would usually provide themselves if the property were unfurnished.



Until April 2013, you could also use a renewals basis. For furnished property, this was less popular than the wear and tear deduction as it was more complex and only covered the replacement cost of furniture and appliances rather than their initial cost. However, it was the only option available if you let property with some furniture, but not enough for the property to qualify as furnished. Unfortunately, the renewals basis has been withdrawn from 6 April 2013.

Repair or replace?

Now the only deductible expenditure is the cost of repairing or replacing furnishings that would normally be found in unfurnished lettings, such as bathroom or kitchen fittings. With property repairs, there can be a fine line as to what actually qualifies. HMRC distinguishes between repairing the property itself (deductible) and replacing a separate, distinct, asset (not deductible). An item will be classed as a separate and distinct asset if it stands apart from other assets, is freestanding or can be removed.

Where a landlord carries out a substantial amount of work, HMRC will also consider whether the character of the property has been altered. The cost of modernising a property should not be problematic, but this might not be the case where, a property is renovated for up-market long term letting rather than as student accommodation.

Rogue directors – skating on thin ice

The Department of Business, Innovation and Skills is proposing to toughen up the regime that applies to directors who have acted fraudulently or negligently.

The aim is to enhance the transparency of company ownership and increasing trust in business. This probably comes as no surprise following some of the recent problems in the banking sector.

A common complaint from creditors is that although disqualification prevents a director from future misconduct, the creditors receive no compensation. In many countries the reverse applies and there is much more emphasis on allowing creditors to recover losses. Under the proposals, directors who have acted fraudulently or negligently will be far more personally liable for the company's debts than is currently the case. There are also several other proposals related to disqualification:

- When considering the disqualification of directors, the courts should be allowed to take into account their previous business failures, as well as the scale and social impact of those failures.
- Directors who have been disqualified from running companies overseas could be barred from acting as directors of UK companies.
- The current two-year time limit for bringing disqualification proceedings after a company insolvency could be extended to five years.

To increase the transparency of company ownership, the proposal is that Companies House should maintain a central registry to show every company's beneficial ownership. The registry will hold information on individuals who have an interest in more than 25% of a company's ordinary shares or voting rights, even where the interest is held through dispersed shareholdings. Currently, it is not difficult for the true owners of a company to remain hidden. One option being considered is to require beneficial owners to disclose their interest.

A small number of companies still have bearer shares. These have no evidence of ownership and the proposal is to prohibit the issue of any new bearer shares and require existing bearer shares to be converted to ordinary shares.

The Government is also looking to restrict the use of nominee directors, banning corporate directors, simplifying company filing requirements, stopping the use of pre-pack company administrations (where sale arrangements are in place prior to the administrator's appointment), and controlling the fees charged by insolvency practitioners.

Why buy a vehicle when you can lease for less?

The biggest cost of owning a car is depreciation; a typical car will lose approximately two-fifths (40%) of its value in the first year.

In a leasing contract, you do not end up owning the vehicle at the end of the contract as you have agreed to pay for a fixed fee for its use only. Also, VAT adds 20% to the monthly rentals paid by a private user, but as a business user you can reclaim up to 100% of the VAT. Please consult us on your individual circumstances.

Content supplied by Planet Leasing. Please visit www.tiffingreen.co.uk for further information

TAX CALENDAR

Every month

1 Annual corporation tax due for companies with year ending nine months and a day previously, e.g. tax due 1 November 2013 for year ending 31 January 2013.

14 Quarterly instalment of corporation tax due for large companies (depending on accounting year end).

19 Pay PAYE/NIC and CIS deductions for period ending 5th of the month if not paying electronically. Submit CIS contractors' monthly return.

22 PAYE/NIC and CIS deductions paid electronically should have cleared into HMRC bank account.

30/31 Submit CT600 for year ending 12 months previously. Last day to amend CT600 for year ending 24 months previously. File accounts with Companies House for private companies with year ending nine months previously and for public companies with year ending six months previously.

If the due date for payment falls on a weekend or bank holiday, payment must be made by the previous working day.

OCTOBER 2013

31 Deadline for 2012/13 self assessment return if filed on paper.

NOVEMBER 2013

2 Submit employer forms P46 (car) for quarter to 5 October 2013.

DECEMBER 2014

30 Last day to submit 2012/13 tax return online to have unpaid tax of under £3,000 collected through the 2014/15 PAYE code.

JANUARY 2014

14 Due date for CT61 return for quarter to 31 December 2013.

31 Submit 2012/13 self-assessment return online. Pay balance of 2012/13 income tax and CGT plus first payment on account for 2013/14.

FEBRUARY 2014

1 Initial £100 penalty imposed where the 2012/13 return has not been filed or has been filed on paper after 31 October 2013. Further £300 penalty or 5% of the tax due if higher where the 2011/12 return has not yet been filed.

2 Submit employer forms P46 (car) for quarter to 5 January 2014.

3 Third 5% penalty imposed on tax still unpaid for 2011/12.

MARCH 2014

2 Last day to pay 2012/13 tax to avoid automatic 5% penalty.

31 Last few days to use any CGT and IHT annual allowances and exemptions and to invest in an ISA in 2013/14.

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