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CHARTERED ACCOUNTANTS

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Money Matters

Spotlight on business rates

Business rates have been under the spotlight in recent months, with April seeing the introduction of a number of measures designed to ease the burden on small firms. As the Government consults on further changes to the existing system, we provide an update on the current situation.

How are business rates calculated?

The amount of business rates payable depends on various factors, including the rateable value of the property, the multiplier, and whether the business is eligible for rate relief.

In England and Wales business rates are calculated by multiplying the 'rateable value' of the property (set by the Valuation Office Agency) by the business rates multiplier (sometimes called the 'rate in the pound'). There are currently two multipliers:

- the small business multiplier – for properties with a rateable value of £17,999 or less (or less than £25,500 in London); and
- the standard multiplier.

In the 2013 Autumn Statement the Chancellor confirmed that increases in business rates in England would be capped at 2% in 2014/15. As a result, the small business multiplier for 2014/15 is set at 47.1p, while the standard multiplier is 48.2p.

Small Business Rate Relief

If you run a small business and the property's rateable value is less than £12,000, you may be eligible to claim Small Business Rate Relief (SBRR).

Under the scheme, small businesses with a rateable value of £6,000 or less are currently eligible for a 100% deduction in their business rates (it was doubled from the usual rate of 50% in 2010). This temporary doubling was due to come to an end on 31 March 2014 but it was later extended to 31 March 2015. The relief is gradually reduced from 100% to zero on a sliding scale for those small businesses with a rateable value of between £6,001 and £12,000.

Please note that this information applies to businesses in England – rates relief is handled differently in Scotland, Wales and Northern Ireland.

Other reliefs and exemptions

Certain businesses may also be entitled to other reliefs or concessions, although you will need to contact your local council to determine whether you meet the eligibility criteria.

- **Retail businesses** – As announced in the 2013 Autumn Statement, retail properties (including pubs, cafes, restaurants and charity shops) with a rateable value below £50,000 are entitled to a £1,000 business rates discount in 2014/15 and 2015/16.
- **Business rates reoccupation relief** – A new 50% business rates reoccupation relief is now available to businesses that move into empty premises between 1 April 2014 and 31 March 2016. The relief applies for 18 months up to the State aid limits for businesses that move into retail premises that have been empty for a year or more.
- **Rural rate relief** – Businesses in a rural area with a population below 3,000 may qualify for a business rates discount of between 50% and 100%.
- **Charitable rate relief** – Charities and community amateur sports clubs can apply for rate relief of up to 80% where the property is used for charitable purposes.
- **Enterprise Zone Relief** – Businesses starting up or relocating to a Government designated 'Enterprise Zone' may receive up to 100% business rate relief for five years, up to a maximum of £275,000.

Certain buildings are also exempt from business rates, and you are not required to pay business rates on buildings that have been empty for three months.

For further advice please contact us.

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2014 Budget Round-up

Chancellor George Osborne unveiled a series of significant measures affecting businesses and individuals in his 2014 Budget. Now the dust has settled we outline some of the more important points from the Budget statement.

Business measures

Annual Investment Allowance (AIA)

The maximum amount of the AIA has been increased from £250,000 to £500,000 for all qualifying expenditure on plant and machinery made from 1 April 2014 for corporation tax and 6 April 2014 for income tax. After 31 December 2015 the limit will be reduced to £25,000. Transitional rules will apply.

Enhanced capital allowance (ECA)

The period in which businesses investing in new plant and machinery in ECA sites in Enterprise Zones can qualify for 100% capital allowances has been extended by three years to 31 March 2020.

Research and development (R&D)

From 1 April 2014 the rate of R&D payable credit for loss making SMEs will be increased from 11% to 14.5%.

Seed Enterprise Investment Scheme (SEIS)

The SEIS and the associated capital gains tax relief for re-investing chargeable gains in SEIS shares are to be made permanent.

Capital gains tax (CGT)

Roll-over relief allows capital gains tax and corporation tax on chargeable gains to be deferred where the proceeds from disposing of certain eligible classes of qualifying asset are reinvested into new qualifying assets.

A new measure will prevent companies claiming chargeable gains roll-over relief on the disposal of tangible assets where the proceeds are reinvested in an intangible fixed asset.

Personal measures

Allowances and rate bands

From 6 April 2015 the personal allowance for anyone born after 5 April 1948 will be £10,500. The basic rate limit will be £31,785. The starting rate of savings tax will be 0% to a maximum of £5,000.

Pensions

The Chancellor announced a series of changes to pensions, to apply on or after 27 March 2014, including:

- increasing the maximum income that a drawdown pensioner with a capped drawdown pension fund can choose to receive to 150% of the 'basis amount'
- reducing the minimum income threshold for flexible drawdown to £12,000
- allowing members over 60, with total pension savings of £30,000 or less to take out all of those savings as one or more trivial commutation lump sums, and
- increasing the size of a small pension pot which can be taken as a lump sum from £2,000 to £10,000 and the number of personal pension pots that can be taken as a lump sum under the small pot rules from two to three.

The process of consultation on the new rules for pensions, to be introduced from April 2015, has begun. One key measure is that the new drawdown will be flexible for everyone. These proposals would mean that retirement choices involve taking a 25% tax-free lump sum, plus:

- buying an annuity, taxable at marginal rates, or
- going into flexible drawdown, with no limit on the amount you can draw each year but with the year's drawdown taxable at marginal rates, or
- drawing your pension pot in full, and paying tax at marginal rates.

The New ISA

From 1 July 2014, ISAs will be reformed into the 'New ISA' (NISA). From that date all existing ISAs will become NISAs, and the overall annual subscription limit for these accounts will be increased to £15,000 for 2014/15.

ISA savers will be able to subscribe this full amount to a cash account and will also be able to transfer their investment from a stocks and shares to a cash account and vice versa.

High value residential property

The Government will introduce two new bands for the Annual Tax on Enveloped Dwellings (ATED). Residential properties worth over £1m and up to £2m will be brought into the charge with effect from 1 April 2015. The charge for these properties in 2015/16 will be £7,000. Properties worth over £500,000 and up to £1m will be brought into the charge with effect from 1 April 2016. The charge for these properties in 2016/17 will be £3,500.

Please contact us to discuss how the measures announced in the Budget may affect you and your business.

Grow your business while the sun shines

Any enterprise needs attention if it is to flourish. Many business owners fail to plan adequately, and seek help only once it's too late. Talking to a professional advisor is the best way to a bright future, but there are very simple steps you can take to maximise your chances of growth and reap the benefits of a healthy business.

Planning and measuring

Be sure to make a business plan and refer to it regularly. It's also important to adapt to new circumstances. With new information and a constantly changing economic environment, you may have to significantly change your plans. It's not always a bad thing when the situation demands a re-evaluation.

Set up efficient processes for all staff to follow, to help maximise your time. Talk to us about setting up a system to measure your financial key performance indicators.

Knowing your trade

Don't overstretch yourself trying to be all things to all people. Focus on your core skills or products, aiming for quality where you know you can deliver it. Branching out can only happen with a stem strong enough to support it.

If you operate in a particular sector, ask yourself if there are any additional services that you could cross-sell. Guide the business in that direction, and you could eventually become a one-stop-shop for your customers.

Tending to customers

Every manager knows customer service is the root of a healthy business, and employees who also understand this will help you succeed. Loyalty schemes and excellent communication are good starting points.

Never forget that the best advert for your business is a happy customer. Getting referrals is an inexpensive way to expand your client base, and requesting them from a loyal client will not cost you anything either.

Pruning to perfection

Growth is a process of change, and no business begins fully-formed. Expect to make mistakes and learn from them – improving quality and making the next stage of your business development better than the last.

Stay relevant with new computer programs, innovations and processes. Strip away the obsolete. Instant perfection may be impossible, but decide now that you won't be left to wilt.

Using the right tools

Embracing digital communication methods, such as online advertising and social media, can be a cheap and simple way to promote your business. Results may take time and effort, but a polished web presence is necessary for companies of every size that wish to succeed.

In contrast, old methods may no longer be worth pursuing. A large sales team, door-to-door selling and cold-calling can be very expensive ways of generating business. Aim for efficiency over expansion.

Loving your business

It's easy for employees to see when a manager loves what they do. Your genuine enthusiasm is possibly the most inspirational tool you have. A happier team is hard working and focused, which leads to a quality end product.

Consider the opposite effect a negative attitude can have. Leading through negative motivation and not nurturing the business, will ultimately create an unhappy workforce.

We can advise on a range of strategies to help you grow your business – please contact us for assistance.



The new Real Time Information (RTI) penalty regime



Under the new Real Time Information (RTI) regime, employers are required to provide details of pay and deductions to HMRC electronically by means of a Full Payment Submission (FPS) at or before the time at which payment is made to the employee.

Until April 2014, the requirement to report 'at or before' the time at which the employee received payment was relaxed in relation to small employers (fewer than 50 staff). Micro employers (fewer than 10 staff) have been given until April 2016 to prepare for RTI. Until that time they may submit PAYE data on or before the last payday in the tax month.

Late paid PAYE

Penalties have applied for late paid PAYE since 6 April 2010 where PAYE is paid late on more than one occasion in the tax year. The penalty rate, which is applied to the amount of tax paid late, depends on the number of defaults in the year, as shown in the table. In determining the number of defaults, the first occasion in the tax year on which payment is made late is ignored.

Number of defaults in year	Penalty rate
1 – 3	1%
4 – 6	2%
7 – 9	3%
10 or more	4%

Further penalties of 5% of the amount unpaid are charged if the PAYE and national insurance contributions (NICs) are outstanding after six months and 12 months.

The penalty is currently levied after the end of the tax year. HMRC have now delayed the introduction of in-year late payment penalties for PAYE by one year and any penalties arising in respect of the 2014/15 tax year will be levied after the end of that tax year. However, from April 2015 the penalties will be charged in-year on a quarterly basis.

Late RTI returns

Many employers migrated to RTI from the start of the 2013/14 tax year. Although RTI imposes a tight requirement to report pay and deductions to HMRC at or before the time at which the payment is made to the employee, no penalties were charged in 2013/14 where returns were made late.

However, penalties for late returns are to be introduced in 2014/15. The intention had been to start the penalties from the beginning of the 2014/15 tax year, but their introduction has been delayed until October 2014. The penalty will apply where HMRC do not receive an expected FPS return and have not received an Employer Payment Summary (EPS) to notify that no FPS is due. No penalty will be charged in respect of the first late return, but penalties will be charged for subsequent months in which returns are filed late. Only one penalty will be charged for each tax month, even if the employer has to make several FPSs.

The fixed penalty is determined by reference to the number of employees in the PAYE scheme, as shown in the table.

Number of employees	Monthly late filing penalty
1 – 9	£100
10 – 49	£200
50 – 249	£300
250 or more	£400

The penalties will be levied quarterly and are due within 30 days of the penalty notice.

The delayed start date means that employers who bring their submissions for the period 5 April 2014 – 5 October 2014 up to date by 5 October 2014 and continue to file on time will not suffer a late filing penalty.

We can assist with PAYE advice – please contact us for further help.

Business Round-up

Tribunal claimants must seek 'early conciliation'

Under new 'early conciliation' rules, employees seeking to raise a tribunal claim must contact the workplace arbitration body Acas before presenting their application.

The new process, which recently came into effect, means that prospective claimants must contact Acas and provide information regarding the name and address of each of the parties involved. Acas will then have one month to attempt to settle the dispute, after which an 'early conciliation' certificate will be issued to the claimant.

A maximum 14 day time extension may be granted where both parties agree, and where there is a reasonable prospect of achieving a settlement.

Some exemptions apply, including where the prospective respondent has already contacted Acas in relation to the dispute.

Meanwhile, a recent bid by trade union Unison to scrap tribunal fees has been rejected by the High Court. 2013 saw the introduction of a new system of fees for employees seeking to bring a claim to tribunal, a move which the union argued was 'unfair and punitive'.

However, the High Court rejected the case on the basis of insufficient evidence. Unison has announced that it will take its case to the Court of Appeal.

Percentage Threshold Scheme is abolished

The Percentage Threshold Scheme (PTS), which allows employers to reclaim Statutory Sick Pay (SSP), was abolished at the end of the 2013/14 tax year by the Department for Work and Pensions.

From 6 April 2014, SSP is not recoverable for employers, although unclaimed SSP for absences that occurred before the end of 2013/14 can still be claimed until the end of the 2015/16 tax year.

The SSP record keeping requirements associated with the PTS have also been abolished, but employers must still keep records for PAYE purposes and to demonstrate that they are meeting SSP requirements.

An independent review carried out to explore sickness absence concluded that a lack of access to occupational health advice was preventing sick employees from returning to work.

The money saved from the abolition of the PTS will fund a new Government scheme, the Health and Work Service, which will make independent health and work advice more widely available to those who are involved in dealing with employees who are sick for four weeks or more.

Changes to the National Minimum Wage

The Government has confirmed that the National Minimum Wage will increase by 3%, with effect from 1 October 2014.

The new hourly rates will be as follows:

Age	21 and over	18-20	16 and 17	Apprentices*
From 1/10/14	£6.50	£5.13	£3.79	£2.73

*Rate applies to apprentices under 19, or those 19 and over in the first year of apprenticeship.

Under new rules, the penalties for firms failing to comply with the regulations have increased.

Web Watch

Essential sites for business owners

www.juniorisas.org

Advice and information on choosing and setting up the right Junior Individual Savings Account for your child.

www.entrepreneurhandbook.co.uk

Access articles and 'how to' guides on all aspects of running a business.

www.cyberstreetwise.com

New website offering online safety advice to SMEs and individuals.

<http://startups.co.uk>

Website dedicated to helping start up businesses or those looking to expand.



Reminders for your Summer Diary

June

30 End of CT61 quarterly period.

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

July

6 Deadline for submission of Form 42 (transactions in shares and securities).

Deadline for submission of EMI40 (EMI Annual Return).

Deadline for entering into a PAYE Settlement Agreement for 2013/14.

File Taxed Award Scheme Returns, file P11Ds, P11D(b)s and P9Ds. Issue copies of P11Ds or P9Ds to employees.

14 Due date for income tax for the CT61 period to 30 June 2014.

18/22 Quarter 1 2014/15 PAYE remittance due.

Final date for payment of 2013/14 Class 1A NICs.

31 Second payment due date for 2013/14 Class 2 NICs.

Second Self Assessment payment on account for 2013/14.

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

Liability to 5% penalty on any tax unpaid for 2012/13.

Deadline for tax credit Annual Declaration (if estimated, final figures required by 31/01/15).

August

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

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