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JWS NEWS

Get ready for a £2,000 tax cut … the new Employment Allowance and your business

In an effort to support businesses and charities with the cost of employment, the Government is introducing a much-anticipated new Employment Allowance, worth up to £2,000.

What is it?

One of the most notable – and welcome – measures to come from the Chancellor's 2013 Budget, the new Employment Allowance will enable businesses and charities to reduce their national insurance liability by up to £2,000. The measure comes into effect on 6 April 2014 and applies to businesses, charities and Community Amateur Sports Clubs.

Employers will need to confirm their eligibility through their regular payroll process, which will then ensure that up to £2,000 will be deducted from their employers' Class 1 national insurance contributions (NICs) liability over the course of the year's PAYE payments.

Who will benefit?

The Government estimates that around 1.25 million employers will benefit from the measure, while 450,000 businesses are expected to be taken out of national insurance altogether in 2014/15.

The new allowance will undoubtedly come as welcome news to many businesses, providing additional funds for those seeking to take on more staff, and a reprieve for firms struggling with cash flow issues.

How will it work?

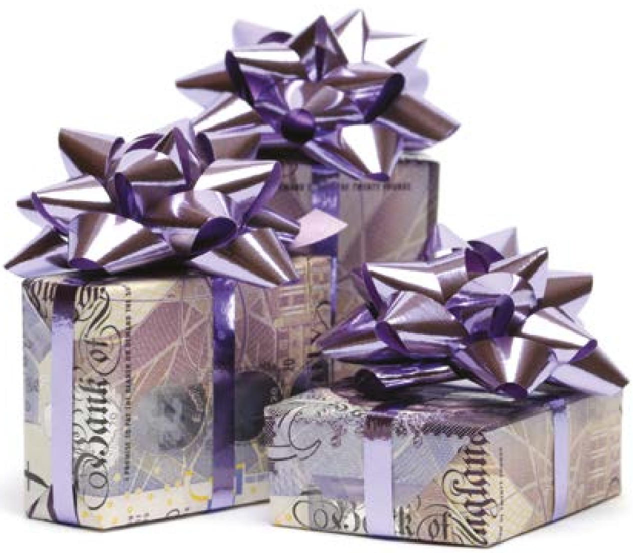
HM Revenue & Customs (HMRC) intends to deliver the new Employment Allowance through standard payroll software and its Real Time Information (RTI) system. A 'yes/no' Employment Allowance indicator facility will be added to the RTI Employer Payment Summary (EPS) and payroll providers will also be required to update their software in the same way.

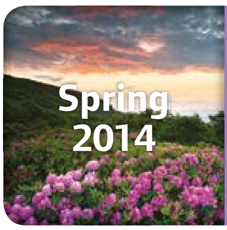
To claim the allowance, employers will need to notify HMRC by completing the yes/no indicator. They will only need to do this once. The employer's payroll software will then offset the allowance against each monthly Class 1 secondary NICs payment that is due to be made to HMRC until the allowance is fully claimed or the tax year ends. For the following tax year, it is proposed that the allowance will be available as an offset against a Class 1 secondary NICs liability as it arises during the tax year.

A similar process will mirror the IT procedure where an employer still submits their returns on paper.

The Employment Allowance will apply per employer and can only be claimed once, irrespective of how many PAYE schemes the employer chooses to operate. It will be up to the individual employer to decide which PAYE scheme to claim it against.

Please note that this article is based on the draft legislation available at the time of printing. For further advice and strategies to help keep your tax liability to a minimum, please contact us.





Inside this Issue…

2013 Autumn Statement: at-a-glance summary

Chancellor George Osborne presented the 2013 Autumn Statement on 5 December. Here we summarise some of the main announcements that could affect you and your business.

Business measures

New cap on business rates increases

The Chancellor confirmed that a new cap on business rates increases will be introduced in England. Following the announcement, increases in business rates will be capped at 2% in 2014/15. Businesses will also be allowed to pay their rates in 12 monthly instalments from 1 April 2014.

Business rates discount

The Chancellor announced the introduction of a business rates discount in 2014/15 and 2015/16, to apply to retail properties including pubs, cafes, restaurants and charity shops, with a rateable value of up to £50,000.

The Government will also introduce a 50% business rates reoccupation relief 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.

Small Business Rate Relief extended

The temporary doubling of the Small Business Rate Relief (SBRR) has been extended for a further 12 months to April 2015.

The Government will also relax the rules to allow businesses taking on an additional property to retain SBRR on the first property for one year, with effect from 1 April 2014.

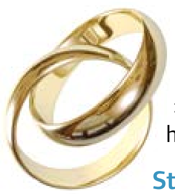
Employer NICs for under-21s

From 6 April 2015, employers will no longer be required to pay Class 1 employer NICs on earnings paid up to the Upper Earnings Limit to any employee under the age of 21. This will apply to both existing employees and employers taking on new staff.

Personal measures

Income tax

As announced at Budget 2013, from 2014/15 the personal allowance for those born after 5 April 1948 will be increased to £10,000 and the basic rate limit will be reduced to £31,865. The higher rate threshold will be set at £41,865.



Transferable tax allowance for married couples

From April 2015, eligible spouses and civil partners will be able to transfer £1,000 of their personal allowance to their partner, where neither pays tax at the higher or additional rate.

State pension

The Chancellor has confirmed that the State Pension Age (SPA) could rise to 68 by the mid-2030s and to 69 by the late 2040s.

Individuals who have not built up a full entitlement to the state pension are currently allowed to pay voluntary NICs before SPA to increase their entitlement. From October 2015 a new class of voluntary NIC (Class 3A) will be introduced, giving those who reach SPA before 6 April 2016 an opportunity to boost their Additional State Pension.

Capital gains tax (CGT)

For the sale of a property which has at some time been the person's principal private residence, the final period exemption will be reduced from 36 months to a maximum of 18 months for disposals after 5 April 2014. This may also affect the entitlement to residential lettings relief.

In addition, the Chancellor announced a consultation on the proposal to introduce a CGT charge on gains made by non-residents disposing of UK residential property after 5 April 2015.

For more information on how the measures announced by the Chancellor could affect you, please contact us.

Capping income tax reliefs: an introduction

Following the introduction of the Finance Act 2013, a new limit now applies to the amount of income tax relief that an individual can claim by way of a deduction from their total income.

The cap restricts certain reliefs to the greater of £50,000 or 25% of adjusted total income. The cap applies for 2013/14 and includes claims to carry back losses from 2013/14 to 2012/13.

Reliefs subject to the cap

The legislation provides for a large number of income tax reliefs, although not all of them are subject to the cap. The cap applies to the following against general income:

- relief for a trading loss
- relief for a loss in the early years of a trade
- post-cessation trading loss relief
- relief for property losses arising from capital allowances or agricultural expenses
- post-cessation property loss relief
- employment loss relief
- deduction by former employees for liabilities
- share loss relief on non-Enterprise Investment Scheme (EIS) and non-Seed Enterprise Investment Scheme (SEIS) shares
- losses on deeply discounted securities
- relief for qualifying loan interest.

Exclusions

The cap does not apply to trading losses which are relieved against chargeable gains, nor does it affect Gift Aid, relief for gifts of land and shares to charity, payroll giving and Community Investment Tax Relief.

Under the original plans, the Chancellor proposed limiting tax relief on charitable donations. However, the Government later withdrew this measure following widespread criticism from charities and donors.

The following reliefs are also excluded:

- business premises renovation allowance
- deductions for trade or property loss relief or post-cessation trade or property loss relief from profits of the same trade or property business
- share loss relief where the shares are qualifying shares for EIS or SEIS relief.

> The cap restricts certain reliefs to the greater of £50,000 or 25% of adjusted total income

How it works

The cap is set by reference to a measure of income known as 'adjusted total income'.

The cap works by limiting the level of certain reliefs to the greater of £50,000 or 25% of the taxpayer's adjusted total income for the tax year, whichever is higher. Thus someone with adjusted total income of greater than £200,000 will have a cap of more than £50,000.

The limit applies in addition to any other provisions that operate to restrict relief. It applies to the year of the claim and any earlier or later year in which the relief claimed is allocated against total income.

Example

Harry has a total income of £240,000 in 2013/14. He makes a contribution of £20,000 (gross) to a registered pension scheme under relief at source arrangements. He also has a trading loss of £60,000.

Harry's adjusted total income is £220,000. Consequently, income reliefs are capped at £55,000 (being 25% of £220,000). Harry is therefore only able to claim relief in 2013/14 for £55,000 of the trading loss against his general income. The balance of £5,000 can be carried forward to use against income in future years from the same trade.

The stated aim of the cap is to prevent 'wealthy individuals from reducing their income tax bills to zero, year after year by using these income tax reliefs to excess'. However, this new restriction is also likely to have an adverse impact on businesses, particularly where individuals are using 'sideways loss relief' to offset their trading losses against general income.

If you think you may be affected by the cap, please contact us for advice.

How flexible is your business?

The right to request flexible working arrangements is set to be extended to all employees later this year. Here we consider the new obligations, and the potential benefits of a flexible working policy.

The legal background

Currently, qualifying carers of adults and all parents of children aged 16 or under (or disabled children under 18), who have had 26 weeks of continuous employment with the same employer, are legally entitled to make a statutory application to their employer for flexible working arrangements, such as working from home or flexitime.

However, under the Children and Families Act, all employees will in the future gain the right to request flexible working arrangements. The changes were originally due to come into effect on 6 April 2014, but have now been delayed until later this year.

While the 26 week qualifying period will be retained, the statutory procedure for considering requests is set to be repealed and replaced with a duty to consider all requests in a reasonable manner and within a reasonable timeframe. Businesses may still reject claims for flexible working if there are legitimate business grounds, as defined by legislation.

Common types of flexible working

Flexible working can take a number of different forms, including:

- teleworking
- part-time work
- flexitime
- job sharing
- compressed hours
- annualised hours
- term-time working.

The business case for flexibility

The nature of the workplace has changed significantly in recent years, with many businesses now providing products and services outside traditional working hours, and employees – particularly working parents – increasingly seeking to achieve a better work-life balance.

Flexible working arrangements can be a valuable tool for attracting and retaining skilled employees, as well as helping to reduce absenteeism, improve productivity and boost staff morale.

Offering flexible working can also allow you to respond to changing economic trends and customer demands. For example, if your business experiences seasonal fluctuations in demand, flexible working arrangements such as annualised hours – where an employee works a set number of hours each year, but with a variable shift pattern – can help you to match your employees' hours with peaks and troughs in your business. Or if you need to extend your business's opening hours, offering flexitime could help to cover your requirements without dramatically increasing your costs.

When considering a flexible working policy, you should think about all aspects of your business, from production to customer service, supervision and communication, and which forms of flexible working are most likely to suit your requirements. Don't forget to set in place a timetable for reviewing your policy.

A flexible future?

The Government has confirmed that from 2015 new parents will be able to share their parental leave, either taking the leave at the same time or in turns. Following the initial obligatory two weeks of a woman's maternity leave, the remaining 50 weeks can be shared between both parents as flexible leave.

In addition, an increasing number of workers currently approaching retirement age are considering continuing to work on a part-time or temporary basis, meaning that the trend towards flexible working is only likely to continue.

Flexible working is playing a growing role in the workplace, and adopting a considered flexible working policy could benefit your business in the long run.

Business Round-Up

New TUPE regulations

Changes to the legislation governing the Transfer of Undertakings (Protection of Employment) Regulations – or TUPE – came into effect in January 2014.

The TUPE Regulations aim to protect employees' terms and conditions of employment, when a business is transferred from one owner to another.

While the Government's original plans have been scaled back following consultation, it hopes that the measures will help to reduce bureaucracy and improve legal certainty for businesses.

The key changes include:

- allowing collective redundancy consultation to take place before the transfer
- allowing renegotiation of terms agreed in a collective agreement one year after transfer, as long as the overall change is not less favourable for an employee
- micro businesses with fewer than 10 employees may consult directly with employees
- a clarification that the activities carried on after service provision changes must be 'fundamentally or essentially the same' as those carried on before a transfer, for the TUPE regulations to apply.

Please note that transitional provisions apply.

Smallest businesses gain Real Time PAYE extension

Micro employers with fewer than 10 employees have been granted additional time to comply with HMRC's new RTI reporting requirements.

Under RTI, employers must submit their PAYE information to HMRC *on or before* the day of payment.

HMRC previously granted a temporary relaxation of the RTI regulations for employers with fewer than 50 employees who pay their staff weekly or more regularly and find it difficult to report at the time of payment. These employers have been allowed to send information by the date of their regular payroll, but no later than the end of the tax month.

While this relaxation of the rules will come to an end as planned in April 2014, HMRC has since announced that businesses with fewer than 10 employees will now be given until April 2016 to prepare for RTI. Until this time they may submit PAYE data on or before the last payday in the tax month. The concession will not apply to businesses that start up during this period.

New warning over 'pension liberation'

HMRC is stepping up its efforts to clamp down on so-called 'pension liberation' scams.

The schemes claim to unlock, liberate or give early access to pension funds before the age of 55 by transferring funds to an alternative pension scheme. However, any money received from a pension scheme before the age of 55 constitutes an unauthorised payment, which is subject to tax charges of up to **70% of the liberated funds**.

Always speak to your existing scheme administrator before taking any action regarding the transfer of your pension. Scams should be reported to Action on Fraud on 0300 123 2040.

Web Watch

Essential sites for business owners

www.greatbusiness.gov.uk
Campaign offering information, inspiration and advice for British businesses.

www.british-business-bank.co.uk
Home of the new Government-backed Business Bank.

www.exportbritain.org.uk
New online resource to help businesses find connections in overseas markets.

www.gov.uk/business-finance-support-finder
Searchable resource for business finance and support.

Reminders for your Spring Diary

March

2 Last day to pay any balance of 2012/13 tax and Class 4 NICs to avoid an automatic 5% late payment penalty.

31 End of Corporation Tax financial year.

End of CT61 quarterly period.

Filing date for Company Tax Return Form CT600 for the period ended 31 March 2013.

April

5 Last day of 2013/14 tax year.

Deadline for 2013/14 ISA investments.

Last day to make disposals using the 2013/14 CGT exemption.

14 Due date for income tax for the CT61 period to 31 March 2014.

18/22 Quarter 4 2013/14 PAYE remittance due.

20 Interest will begin to accrue on unpaid PAYE/NI for 2013/14.

30 Normal annual adjustment for VAT partial exemption calculations (monthly returns).

May

1 Start of daily penalties for 2013 online Tax Return not yet filed. Additional penalties may apply for further delay.

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

31 Last day to issue 2013/14 P60s to employees.