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focus on...

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Welcome to Focus On… our monthly business bulletin looking at issues relevant to particular sectors and topics of interest.

If you would like to discuss any aspect of our services, please contact Richard Grayson, Managing Partner at Nicholsons, at richard.grayson@nicholsonsca.co.uk or phone 0845 27 66 555.

Cable launches investment campaign to help small firms grow

Business Secretary Vince Cable has launched a funding campaign in a bid to help the UK's some 4.9 million small firms to develop.

Earlier this month, Mr Cable unveiled the first 'funding allocation' from the British Business Bank's investment programme, which is designed to supply debt finance to small businesses.

The first £45 million of subsidy is to be divided between two private investment firms: £30 million to Praesidian Capital Europe and the further £15 million to BMS Finance, which will generate around £125 million of debt finance through their respective new funds. Upon legal agreement, both funds are expected to start lending to small businesses in early 2014.

The multi-faceted campaign also comprises other measures designed to support small businesses. These include:

- A £10 million synthetic biology start up fund from the Biotechnology and Biological Science Research Council (BBSRC) to help entrepreneurial scientists working in synthetic biology get their business off the ground
- A new £1 million Sector Mentoring Challenge Fund, intended to offer small firm's the benefit of advice and support from experienced people within their sector
- The Growth Accelerator scheme – a successful, specialised coaching service, designed to help small businesses with a high-growth potential, which, to date, has helped 10,000 firms.

Mr Cable commented: "We have set out a comprehensive package of measures that will address the concerns of small firms. The first investments from the British Business Bank's investment programme will provide choice to smaller businesses looking to secure vital finance to help invest. Alongside cutting red tape and increasing the take up of business rate relief, government has already made significant progress in improving the business outlook for small firms and entrepreneurs."

Providing the tools for small firms to build their business upon is a vital scheme the government needs to be backing in order to ensure the swift recovery of the economy. In December a cross-government strategy on small business support will be published, intended to help encourage the access of finance, exportation and innovation.

Skills and Enterprise Minister, Matthew Hancock said: "Small firms are a vital driver of our economy's success, so it is imperative we do all we can to ensure businesses don't just survive, but thrive in a global race."

Why is it harder for women to save for a pension than men?

'Research suggests that only 50 per cent of women in their 30s work full-time, compared with 81 per cent of men of the same age.'

The juggling act of life is tough, and planning for your pension often gets side-tracked when financial pressure is applied from all angles. However, according to this year's 'Scottish Widows "Women and Pensions" Report', it's largely women who bear the burden of limited, personal pension facilities, as 20 per cent would agree they prioritise fiscally supporting their children above preparing to save for their retirement.

In addition to this, 21 per cent of the women in this age group anticipate they can survive on their partner's pension as their source of income upon retirement – a potentially perilous move, considering the divorce rate has breached its highest figure ever of over 40 per cent.

As the new statutory rate for the state pension will be approximately £144 a week from 2016 and only people with 35 years of qualifying National Insurance contributions can qualify, it is important to start building up entitlement.

Under this rate, the average 66 year old woman would need approximately £195,000 to buy that level of index-linked pension with their own savings. The startling reality is cushioned slightly thanks to compound interest, as the earlier you start saving, the more you will have accumulated upon retirement age.

Starting a family is one of the biggest obstructions facing women and their retirement fund. However, legislation is on side, as it is legally recognised that employers' continue to pay into a woman's pension when she is on maternity leave - up to the statutory minimum of 39 weeks.

Even if a woman decides she does not want to go back to work, she can make small National Insurance contributions that will enable her to continue building credits.

Employee ownership booms to benefit Britain's businesses

When an employee can be heard as well as seen is when a business inevitably reaps the benefits, which is why employee ownership is a highly desirable business model designed for the longevity of not only the retention of a firm's workforce, but for the company as a whole.

According to the One Year On Report, there has been much progress made by way of supporting employees who wish to acquire ownership within their respective companies. Likewise, 'investors have found it easier to identify and invest in UK businesses which have adopted employee ownership thanks to the new FTSE compliant UK Employee Ownership (EO) Index by Business Minister Jo Swinson.'

At a launch in London this month, the Business Minister declared the new index alongside the EO One Year On Report. Its appeal attracted potential investors to identify with ease the 69 UK public companies listed on the London Stock Exchange that contain employees with an issued share or capital holding of at least three per cent, other than the main board directors.

The Index highlights the fact that in previous periods, the businesses that have adopted employee ownership frequently surpass the similar FTSE 100 and All-Share indices.

This is demonstrable by staff commitment, productivity, resilience and innovation.

Business Minister, Jo Swinson said: "As we build a stronger economy, there has never been a more important time to promote successful ways of running a business. Evidence shows that businesses that adopt the employee ownership model can be more profitable, create more jobs and are more resilient to economic shocks."

Graeme Nuttall, the respective author of the Nuttall Review into Employee Ownership, announced at the launch event that a new 'health check' would be implemented to supervise and monitor the ongoing progress by the government and the EO sector towards making employee ownership a conventional and indeed sustainable part of the UK economy.

The report, comparable to the 2012 Nuttall Review, measures the government's and EO sector's progress and found that steps forward had been made in the following areas:

- Raising awareness of employee ownership through the first national Employee Ownership Day on 4 July 2013
- The introduction of tax reliefs for businesses assuming the employment ownership model to the sum of £50 million from 2014-2015
- Help and guidance given to prospective businesses wishing to adopt the employee ownership model

Speaking with regards to the Nuttall Review, Minister Jo Swanson said: "The Nuttall review set us an ambitious challenge a year ago, but I am delighted to say the government and the sector have risen to meet it. We have made substantial progress in laying the foundations for a thriving and growing employee sector in the UK, but there is more to do to raise awareness."

10,000 and counting: New entrepreneurs receive the 'get up and go' from Start Up Loans

Since its launch earlier this year, the new-business aid scheme, Start Up Loans has recently celebrated the transaction of its 10,000th loan, which was awarded to Cornish entrepreneur, Allen Martin, to help him initiate his new business providing online help for landlords.

Start Up Loans, chaired by business mogul James Caan, has had a promising year since its conception in 2012, as they are now a third of the way to meeting their targets of supporting 30,000 new businesses with £151 million by 2015.

The Prime Minister, David Cameron said: "Start Up Loans are helping budding entrepreneurs across our country achieve their dreams – people who have got ideas, determination and solid business plans, but through no fault of their own can't get the money to make a go of it. New businesses are the lifeblood of a healthy, expanding economy: a symbol of aspiration and a source of jobs, that's why Start Up Loans matter to me – and it's why they're a key part of my plan for Britain."

Start Up Loans provide new businesses with the initial cash outlay, (the sum of which varies with each application), and also offer continued support acting as mentors to the newly registered businesses.

However, there is still a long way to go. Chairman, James Caan commented: "Looking what we have achieved to date is astounding […] however, there is still much work to be done; now that we have lifted the age cap our focus has to be on helping all entrepreneurs of all ages come forward to start their business."

The aforementioned Mr Martin was one of the first to benefit from the eradication of the 18-30 age cap, which was lifted back in July 2013 by David Cameron.

VAT rule changes to broadcasting, telecommunications and e-services from 1 January 2015

Effective from 1 January 2015, alterations to the European Union (EU) VAT place of supply will affect businesses who provide broadcasting, telecommunications and e-services to consumers, as they will be required to keep records about the variety of electronic services they supply, to whom they supply them to and to where they are supplied.

Businesses that may be affected by these changes are encouraged to start preparing for them now.

At present, broadcasting, telecommunications and e-services place of taxation is established by the location of the business who is supplying the services. This is to change come 1 January 2015, as it will then be established by the location of the customer.

As this change will have an effect on the business records a company keeps, thorough preparations are strongly advised in the following areas:

- Who provides the service to the customers – is it the company themselves or is there any intermediary acting in their own name but on the company's behalf?
- Are the customers taxable or non-taxable?
- Decide upon the 'place of consumption' of the service - is it at the customer's residential address, or is it provided to other businesses (where different rules apply)
- Keep customers' billing addresses or bank details up to date – as this may need to be used as evidence in supporting the decision regarding the 'place of consumption'.

By preparing for this now, businesses will have an advantage for when it comes to complete the new-to-be-introduced VAT MOSS Return, as this information may be required electronically by the EU tax authority.

VAT MOSS, (VAT Mini One Stop Shop) 'enables businesses to complete a single return covering their broadcasting, telecommunications and e-services sales in any Member State in which you do not have a place of business.' The service will be available on 1 January 2015; however it will be available to register with from October 2014. Its benefits generally affect EU businesses and include:

- Making VAT declarations and payments in all of the company's EU supplies of services to the one Member State.
- If chosen to register for VAT MOSS in the UK, all VAT due on sales in all Member States where these services apply can be paid at each state's own tax rate
- This can be done by submitting a single VAT MOSS return and payment to HM Revenue & Customs (HMRC)
- For non-EU businesses already registered or the VoES scheme, information on how to transfer to the VAT MOSS scheme will be made available.

A call to all businesses: respond to EFRBS opportunity

Employers associated with Employer Financed Retirement Benefit Schemes (EFRBS) will be receiving letters from HM Revenue & Customs (HMRC) regarding an opportunity to reconcile any outstanding liabilities they may hold appertaining to the scheme.

Traditionally used for non-domiciled employees in an account generally located offshore, EFRBS are grounded on Employee Benefit Trusts to pay staff in the form of tax-free loans. Dissimilar to purposes associated with remuneration, the loan goes towards employees' pensions instead.

According to HMRC, 'customers have until 31 December 2013 to consider the proposals made in the letter and to indicate whether they wish to take advantage of the options offered.'

Any businesses wishing to accept any of the given options will engage in a settlement with the HMRC that will be finalised by 30 June 2014.

HMRC is giving employers two choices for settlement:

Option 1: Until relevant benefits are paid out by the EFRBS, no subtraction is due from corporation tax (CT) profits for payments made to the EFRBS.

Or:

Option 2: PAYE and National Insurance Contributions (NIC) are payable on the contributions made to the EFRBS. A subtraction can be made from CT profits for contributions made to the EFRBS.

It is advised that any employers who encounter difficulties in this regard should consider their options before making any hasty decisions concerning their tax position.

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