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focus on...

August 2014

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**.

Auto-enrolment passes key milestone

All the UK's largest businesses have now passed their staging dates for automatically enrolling eligible workers into qualifying workplace pension schemes.

Announcing the landmark on 17 July, the Pensions Regulator, which regulates workplace pensions, said 99 per cent of the employers had met their legal duties without it needing to use its statutory powers.

Thousands of medium employers are currently reaching their staging dates – when their auto-enrolment duties go live – and the regulator has begun sending out letters to the first of the small employers, with fewer than 50 workers, who are due to automatically enrol their eligible workers next summer.

Charles Counsell, executive director for automatic enrolment at The Pensions Regulator said: "There is plenty of good news, with employers keen to ensure they do things properly and low opt-out rates.

"But we know there are challenges ahead. We will now continue our work over the months ahead to ensure medium and small employers understand their obligations, comply with their legal duties and continue to view non-compliance by other employers as unacceptable."

If you want any help or advice regarding the auto-enrolment process, please contact Julie Romain, our Payroll Manager.

Growth fund support hits new high

The number of small and medium-sized enterprises (SMEs) supported through the government's Regional Growth Fund (RGF) has trebled over the past year, new figures show.

According to an annual monitoring report published on 22 July, 5,100 businesses received RGF support in the year 2013 to 2014 while the number of direct jobs created or safeguarded through RGF more than doubled in a year to 69,000.

RGF payments in 2013 to 2014 totalled £565 million, compared to £161 million in the previous financial year.

Business Secretary Vince Cable said: "The Regional Growth Fund is now in full swing. Over the last year alone it has more than doubled in size.

"The fund is securing the jobs it set out to – 69,000 direct jobs at the end of the last financial year and every one of them outside London.

Round 6 of the RGF is currently open to private sector bidders seeking £1 million or more for high quality projects that will generate significant private sector investment and sustainable jobs. Businesses need to submit their bids by noon on 30 September 2014.

Plan ahead for summer holidays, say experts

A leading accountancy body has issued top tips for small and medium-sized enterprise (SME) owners to help make sure that their businesses do not suffer financially while they and their staff are on holiday.

Issuing the guidance on 15 July, Clive Lewis, head of enterprise at the Institute of Chartered Accountants in England and Wales (ICAEW), said: "At this time of year, when employees will be taking their holiday, it is essential that firms plan ahead to ensure business is not disrupted.

"Cash is king and businesses must ensure that cash continues to come in during the summer. Firms must examine their debt collection and bill paying procedures, as well as making sure proper safeguards are in place while staff are away, so that they're not caught short." The ICAEW tips for business owners are:

- plan ahead to avoid payment delays. During the summer you will have staff away – but so will your customers, so getting cash into your business is critical
- make sure invoices are still paid on time otherwise you could damage your credit rating and limit your access to supplies on credit
- if the person authorising payment is away, make sure that someone else can authorise it in their absence. The same applies with cheque signatories
- make sure that staff complete a proper handover and in enough time. Staff involved in raising sales invoices and chasing customers for payment must properly brief the staff standing in for them, especially on commitments made by customers regarding payment. They should be aware of how to follow up customer queries regarding sales invoices so that disputes are resolved quickly
- make sure that suppliers or customers are aware of any alternatives to their regular contacts to ensure a smooth handover and make sure stand-in staff can access a list of contact details for suppliers and customers
- systems for recording and forecasting cash flow need to be maintained in the finance director's absence
- debrief people when they get back, to help them get up to speed after their holiday.

HMRC targets schemes with upfront tax payments

A list of tax avoidance schemes whose users may be required to make an upfront payment of tax has been published by HM Revenue & Customs (HMRC).

The Finance Bill, which is due to receive Royal Assent later this month, will give HMRC a new power called accelerated payments. This will mean users of schemes with a reference number on the HMRC list may receive a notice to make an upfront payment of tax.

HMRC said it was publishing the information to help avoidance scheme users and their advisors to prepare for accelerated payments.

Starting in August 2014, HMRC will phase in the issuing of notices to current users of the schemes over a period of approximately 20 months. It will write to individuals before issuing them with a notice.

David Gauke, Exchequer Secretary to the Treasury, said on 15 July: "Most people pay the tax that is due, when it is due, so it unacceptable that a minority seek to hold on to the tax they should pay by using avoidance schemes.

"Accelerated payments will tackle the small minority of taxpayers who are currently able to put off paying tax, sometimes for several years. This will put them on the same footing as the majority of taxpayers who pay their tax up front."

Currently, taxpayers must disclose that they are using an avoidance scheme, which HMRC may then challenge.

Taxpayers affected by accelerated payments will be free to continue to make their case to the tribunal or court and, if successful, their money will be returned with interest.

Sick leave reduction service provider named

The government has named the company it has chosen to deliver a new service, designed to help employees and employers better manage sickness absence and reduce the costs involved.

Minister for Welfare Reform Lord Freud said on 25 July that the Health and Work Service would be delivered by Health Management Limited, the UK's leading occupational health provider. In Scotland, the Health and Work Service will be delivered by the Scottish government on behalf of the UK government.

According to government figures, an average of around 960,000 employees were on sick leave for a month or more each year between September 2010 and October 2013.

The Health and Work Service is designed to help employees on sick leave to return to work by providing them with an occupational health assessment when they reach, or are expected to reach, more than four weeks' sickness absence.

Employees will normally be referred by their GPs and a return to work plan resulting from the referral will be shared with their employer and GP. More general health and work advice will be available to GPs, employers and employees via telephone and a website.

The service will be launched in late 2014 and is due to be fully rolled out by the end of May 2015. Lord Freud said: "The introduction of the Health and Work Service is an important step in supporting employees, GPs and employers to manage sickness absence better.

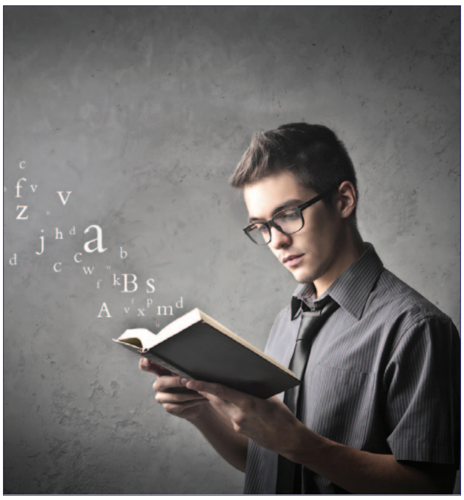
"Providing support where it's needed most will help to reduce the length of time employees take off sick which, in turn, will cut sick pay costs, improve economic output and reduce the chances of people falling out of work and having to claim benefits."

The government says that employers face an annual bill of around £9 billion for sick pay and associated costs while employees on sick leave miss out on £4 billion annually through lost earnings.

Meanwhile, the government spends around £12 billion a year on health-related benefits and £2 billion a year in healthcare and foregone taxes.

HMRC issues guidance on 'swaps' tax

HM Revenue & Customs (HMRC) has issued guidance on how redress payments made to businesses that have been mis-sold interest rate hedging products should be accounted for on tax returns.



The complex products, including swaps, caps and collars, were typically sold by banks to small and medium-sized enterprises (SMEs) alongside business loans as a way to reduce the risk of exposure to interest rate fluctuations.

But with many SMEs facing substantial exit fees or non-competitive rates to remain in the products – to the point where the costs associated with the products may have threatened business viability – 11 banks agreed in 2012 to compensate businesses mis-sold products including swaps, caps and collars.

They have identified customers who may have been affected and have been inviting them to have their products and arrangements independently reviewed.

According to the latest figures from the Financial Conduct Authority (FCA), 19,000 customers had been invited to undergo a review up to the end of June 2014. More than 7,500 customers have so far accepted redress offers from the banks, which to date have paid out £1.2 billion.

In its new guidance, issued on 25 July, HMRC said: "The full redress payment is generally taxable for individuals, companies and partnerships. This is because you will have claimed tax relief for the payments as an allowable business deduction. So the payment should be treated as business income and you should reflect it in the business accounts."

As well as more detailed guidance on how payments should be accounted for in tax returns, HMRC said: "There are certain circumstances where the tax treatment of the payment will be different and you may want to seek advice. For example:

- your business has stopped trading
- the product was for a non-business loan
- the product was a hedging product and its fair value was recognised in your accounts.

"If this applies then the payment is not taxable as income. It could be subject to either capital gains tax for individuals or corporation tax on chargeable gains for companies."

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