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Spring 2014

Newsletter

Auto-enrolment staging dates

Small and medium sized businesses will soon have to start enrolling their staff in a workplace pension. If there were between 50 and 249 members in your PAYE scheme on 1 April 2012, your staging date for auto-enrolment will be between 1 April 2014 and 1 April 2015.

However, if you started trading after 1 April 2012 your staging date will not be until May 2017 at the earliest. Smaller employers are subject to later staging dates, which can be found at: http://www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx

You can bring your staging date forward if you wish to and start the process earlier. You might choose to do this to align it with your accounting date. However, you are restricted to a limited number of new dates; for example, there are just eight possible dates for 2014. To change your staging date, you need to give the Pensions Regulator a calendar month's notice.

You can choose to postpone the start of automatic enrolment for employees for up to three months from your staging date. You will also be able to postpone automatically enroling a staff member for up to three months from the day they started work or became entitled to be automatically enroled in the pension scheme.

So you need to be thinking about the workplace pension scheme for your organisation as a matter of urgency. This could be an occupational scheme or a personal pension scheme. A relatively low cost option is the National Employment Savings Trust (NEST). The government set up this scheme so that all employers would have access to a pension provider. NEST can be used as the sole scheme for all staff, but it is also flexible enough to be used alongside other schemes.

You could use NEST for a particular group of workers or as an entry-level scheme for new staff. You could even use NEST as a base scheme for all employees but use another scheme for top-up contributions. The current annual cap for contributions into NEST is £4,500, but this is due to be removed by 2017. NEST is completely free for employers, but there is a simple low cost charging structure for members.

You should be warned that a number of technical changes have recently been made to the auto-enrolment rules, and these are now reflected in the detailed guidance provided by the Pensions Regulator.

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Fallout from the Autumn Statement

This year's Autumn Statement contained no less than 59 measures, but made little difference to the government's overall tax take.

The 2012 Autumn Statement was described in some quarters as three mini-Budgets, but this December Mr Osborne still found plenty to announce:

Income tax The Chancellor confirmed that in 2014/15 the personal allowance would rise by £560 to £10,000. At the same time, the basic rate band will *shrink* by £145 to £31,865, leaving the higher rate threshold just 1% higher next tax year, at £41,865. There is no change to the £150,000 starting point for 45% tax.

One consequence of the increase in the personal allowance is that from April the phasing out of the personal allowance will cover a £20,000 band of income (£100,000 to £120,000). The effective marginal rate of tax in this band is 60% (48.75% for dividends), so it is best avoided.

There was one piece of news on the transferable tax allowance for couples (both married and civil partners), due to be introduced in 2015/16. The transferrable amount will start at £1,000, and is to be uprated in line with the personal allowance.

Capital Gains Tax (CGT) Non-resident individuals who own UK residential property will have to pay CGT on gains accruing from April 2015. More significant in terms of the tax raised is the halving of the final exempt period for private residential relief to 18 months. From 6 April 2014 this will limit your planning opportunities if you have more than one property. While the targets appear to be second home owners and buy-to-let investors, people going through a divorce could also be caught.

Pensions Both the annual allowance and the lifetime allowance will be reduced from 6 April 2014, so the Chancellor confined his announcements to the state pension front:

- The state pension age (SPA) is now likely to rise to 68 in 'the mid-2030s' and to 69 by 'the late 2040s'.
- If you reach your SPA before April 2016, when the new single-tier pension starts, from October 2015 you will be able to top up your Additional State Pension entitlement by paying a new class of voluntary national insurance contributions, class 3A.

Investments The ISA limit will rise by £360 to £11,880 in 2014/15, of which £5,940 may be invested in cash. There will be a review of the availability of retail bonds with terms to maturity of five years or less as ISA investments.

Business taxes The Chancellor announced some help for small businesses through a number of changes to business rates. These included a restriction on the 2014 increase to 2%, extension of the doubled small business rate relief to April 2015 and a discount of up to £1,000 in 2014/15 and 2015/16 for retail properties with a rateable value of up to £50,000.

Anti-avoidance There were 13 measures under the heading of 'Avoidance, tax planning and fairness' which the Treasury projects will raise £955m next tax year.

Time to focus on year end tax planning

As the end of the tax year approaches on Saturday 5 April 2014, now is the time to give some thought to year end tax planning opportunities.

Personal allowances

The basic personal allowance for 2013/14 is £9,440. If it is not used before the end of the tax year it will be lost. This is preventable by:

- Bringing forward some income to 2013/14 to mop up the unused allowance. For example, if you own a company, you might pay yourself (or whoever has not used their personal allowance) a dividend or a bonus before the end of the tax year.
- Transferring income-producing assets to a spouse or civil partner with little or no income. For example, you could arrange to transfer cash deposits or other investments to them.

The personal allowance is reduced by £1 for every £2 by which income exceeds £100,000. You could avoid losing the personal allowance by reducing your income below £100,000, through making pension contributions, deferring some income until after 5 April 2014, making charitable donations or transferring income-producing assets to your spouse or civil partner. This will save tax at an effective marginal rate of 60% (48.75% for dividends) for income between £100,000 and £118,880.

Pension contributions

You benefit from full tax relief on contributions to registered pension schemes, which makes them very tax-efficient investments. The tax relief is capped at the higher of £3,600 and 100% of your earnings, subject to the annual allowance. This is set at £50,000 for 2013/14 but will reduce to £40,000 from 2014/15. The annual allowance can be carried forward for three years, then it is lost.

Tax-efficient savings

The ISA allowance for 2013/14 is £11,520, of which £5,760 can be in cash. Be sure to invest by 5 April 2014.

Capital gains planning

Individuals can realise capital gains of up to £10,900 in the current tax year free of CGT. Married couples and civil partners can therefore realise gains of up to £21,800 tax-free in 2013/14. Please seek year end tax planning advice quickly before it is too late to take action.

November 2013 saw the lowest average fuel prices in more than two and a half years, with petrol falling from 132.2p per litre to 130.4p. So it was no surprise that HMRC reduced most of its advisory fuel rates – in some cases by 2p. The current rates are:

Engine size	Petrol	Diesel	LPG
1,400cc or less	14	12	9
1,401cc to 1,600cc	16	12	11
1,601cc to 2,000cc	16	14	11
Over 2,000cc	24	17	16

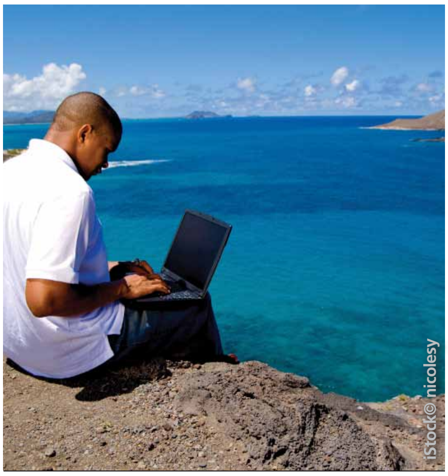
How the new tax rules on residence could affect you

The new UK tax residence regime that applied from 6 April 2013 provides a lot more certainty than the old rules. But the changes are pretty sweeping.

Residence could be really important for your tax position, particularly affecting your liability to income tax and capital gains tax. The new rules on residence put you in one of three categories:

Definitely or automatically NON-RESIDENT: If you meet any of the following tests you will definitely be automatically non-resident:

- You have spent fewer than 16 days in the UK during a particular tax year after being resident here in at least one of the three preceding tax years.
- You have spent fewer than 46 days in the UK during the tax year in question and you have not been resident in the UK in any of the three preceding tax years.
- You work 'sufficient hours overseas' in the tax year with 'no significant breaks from overseas work'. Furthermore, during the tax year in question you spend fewer than 31 days in the UK working more than three hours a day and you spend fewer than 91 in the UK altogether for any reason.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Definitely or automatically UK RESIDENT: You will certainly be treated as a UK resident if you meet any of the following tests during a tax year:

- You spend at least 183 days in the UK.
- You have a home in the UK and basically you stay there for at least 30 days, and you either have no overseas home or your visits there are minimal over a 91 day period.
- You work in the UK full time, with more than 75% of your working days in the UK.

NON-RESIDENT or RESIDENT in the UK: It depends on how much time you spend in the UK and how many ties you have with the country:

- Family tie – a family member is resident in the UK.
- Accommodation tie – you have available accommodation in the UK that you use.
- Work tie – you work in the UK for at least 40 days a year.
- 90 day tie – you have spent more than 90 days in the UK in either of the two previous tax years.
- The country tie – this broadly depends on how much time you have spent in the UK in the previous three years.

The more ties you have, the fewer days you can spend in the UK before you will be treated as UK resident (and vice versa). The position is a bit tougher for a leaver than for someone who is arriving in the UK.

Alternative dispute resolution with HMRC

If you have reached an impasse in a dispute with HMRC, you may now be able to make use of a quick, easy and cheap way for individuals and small businesses to try and reach a resolution.

Despite the name, alternative dispute resolution (ADR) is part of the existing system of compliance checking. It involves an independent person from HMRC acting as an impartial facilitator to broker an agreement between yourself and HMRC.

ADR covers both direct taxes and VAT and using it will not affect your existing rights, so there is little downside risk. If ADR does not result in agreement, you can still take your dispute to a tribunal. But if you do reach agreement, it should be much quicker and less costly than a tribunal hearing, which is hardly surprising given the current backlog of tribunal cases.

It is important to avoid making an application for ADR too early in the process. You should give HMRC enough time to pull together all the relevant facts. Equally, you shouldn't leave making the application too close to a tribunal hearing.

HMRC does not charge for the ADR service, and the nature of ADR means that our fees may well be lower. However, not all cases are suitable for the ADR process.

Be aware of computer and mobile security

In an increasingly mobile world, you need to be extra careful when it comes to computer and mobile security.

Physical security

While working away from the office, you should be careful of opportunistic theft. A laptop lock is a basic precaution and don't forget to back up regularly. You could use cloud storage or a thumb drive – kept separate from your laptop.

Passwords

Although there is no such thing as a perfect password, you can take measures to ensure it is strong. A good password contains a mixture of at least eight characters (some unusual) yet remain memorable. Adding an unusual character and a number would get a 'Best' rating on Microsoft's password checker.

Most computer security experts recommend changing passwords regularly. Although a thief could use your password immediately, it could prevent some longer term security breaches. Make sure you use different passwords across different sites.

Internet access Beware of open public hotspots that are password-free. In some cases the network itself may be completely rogue and set up to trap the unwary. 3G is generally more secure than wi-fi, although it has its limitations.

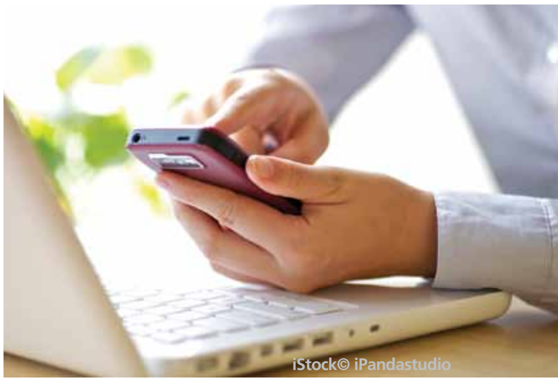
When using a wi-fi hotspot, turn off all file and printer sharing, enable the firewall, update your anti-virus software, and set your network location to 'public'. Also, always avoid entering user names and passwords unless you are sure of a secure connection (using a VPN for example).

Online purchases

The safest approach to purchasing online is to just use one card and maintain a low spending limit. Credit cards give you more security than debit cards and you should check your statements regularly.

Data protection

When using smartphones and tablets on the move, you should be aware of the potential data protection implications. Your confidential personal and business data can be easily lost if a device is stolen.



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And finally

No two businesses are alike when it comes to computer and mobile use, so it is worth having regular formal reviews of security with those responsible for IT and telephony in your firm. If you regularly work on important or highly sensitive documents away from the office, then seek specialist advice.

Issuing guidelines should help maintain basic security.

Online retailing has made selling products overseas much easier, but be warned: you may have to register for VAT if you exceed the threshold for any EU member state. The threshold is the equivalent of either €35,000 or €100,000. For example, the threshold for Belgium is €35,000, but it is €100,000 for neighbouring Netherlands. The threshold applies on a calendar year basis rather than the UK's continuous 12-month basis. The distance selling rules only apply to sales made to consumers and not to business sales.

So make sure that you keep careful track of your sales to each EU member state and take advice if you think you need help.

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.

JANUARY 2014

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.

APRIL 2014

1 Main rate of corporation tax falls to 21%.

6 First day of the 2014/15 tax year. Changes to tax allowances, rates and thresholds. Start of real time information (RTI) automatic monthly late submission penalties.

6 Pension contributions annual allowance falls to £40,000 and lifetime allowance to £1.25 million.

6 CGT main residence exempt final period reduced from 36 to 18 months.

6 Last day for health professionals who registered before 1 January 2014 in the Health and Wellbeing Tax Plan to disclose and pay the tax owed.