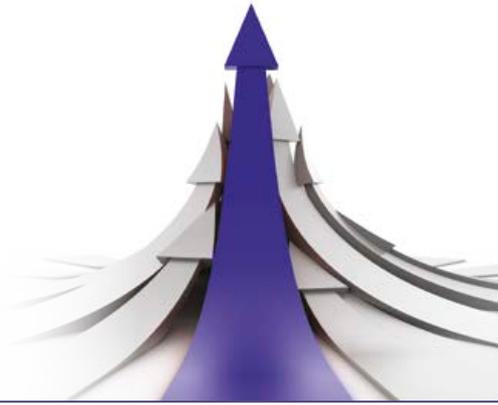


# EDONTLINE FRONTLINE



## ARE YOU READY FOR AUTO-ENROLMENT?

Auto-enrolment will affect every company in the UK, yet many are still unaware of how it will affect their business and their employees. While the biggest firms are already on board, other companies are encouraged to start making their preparations for auto-enrolment. If you're not yet ready for auto-enrolment you can sign up at one of our informative seminars taking place at our Leicester office this October, where we will inform you of everything you need to know, from the duties and responsibilities that will apply to how your business will be affected.

Despite living and working longer, many people are failing to save enough for their retirement. Launched in October 2012, auto-enrolment is part of a Government initiative that aims to help more people save and prepare for their retirement.



John Freeman, our Financial Adviser, comments: 'Every company in the country will be affected by auto-enrolment, whether they are employing just one person or have hundreds of employees. We're here to provide advice and guidance, and alongside our auto-enrolment seminars, we can offer all the assistance you need through our competitive advice service'.

### HOW WILL AUTO-ENROLMENT AFFECT ME?

Auto-enrolment is being introduced in stages based on a business' number of employees, allowing businesses time to prepare for the administration changes and costs that the scheme will bring. Since its launch, the largest employers in the country have begun to implement auto-enrolment, while medium to small businesses will follow. All employees will be auto-enrolled in a qualified pension scheme by February 2018.

### WHAT IS A QUALIFYING PENSION SCHEME?

It will now be the employer's responsibility to enrol employees into a workplace pension scheme and ensure that it meets certain criteria in relation to contributions or benefits.

Businesses are legally obliged to establish the pension, provide employees with information on the scheme and opting out, and demonstrate how they have fulfilled this legal duty.

### WHAT DO I NEED TO CONTRIBUTE?

The total yearly contribution will be set at 2% of qualifying earnings, with the employer having to contribute at least 1% for the first few years. By October 2017 this will increase to a total pension contribution of 5%, with a contribution of 2% from the employer.

### HOW SHOULD I PREPARE?

You should start preparing at least 12 months before your staging date. Insurance companies require at least six months to implement a new scheme and 12 months to review an existing one. With 50,000 companies per month being auto-enrolled from spring 2015, those who haven't started preparing need to take action.

### JOIN US TO FIND OUT MORE

Thanks to our seminars, auto-enrolment doesn't have to be a daunting process. Find out your duties, legal obligations and how to implement auto-enrolment by attending one of the seminars being held from week commencing 6 October at our Leicester office. You can contact John Freeman on 0116 254 9262 or email [jdf@newbyc.co.uk](mailto:jdf@newbyc.co.uk) for information about our seminars or if you require any independent financial advice.

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# PENSION REFORM: WHAT DOES IT MEAN FOR YOU?

At the 2014 Budget, Chancellor George Osborne announced a package of measures set to radically overhaul the pension rules and provide people with much greater flexibility as to how and when they take their pension savings. Some of the changes took effect from 27 March 2014, while others are set to be introduced from April 2015 following a period of consultation. Here is an introduction to the key areas of change:

## LUMP SUMS

Under the current rules, people aged 55 and over are able to take a tax-free lump sum of 25% of their pension pot. Any lump sum withdrawn in excess of that is an unauthorised payment and subject to tax charges on the pension scheme member of 55% and potential charges on the pension scheme administrator as well. The remainder in excess of the tax-free lump sum can be taken in various ways.

## FLEXIBLE DRAWDOWN

Under flexible drawdown, defined contribution scheme pension savings can be withdrawn however the member wishes, provided the member demonstrates that he or she has guaranteed minimum income in retirement. This is set at £12,000 p.a. from 27 March 2014. Prior to that date it was necessary to have a guaranteed minimum income of £20,000 p.a. Some pension schemes may not allow flexible drawdown due to the rules of the scheme.

## CAPPED DRAWDOWNS AND ANNUITIES

A member who is unable to meet the guaranteed minimum income requirement can either enter a capped drawdown or take an annuity. A capped drawdown allows income to be taken from the pension each year up to a maximum amount. From 27 March 2014 this is set at 150% of an equivalent annuity. Prior to 27 March, the figure was 120% of an equivalent annuity.

Although there is now no requirement to purchase an annuity with the balance of the pension pot, most people do.

Pensions paid either by drawdown or from an annuity are taxed at the member's marginal rate of tax.

## TRIVIAL COMMUTATION

Under the trivial commutation rules, those aged 60 or over who have total pension savings of £30,000 or less (£18,000 prior to 27 March 2014) can take the whole amount as a lump sum. The first 25% is tax-free and the remainder is taxed at their marginal rate.

## SMALL PENSION POTS

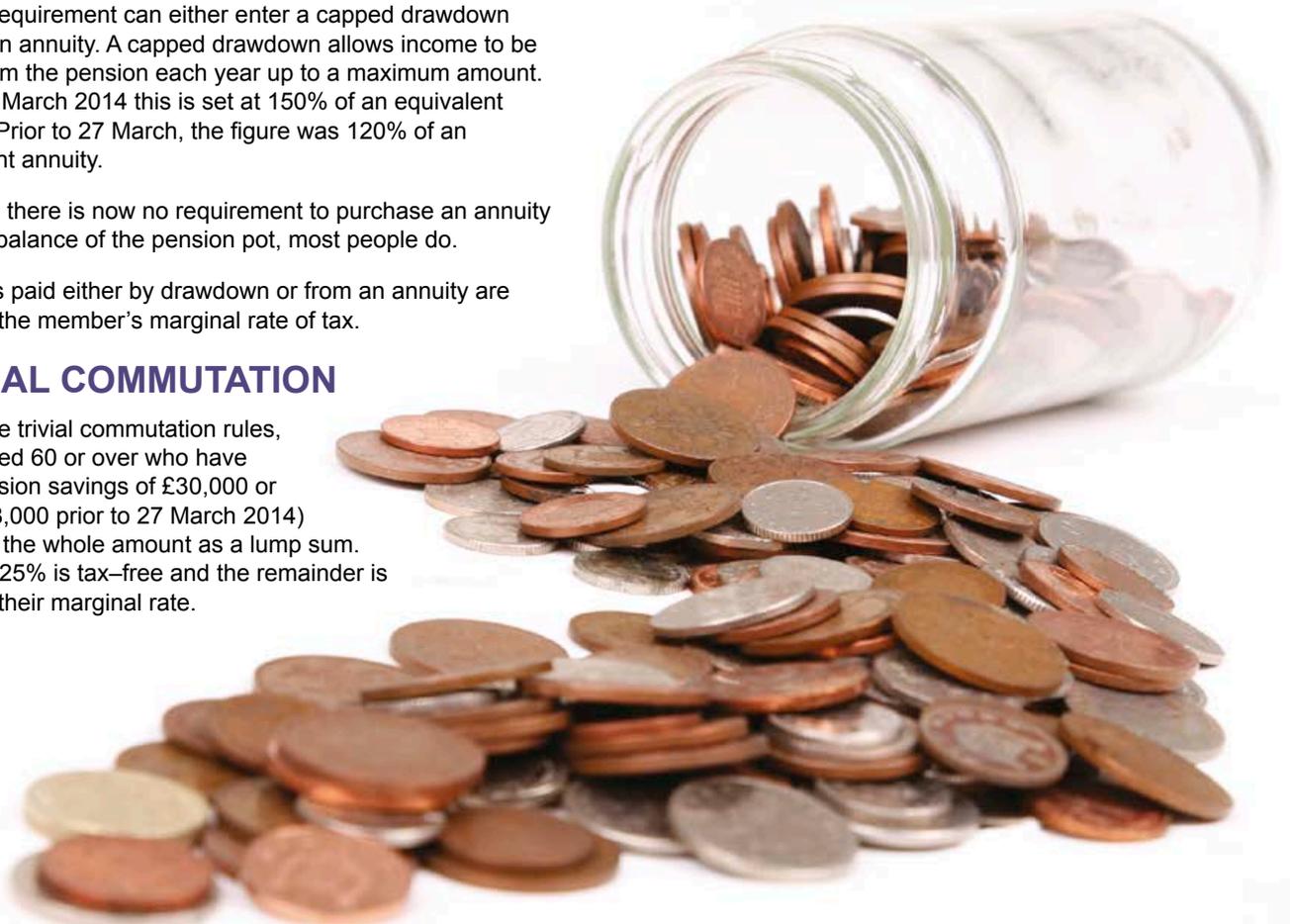
Regardless of your pension wealth, under the small pots rules, up to three personal pension pots and any number of occupational pension pots worth less than £10,000 (£2,000 prior to 27 March 2014) can be taken as a lump sum. Again, the first 25% is tax-free and the remainder is taxed at the member's marginal rate of tax.

## MORE FLEXIBILITY

Significant plans for further flexibility have been announced, but remain subject to finalisation after the current period of consultation and discussion.

In his 2014 Budget Speech the Chancellor said that key to this flexibility will be an option for many pension savers to draw their accumulated pension pot at any time from age 55, subject only to an income tax charge.

**Exactly what form the rules will take is currently unknown, so please contact us before taking any action.**





# CHANGES TO EMPLOYEE SHARE SCHEMES

Following a review of employee share schemes by the Office of Tax Simplification (OTS) and a subsequent consultation by HM Revenue and Customs (HMRC), legislation introduced in the 2014 Finance Bill is designed to simplify the administrative burdens associated with operating a tax-advantaged share scheme.

The main changes are the replacement of the approvals process with a self-certification process and a move to compulsory online filing of share scheme returns.

## TAX ADVANTAGED SHARE AND SHARE OPTION SCHEMES

There are currently four tax-advantaged share and share option schemes:

- share incentive plans (SIPs) – an all-employee share scheme under which employees can purchase partnership shares from their pre-tax salary, be awarded free or matching shares by their employer or reinvest plan dividends in dividend shares
- Save As You Earn (SAYE) share option schemes – employees invest up to £500 from their post-tax salary in a savings contract. At the end of the contract the savings can be used to buy shares at a fixed price
- company share option plans (CSOPs) – a discretionary scheme under which selected employees (usually senior managers) can be awarded options to purchase shares in their employer company; and
- enterprise management incentives (EMIs) – a share option scheme targeted at small and medium-sized companies.

The tax advantages attaching to the schemes are conditional on the associated conditions being met.

## SELF-CERTIFICATION

Prior to 6 April 2014 SIPs, SAYE share option schemes and CSOPs needed HMRC approval for the scheme to benefit from the associated tax advantages. A simpler notification requirement applied to all EMI schemes.

HMRC no longer approves schemes. Instead, schemes must register online with HMRC's Employment Related Securities (ERS) online service and self-certify that the conditions for the scheme's tax advantaged status have been met. The requirement applies to SIPs, SAYE share option schemes and CSOPs. EMI schemes must be registered where options are granted or outstanding. Responsibility for registering and self-certifying SIPs, SAYE share option schemes and CSOP schemes rests with the company secretary.

Where a new scheme is set up on or after 6 April 2014, the scheme must be registered and self-certified by 6 July following the end of the tax year in which the first award of

shares is met. So, for example, if a SIP is set up in May 2014 and the first award of shares made in June 2014, the scheme must be registered and the self-certification requirement met by 6 July 2015 for the award to enjoy the associated tax advantages.

## BE AWARE...

Prior to 6 April 2014 HMRC approved tax-advantaged schemes. Schemes that were approved prior to that date still need to register with HMRC and self-certify by 6 July 2015. A failure to meet this deadline will mean that the tax advantages will be lost and will not apply to awards or exercise made under a SIP or SAYE share option scheme on or after 6 April 2014 or to any outstanding CSOP options, regardless of the date of grant.

Schemes that were set up prior to 6 April 2014 in respect of which HMRC approval was not sought by that date are subject to the rules applying to schemes set up on or after 6 April 2014.

## EMI OPTIONS

Although EMI schemes were not subject to HMRC approval, a notification procedure applies to options granted under an EMI scheme. Where EMI options are granted on or after 6 April 2014, these must be notified to HMRC online and consequently the EMI scheme must be registered for HMRC's ERS online service.

## SUBMISSION OF ANNUAL RETURNS

Returns for employee share and share option schemes must be filed online with effect from the 2014/15 returns, which are due by 6 July 2015.

## INFORMATION REQUIRED ON NON-TAX ADVANTAGED SCHEMES

As regards non-tax advantaged schemes, where HMRC had previously issued a notice to file Form 42, the scheme does not need to be registered until 6 July after the end of the tax year in which the next reportable event occurs. This means that if there are no reportable events in 2014/15 but a reportable event occurs in 2015/16, the scheme must be registered and a return made by 6 July 2016.

# RECLAIMING VAT: ARE YOU MISSING OUT?

Recent research suggests that many small businesses are missing out on valuable opportunities to reclaim VAT. Here we consider some of the key areas relating to VAT reclaims.

Value Added Tax (or 'input tax') is payable when you buy goods or services for your business. VAT-registered businesses can generally reclaim the input tax paid regardless of the VAT rating of the goods and services (ie. standard, reduced or zero-rated). You cannot normally reclaim on goods and services that are exempt from VAT.

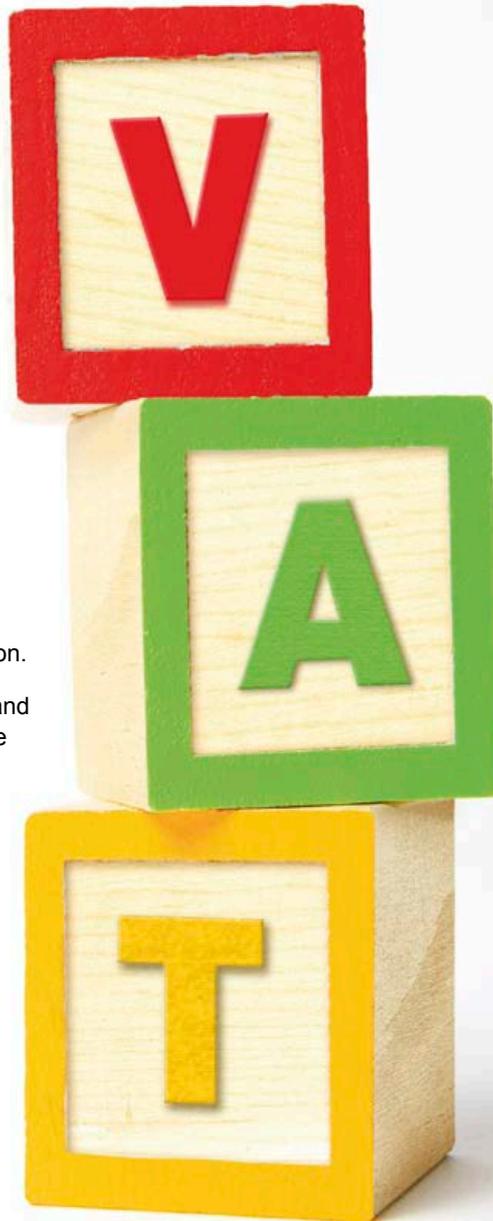
## BUSINESS VERSUS PERSONAL USE

VAT cannot be reclaimed on goods and services used solely for non-business activities, including those bought for personal use and cars that are not used exclusively for business purposes. There are some specific exemptions for charities – please contact us for further information.

If your purchase is for both business and personal use, you can reclaim only the business proportion of the VAT.

## STAFF EXPENSES

You can normally reclaim VAT on employee expenses if they relate to business travel and subsistence (eg. meals, canteen facilities or accommodation), unless you pay your employees a flat rate for subsistence when no VAT is recoverable.



## BUSINESS ENTERTAINMENT

While you cannot generally reclaim VAT on business entertainment, you can recoup the VAT on entertainment for staff, such as parties and team building exercises, as long as the entertainment is provided for employees only.

If you entertain both employees and business contacts, you can only reclaim the proportion of expenditure that is not used for business entertainment. However, if the employees present are also acting as host to the business contacts, VAT will not be recoverable.

## CAR EXPENSES

You cannot reclaim VAT when you purchase a new car, unless it is used exclusively for business purposes. However, you can generally reclaim 50% of the VAT when leasing a car. VAT on repairs and maintenance can be reclaimed as long as your business pays for the work. Generally all other business motoring expenses, such as fleet management or off-street parking, are VAT-reclaimable.

**The rules are complex and liable to change, so contact us for the most up to date advice. We can help make sure you're paying the correct amount of tax and reclaiming the amounts you are entitled to.**

## TAX TIP

**There's always a tax deadline just around the corner!**

5 October is the deadline for notifying HMRC of new sources of income/chargeability. In effect this means telling HMRC that in 2013/14 you had an income or capital disposal they are not aware of – possible reasons are because you made a capital gain or became self-employed.

Getting your data to us in good time will be especially important this year for salaried members of LLPs, whose self employed status came to an end on 5 April.





## BUDGET BOUNTY FOR SAVERS

In the 2014 Budget the Chancellor unveiled a number of measures of benefit to some savers, including a reduction in the starting rate of tax for savings income and a doubling of the savings rate band. From 6 April 2015 the starting rate of tax for savings income will reduce from 10% to 0%, and the savings rate band will rise to £5,000 from the same date.

The effect of these changes is that for 2015/16 savers will not pay tax on any interest they receive on their savings if their income potentially subject to tax for the year is £15,500 or less. This is the total of the personal allowance for 2015/16 of £10,500 plus the savings rate band of £5,000. An individual who was born before 6 April 1938 will not pay any tax on their savings income as long as their income is less than £15,660 (personal allowance of £10,660 plus £5,000 savings rate band). The figures are higher for those in receipt of the blind person's allowance.

### OPERATION OF THE SAVINGS RATE

The savings rate applies to savings income up to the savings rate band. However, if a person has non-savings income (excluding dividends) after deducting personal allowances of more than the savings rate band, the savings rate is not available.

#### Example

George and Gwen are married. Both were born after 1938. George has a salary of £60,000 and interest from bank and building society accounts of £5,000, while Gwen has a salary of £10,500.

By transferring the savings accounts to Gwen, the interest can be received tax-free in 2015/16. In George's hands it is taxed at 40%.

By moving the investments, it is possible for the couple to save tax of £2,000 (£5,000 @ 40%) in 2015/16.

### PLANNING AHEAD

To make the most of the 0% savings rate some forward planning may be useful, particularly for couples where one spouse or partner has total income of less than the personal allowance plus the savings rate band for 2015/16.

This is illustrated by the following example.

#### Examples

In 2015/16 John has a salary of £20,000. He receives bank interest on his savings of £2,000. The savings rate is not available to him as he has non-savings income after personal allowances in excess of £5,000.

Julie was born in 1960. She has savings income in 2015/16 of £14,000. She has no other income. The first £10,500 of her income is set against her personal allowance for 2015/16. The balance of her savings income of £3,500 (£14,000 - £10,500) is taxed at the savings rate of 0% for 2015/16.

James has savings income in 2015/16 of £18,000. He has no other income. He was born in 1945. The first £10,500 of his savings income is set against his personal allowance, the next £5,000 is taxed at the savings rate for 2015/16 of 0% and the balance of £2,500 is taxed at the basic rate of tax.

### RECEIVING INTEREST GROSS

From 6 April 2015, the rules for registering to have interest paid without the deduction of tax are being changed to enable more savers to receive interest gross. Currently a saver can only apply for gross interest on form R85 if their total taxable income for the tax year is below their personal allowance.

However, from 6 April 2015, a saver who is unlikely to pay tax on any of their savings income in the tax year can complete an R85 and register for interest to be paid gross.

### WHAT COUNTS AS SAVINGS INCOME?

Savings income includes interest on savings accounts held with bank and building societies and other account providers (e.g. credit unions) and interest distributions from authorised unit trusts and open-ended investment companies. Also coming within the definition of savings income is the profit on government or company bonds issued at a discount or repayable at a premium, purchased live annuity payments and gain from certain life insurance contracts.





## TAX INVESTIGATORS COLLECT RECORD AMOUNT THIS YEAR

HMRC claims that £23.9 billion was collected through tax investigations over the past twelve months.

This is an increase of £3.2 billion on the previous twelve-month period, and £9 billion on the period before that. HMRC said it was almost £1 billion above the target set by Chancellor George Osborne.

According to official figures, over £8 billion of the haul came from large businesses.

A further £1 billion came from criminals and £2.7 billion from tackling avoidance schemes.

'The Government supports the hard-working, honest majority of taxpayers that play by the rules, and is determined to tackle the minority that seek to avoid paying the taxes they owe,' said Exchequer Secretary to the Treasury, David Gauke.

He continued: 'We set HMRC ambitious targets to increase its yield and the figures published today demonstrate that HMRC is successfully meeting these challenges'.

**HMRC said it aims to secure £100 billion between May 2010 and March 2015 through investigations into unpaid tax.**

## REVENUE TO RECOVER UNPAID TAX 'DIRECTLY FROM TAXPAYER ACCOUNTS'

HMRC is set to recover unpaid tax and overpaid tax credits directly from the bank accounts of businesses and individuals that fail to pay, under new rules.

The Direct Recovery of Debts (DRD) initiative was outlined in the 2014 Budget and the proposals are now under consultation. If approved, DRD will allow HMRC to recover tax debts from taxpayers who owe more than £1,000.

HMRC will be able to take money from bank and, building society accounts and Individual Savings Accounts (ISAs). Only those with long-term debts who have received at least four payment demands will be targeted.

A minimum total of £5,000 will be left across debtors' bank accounts, including their savings accounts. The amount owed will be frozen in debtors' accounts for a period of 14 days before being seized, to give taxpayers the opportunity to contact HMRC regarding payment of the debt.

Around 17,000 individuals are expected to be affected by the measures, which are set to take effect in 2015.

**Some experts have warned that the ruling will lead to additional complexities and increased expense for employers.**

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## EARNINGS GROWTH AT RECORD LOW, SAYS TRADE UNION

The Trades Union Congress (TUC) has released a report showing that changing trends in employment have had a detrimental effect on earnings growth.

The report examined average weekly earnings growth published by the Office for National Statistics (ONS).

The changing composition of the labour market has meant that low-paying sectors have created jobs, whereas high-paying sectors have reduced the number of jobs over the past five years. Likewise, there has been a shift from full-time to part-time work, with many people struggling to get more hours in their current job. Under-employment of this kind, the TUC says, has reached a record 3.4 million this year.

# EXTENSION OF FLEXIBLE WORKING RIGHTS – KEY POINTS FOR EMPLOYERS

Since 30 June 2014 all employees have been able to request flexible working hours, and according to the Department for Business, Innovation and Skills, some 20 million people now have the right to ask to work flexibly.

The new rules extend to all employees the same rights previously reserved for carers and those looking after children. Here are the key points:

## MAKING A REQUEST

From 30 June 2014 every employee has the statutory right to request flexible working after 26 weeks employment service. Employees can only make one request in any 12 month period.

Employees must:

- make their request in writing, state the date the request is made, the change to working conditions they are seeking, and the date they would like the change to take effect
- state whether they have made a previous application for flexible work and the date of that application
- indicate what change to working conditions they are seeking and how they think this may affect the business e.g. cost saving to the business
- indicate if they are making their request in relation to the Equality Act 2010, for example, as a reasonable adjustment for a disabled employee.

## RESPONDING TO A REQUEST

Once a request has been received a meeting should be arranged between employer and employee to discuss it. The meeting can provide an opportunity to see what changes the employee is asking for and reasons for the change, and it also allows any compromise to be explored. The law requires the process to be completed within three months of the request being received (this includes any appeals).

Any request that is accepted will make a permanent change to the employment contract, so if the employee wants a temporary change then an agreement may be reached.



Employers should consider requests in 'a reasonable manner' and can only refuse them if there is a business reason for doing so.

Acceptable reasons are:

- the burden of additional costs
- an inability to reorganise work amongst existing staff
- an inability to recruit additional staff
- a detrimental impact on quality
- a detrimental impact on performance
- detrimental effect on ability to meet customer demand
- insufficient work for the periods the employee proposes to work
- a planned structural change to the business

## MORE INFORMATION

Best practice suggestions and more detailed information for employers, including a video, are available at the Acas website. Visit [www.acas.org.uk](http://www.acas.org.uk) and follow links to "Rights and responsibilities at work."



## COURT RULES THAT COMMISSION MUST BE INCLUDED IN HOLIDAY PAY

The European Court of Justice (ECJ) has ruled that commission payments must be included in holiday pay.

In the *Lock v British Gas* case, the ECJ found that where commission forms all or part of an employee's pay, this must be taken into account when calculating their holiday pay. The ruling could have a particular impact where commission makes up a significant proportion of an employee's salary.

Under existing regulations, all UK workers have the right to paid annual leave, on the basis of a week's pay for a week's leave. The ECJ ruled that as commission is intrinsically linked to an employee's performance of the tasks carried out under their employment contract, it must also be taken into account in leave calculations.

Some experts have warned that the ruling will lead to additional complexities and increased expense for employers.



## GOVERNMENT PROPOSES TO TACKLE LATE PAYMENT CULTURE

Business Secretary Vince Cable has outlined plans to increase transparency in a bid to tackle the problem of late payment and help small firms to get paid on time.

In a recent consultation on the issue of late payment, a clear majority of businesses called for measures to improve disclosure, and the Government has announced that it will legislate to make it compulsory for large firms to publish information regarding their payment practices.

The Government also plans to take steps to remove the legal barriers which can prevent businesses from accessing invoice finance, and to work with the Institute of Credit Management to strengthen the Prompt Payment Code and increase the accountability of signatories.

Commenting on the consultation, Matthew Fell of the Confederation of British Industry said, 'The Government is rightly looking to build a prompt payment culture, and greater disclosure of payment practices can help with this. However, it must be implemented flexibly, on a 'comply or explain' basis. The most effective supply chains are collaborative, rather than confrontational, so heavy-handed regulatory interventions must be avoided at all costs.'

**The full consultation 'Late payment of finance: building a responsible payment culture' can be found at [gov.uk](http://gov.uk) (search online for 'late payment').**

## REMINDERS FOR YOUR AUTUMN DIARY

### SEPTEMBER 2014

30 End of CT61 quarterly period.

Last day for UK businesses to reclaim EC VAT chargeable in 2013.

### OCTOBER 2014

1 Due date for payment of Corporation Tax for period ended 31 December 2013.

5 Individuals/trustees must notify HMRC of new sources of income/chargeability in 2013/14 if a Tax Return has not been received.

14 Due date for income tax for the CT61 quarter to 30 September 2014.

17/22 Quarter 2 2014/15 PAYE remittance due.

PAYE Settlement Agreement payment dates for 2013/14.

31 Deadline for paper submission of 2014 Tax Return without incurring penalties.

### NOVEMBER 2014

1 £100 penalty if 2014 paper Tax Return not yet filed. Additional penalties may apply for further delay. No penalties will apply if online return filed by 31 January 2015.

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