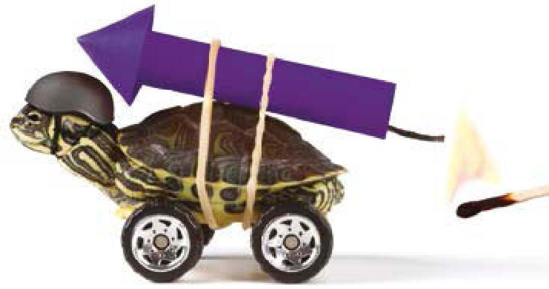
NEWBY CASTLEMAN FORWARD THINKING ADVICE
CHARTERED ACCOUNTANTS



FRONTLINE

AUTUMN 2016

WE GO FROM STRENGTH TO STRENGTH WITH NEW STARTERS

We have bolstered our team with the appointment of three trainees and a senior auditor to our ever expanding audit team.

Sophie Breeze, 24, has recently joined us as a Senior Auditor, having moved from a Coventry-based accountancy firm. Sophie, who has recently relocated to Leicester after purchasing her first home, will spend her time liaising with clients and leading audits, and is looking forward to new challenges.

Sophie said: “Newby Castleman came highly recommended to me by a friend - now my colleague, Lucy. She joined the team earlier this year and absolutely loves it here and I’m settling in really well too. I am looking forward to being able to use my knowledge and experience to provide clients with a fantastic service.”

Due to the increasing success of the firm, William Brown, 18, has been appointed as the firm’s first ever Trainee Tax Technician. He will work alongside our ever-growing tax department in delivering advice and guidance to the firm’s extensive client base.

William’s traineeship will last for two years and he will be based primarily at our Leicester office.

William, 18, who studied at The Cedars Academy and obtained four A Levels, said: “I’m really pleased to have started working here at Newby Castleman. I’m looking forward to really getting stuck in.”

As part of our annual accountancy trainee programme, Lois Mason, 26, and Matt Sweeney, 21, have been appointed as Graduate Trainees. They will both also be based at our Leicester office and will work across similar clients.

Lois, who enjoys travelling and has just completed her maths degree at Coventry University, said: “I wanted to join a firm that really values its team members. I didn’t want to get lost in the crowd and just become a statistic.

“After reading extensively about past trainees on Newby Castleman’s website, it became apparent that this firm really values its employees and puts a lot of effort into their education and progression.”

Matt, a huge fan of sports, aspired to work at the firm after walking past our office every day on his way to Leicester University, where he has recently graduated in economics.

Matt said: “I’ve always wanted to work with numbers from a very young age, so I am really pleased to have been given this opportunity by a firm I have walked past every day for the last three years.

“I’m really excited to get into the swing of things and giving something back to Newby Castleman.”

Stephen Castleman, Partner, said: “We are very excited to welcome Sophie, William, Lois and Matt on board to help strengthen the services we offer.

“These appointments come as a result of the continued success of Newby Castleman and we could not be happier to boost our team with these ambitious and passionate young individuals.”

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SIX TAX-SAVING TIPS FOR BUSINESSES

Sensible tax planning measures can reduce your liabilities and help you to keep more of the money you earn. Here are six simple things that should be part of a business-owner's routine thinking about tax...

1 CHOOSE THE BEST STRUCTURE FOR YOUR BUSINESS

Choosing the most suitable structure for your business can have a significant impact on the amount of tax that you are liable to pay, and each trading structure has its own advantages and disadvantages. While it may be beneficial to operate as a sole trader or partnership in the early years, as your business becomes successful and profits increase you may wish to consider trading as a limited company. Making the right choice as to whether to trade as a sole trader, partnership or limited company will benefit your business in the short, medium and long term, so do contact us to discuss your individual circumstances.

2 PROFIT FROM ANY LOSSES

It may be possible to turn losses around and carry them forward to use against any future profits. Alternatively, you could set them against other sources of income in order to obtain immediate relief.

3 CLAIM TAX DEDUCTIBLE EXPENSES

Delays in expenditure may not necessarily be in your business's best interests. Generally, it is better to incur expenses just before the end of your accounting year, rather than after, as you will be able to obtain relief for those expenses one year earlier.

4 UTILISE CAPITAL ALLOWANCES

Through the process of reviewing your capital expenditure, you may be able to maximise any claims you wish to make for capital allowances. Many businesses are now able to claim a 100% Annual Investment Allowance (AIA) on the first £200,000 of expenditure for most types of plant and machinery, excluding cars, with effect from 1 January 2016 (transitional rules apply). The AIA applies to businesses of any size and most business structures, but there are provisions to prevent multiple claims.

5 RECLAIM INPUT VAT ON ANY PETROL USAGE

If you reimburse employees who pay for their own fuel for business travel purposes, you could reclaim the VAT applicable to the deemed fuel element of the mileage rate. Employees must, however, submit a valid VAT receipt before any VAT can be claimed.

6 REVIEW YOUR BUSINESS MOTORING

It might be worth conducting a review of your business motoring arrangements, as the company car may not be the most tax-efficient option for your business. Where a company vehicle is still appropriate, in some cases a van may prove to be more beneficial to your business's finances. Company vans give rise to a £3,170 taxable benefit for unrestricted use. Additionally, a further £598 of taxable benefit is available if fuel is provided by the employer for private travel purposes. However, limiting the employee's private use of the van only to home-to-work travel may potentially reduce these figures to zero.

Please contact us to discuss these and other strategies to help minimise your business tax liability. We would be delighted to assist you.

PASSING ON THE ‘FAMILY HOME’: THE ADDITIONAL NIL-RATE BAND

Set to come into effect from April 2017, the new ‘residence nil-rate band’ means the majority of people may soon be able to pass on a ‘family home’ tax-free on death. Here we examine the new rules in more detail.

THE CURRENT RULES

Inheritance tax (IHT) is currently charged at 40% on the proportion of an individual’s ‘estate’ exceeding the IHT nil-rate band, which is set at £325,000 for 2016/17. Married couples and registered civil partners can pass any unused nil-rate band to one another on death.

An estate includes both the value of chargeable assets held at death plus the value of any chargeable lifetime gifts made within seven years of death (though there may be a discount on the 40% tax rate for certain lifetime gifts). The chargeable value of assets and gifts is the value after deducting any liabilities, reliefs and exemptions that apply.

WHAT’S CHANGING?

Under changes announced by the Government, an additional nil-rate band will be introduced for each individual to enable a ‘family home’ to be passed wholly or partially tax-free on death to direct descendants such as a child or grandchild. A step-child, adopted child or fostered child is regarded as a direct descendant.

The new ‘residence nil-rate band’ (RNRB) is set to come into effect from 6 April 2017 and is in addition to an individual’s own nil-rate band. The RNRB will be set as follows:

2017/18	£100,000
2018/19	£125,000
2019/20	£150,000
2020/21	£175,000

It is then set to increase in line with the Consumer Price Index (CPI) from 2021/22 onwards.

It is worth noting that the additional band can only be used in respect of one residential property. The property does not have to be the main family home, although it must, at some point, have been a residence of the deceased.

TRANSFERS

Transfers made during your lifetime to individuals or trusts cannot generally benefit from the RNRB unless the value of the property is still included in the deceased’s estate due to it being ‘a gift with reservation’. This is where the home has been legally gifted but the donor still benefits from the property, such as living in the property rent-free.

Transfers into a trust on death cannot benefit unless a direct descendant has a specific type of interest in the trust, known as an immediate post-death interest or disabled person’s interest.

RESTRICTIONS FOR HIGH VALUE ESTATES

There will be a tapered withdrawal of the RNRB for estates with a net value (after deducting any liabilities but before reliefs and exemptions) of more than £2 million. This will be at a withdrawal rate of £1 for every £2 over this threshold. In 2017/18, the first year of operation, this means that a person with an estate of more than £2.2 million will not benefit. By 2020/21 the limit is expected to be £2.35 million. For spouses it applies on each death estate calculation. This reduction only applies where the estate, at death, exceeds the limit. It does not include lifetime transfers within seven years of death.

‘DOWNSIZING’ RELIEF

It is also proposed that the RNRB will be available when a person downsizes or ceases to own a home on or after 8 July 2015 where assets of an equivalent value, up to the value of the RNRB, are passed on death to direct descendants. This could apply in a number of situations, for example, where the home has been gifted or sold prior to death.

We can help you plan to minimise the tax due on your estate – please contact us for further advice.

SPOTLIGHT ON CAPITAL GAINS TAX

Capital gains tax (CGT) made the headlines earlier this year when, to many people's surprise, the then Chancellor George Osborne reduced the rates for 2016/17. With this in mind, we consider some of the key features of the current system.

Q. HOW IS CGT CHARGED?

A. As a basic rule, CGT is charged on the difference between what you paid for an asset and what you receive when you sell it, less your annual CGT exemption (£11,100 for 2016/17) if this has not been set against other gains.

The rate of CGT payable on gains depends on the level of the individual's taxable income and gains for the tax year. Effectively, the rules operate by ensuring that any unused basic rate band (£32,000 in 2016/17) can be used in the most beneficial way to reduce the CGT charged.

The figure for total taxable income and gains is calculated after taking into account all allowable deductions including losses, personal allowances and the CGT annual exempt amount.

Q. WHAT ARE THE CURRENT RATES?

A. Prior to 6 April 2016, CGT was charged at 18% where the individual was a basic rate taxpayer, or 28% to the extent that the individual was a higher rate taxpayer or the gains exceeded the unused part of an individual's basic rate band.

However, in the 2016 Budget, the Chancellor announced that the 18% rate would be cut to 10%, while the 28% rate would fall to 20%. These changes came into effect from 6 April 2016.

Q. DO THESE NEW RATES APPLY ACROSS THE BOARD?

A. No, the CGT rates remain at 18% and 28% for residential property gains, non-resident CGT gains, ATED-related gains and gains accruing under the carried interest rules.

Q. WHAT ABOUT ENTREPRENEURS' RELIEF (ER) AND THE NEW INVESTORS' RELIEF (IR)?

A. ER and IR may be available for certain business disposals and have the effect of charging the first £10 million of qualifying lifetime gains for both ER and IR at an effective rate of 10%.

IR applies where qualifying shares have been issued by an unlisted trading company on or after 17 March 2016 and have been held for a period of three years from 6 April 2016. Many other rules and conditions apply, so please speak to us first to ensure that you maximise any relief.

Q. HOW CAN I MINIMISE MY LIABILITY TO CGT?

A. The good news is that there are a number of strategies that can help to mitigate a potential liability to CGT. Consider the following action points:

- ✓ **Transfer assets** – Is it possible to transfer assets to a spouse or civil partner or hold them in joint names? Holding an asset in joint names means the annual exempt amount for each individual (£11,100) is deducted from the gain before tax is due.
- ✓ **Make pension contributions** – Increasing your pension contributions could allow you to extend the limits of the lower tax rate band. Any gains realised from other assets are taxed in accordance with this extended band after allowances have been taken into account.
- ✓ **Utilise reliefs** – It is possible that reliefs could reduce a 20% CGT bill significantly. However, it is important to consult with us about the timing of any sale, and the CGT reliefs and exemptions to which you might be entitled.
- ✓ **Sell gradually** – Individuals with a particularly large gain may want to realise it gradually to take full advantage of more than one tax year's allowance, thus sheltering the gain from a higher CGT charge.

Please contact us for further advice relating to CGT.

ARE YOU SITTING COMFORTABLY? MANAGING WELL-BEING IN THE WORKPLACE

Taking steps to ensure the health and safety of your workforce is not only a legal requirement: effectively managing employees' well-being can also have a positive impact on morale and productivity, boosting concentration and motivation levels, and helping to attract and retain skilled members of staff.

A recent report outlined the need for employers to address a 'well-being vacuum' that has evolved within modern workplaces, with many businesses taking a reactive rather than a proactive approach. Here we consider some strategies to help encourage employee well-being in your workplace.

A HEALTHY WORKPLACE

As an important first step, you should ensure that the working environment is clean, comfortable and free of potential hazards. As well as helping to minimise the risk of an employee falling ill or an accident occurring, putting such measures in place will help to ensure well-being and boost productivity.

You should consider all aspects of the working environment, from the layout of the office, to the noise and heat levels generated by equipment such as printers and radiators, potential hazards such as computer or telephone cables, and individual employees' seating arrangements. Conducting a risk assessment will help to highlight any areas of the business where things could be improved.

MENTAL HEALTH IN THE WORKPLACE

Beyond the immediate physical environment, effective stress management has become an important part of maintaining a healthy and efficient workforce. Mental health issues such as stress and anxiety are becoming increasingly recognised by businesses, and can significantly impact on employees' physical health. Work-related stress accounts for millions of lost working days in the UK every year. Managing stress in the workplace should be part of your business strategy, and staff should be encouraged and supported in minimising their stress levels with some simple steps, for example:

- **Effectively managing time** – Creating a balanced work schedule, which accounts for all tasks and responsibilities, can significantly reduce stress levels
- **Taking regular breaks** – As well as reducing physical stresses on the body, taking regular breaks from a computer or workstation can help to refocus the mind
- **Prioritising the workload** – Particularly helpful in times of pressure, creating a priority list can help to ensure that you complete the essential tasks first
- **Being open to compromise** – Be open and willing to alter the way in which you contribute to a particular task or work towards a deadline, including delegating work to others where appropriate.

DEALING WITH STAFF SICKNESS

Employee sickness can be detrimental to all parties, having a knock-on effect on other members of staff and the business as a whole. As well as putting in place a sickness policy outlining the procedures an employee should follow if they are unwell, you should have contingency plans to cover any work in their absence. For cases of long-term sickness, businesses should consider measures to help support the individual back to work, such as reduced hours, amended duties or remote working. To help keep sickness levels to a minimum, you might also consider offering the flu vaccine to employees.

YOUR WELL-BEING STRATEGY CHECKLIST

- **Creature comforts:** is the working environment comfortable, with noise, lighting and temperatures set at appropriate levels?
- **Shipshape:** are workstations and other areas clean, tidy and hazard-free?
- **Healthy eating:** a good diet can help to boost well-being. If you provide your staff with a canteen or other eating facilities, you might consider including healthy snack options
- **Have a break:** are staff able to take regular breaks, away from their workstations?
- **An open policy:** do staff feel able to approach managers regarding their well-being?
- **Posing the question:** consider asking staff to report on their health and satisfaction levels
- **Time for fun?** Arrange a communications day with some fun activities to help staff to relax and to improve team bonding.

Sickness is an inevitable and often uncontrollable part of life. However, by ensuring that you monitor your workplace well-being strategy, and by working with your employees, you can help to minimise the long-term effects on both your staff and your business.

REVENUE EXTENDS RTI LATE FILING CONCESSIONS

The advent of Real Time Information (RTI) has seen fundamental changes to the way in which employers and pension providers report the payments and deductions they have made under PAYE.

The new system has been rolled out over a number of years, and HMRC has granted a number of concessions to businesses during the phasing-in period, most of which have now come to an end.

However, HMRC recently confirmed that it would be extending two of its more recent late filing penalty concessions for a further year.

Under the RTI legislation, employers must make a full payment submission (FPS) detailing payments made to employees on or before the date of payment – with businesses that fail to make their submissions on time being liable to automatic penalties.

Following the introduction of RTI, however, HMRC relaxed its late filing penalty regime in a bid to allow employers time to adjust to the new rules.

HMRC subsequently announced that it would be adopting a 'risk-based approach' to RTI late filing penalties, meaning that only those employers who have consistently filed their FPS late would be subject to a penalty. In addition, a 'three day easement' was introduced in 2015, applying to all FPS's submitted within three days of the due date. This means that delays of up to three days after the statutory filing date are not liable to a penalty, although employers who consistently file within this three-day grace period will be monitored and may be considered for a penalty.

HMRC has confirmed that it will continue with the three day easement and risk-assessed approach until at least 5 April 2017.

RTI late filing penalties are set to be subject to significant reform from April 2017, as part of a wider review of penalties, with HMRC planning to maintain a focus on taxpayers who 'deliberately and persistently' fail to meet the deadlines, rather than those who make occasional, genuine errors.

If you have any questions regarding your payroll, please do contact us.

TAX TIP

HAVE YOU REVIEWED YOUR WILL?

A well-written Will can be a powerful planning tool, helping to ensure that provisions are made for your family and loved ones in the event of your death, whilst also minimising any taxes that may affect your estate.

Reviewing your Will is also an important exercise: even the smallest of changes in your personal or financial circumstances may affect how your property or assets are distributed. Wills should also be re-evaluated to reflect any changes in tax law and ensure that you are continuing to make the most of any estate planning tax breaks.

We can advise on a range of tax-efficient estate planning strategies, so please contact us today.

CYBER THREATS: PROTECTING YOUR BUSINESS FROM INTERNET ATTACKS

The way the internet has permeated every aspect of business has brought significant opportunities and efficiencies, but it has also brought risks. Here are some of the key ways that you can protect your business against cyber threats...

A recent Government survey found that a quarter of all businesses detected at least one cyber security breach in the last 12 months, the most common being viruses, spyware or malware (68%), and breaches involving impersonation of the organisation (32%). The average estimated cost was £3,480 per breach, but in some cases an attack can be disastrous.

CYBER ESSENTIALS

To help businesses protect themselves from common internet based threats, the Government has developed the industry-backed scheme 'Cyber Essentials'. Guidance aimed at small businesses recommends two initial ways that firms should tackle cyber security: getting the basics right, and adopting a risk management approach.

CYBER SECURITY: THE BASICS

As an initial step, make sure you implement these simple protections and behaviours:

1. **Download software updates** – Download software and app updates as soon as they appear on your devices and computers.
2. **Use stronger passwords** – One tip for creating a strong password is to combine three random words to create a password that is both memorable and hard to guess (e.g. 'greenstarbulb'), as well as mixing upper and lower case letters, numbers and symbols.
3. **Always delete suspicious emails** – If in doubt, just delete unusual or suspicious emails, particularly requests for information or messages asking you to click on a link.
4. **Use anti-virus software** – Make sure you install anti-virus software on all your devices, including mobiles, and keep it up-to-date.
5. **Train your staff** – Provide full information for your staff regarding cyber security threats and how to deal with them.

A RISK MANAGEMENT APPROACH

The risk management approach to cyber security comprises four key steps:

1. **Understanding the risks** – Consider what is at stake if you suffer a breach: money and IT equipment, information (from client details to trade secrets), and even your reputation. Think also about who poses the risk – malicious hackers and criminals, but also accidental security failures by employees – and about what forms a breach could take, whether it be malware sent by email or the physical loss of a laptop. What could be the potential damage to your business?
2. **Planning** – Ask questions such as: which information assets are critical to your business and what risks could they be exposed to? How could you continue to operate if your systems were attacked? What legal and compliance obligations does your business have?
3. **Implementing** – This involves putting in place security controls to protect your equipment, information, IT systems and outsourced IT services, and explaining responsibilities and best practice to staff.
4. **Reviewing** – Create processes for routinely reviewing the effectiveness of your controls and keeping up-to-date with information about the latest threats.

Further information about helping to guard your business against cyber threats is available on the Cyber Essentials website: **www.cyberstreetwise.com/cyberessentials**

Technology has become an indispensable tool in today's business world, and taking the appropriate action will help to safeguard your business now and in the future.

TAX AND SAVINGS INCOME

Following the introduction of the Personal Savings Allowance (PSA) on 6 April 2016, many individuals will not pay tax on their savings income, and banks and building societies are no longer required to automatically deduct tax from the interest that is paid to customers.

The PSA applies a new 0% rate for up to £1,000 of savings income for a basic rate taxpayer, and up to £500 for a higher rate taxpayer. There is no allowance for additional rate taxpayers.

However, the situation is not necessarily straightforward for all types of savings income. Some forms of interest (such as corporate bonds listed on the London Stock Exchange) have always been paid gross, and this will continue.

In addition, for the 2016/17 tax year, basic rate tax will continue to be deducted at source from some savings income, including interest distributions from open-ended investment companies, authorised unit trusts and investment trusts.

Legislation is set to be introduced from April 2017 to remove these requirements, bringing these types of savings income into line with the treatment of bank and building society interest as covered by the PSA.

NEW COMPANY REQUIREMENTS COME INTO EFFECT

New company legislation recently came into effect, requiring all UK private companies and UK LLPs (with limited exceptions) to create and maintain a register of 'persons with significant control' (PSCs) and file relevant information annually with Companies House.

The information will be held in a public register, with the stated aim of increasing transparency in the ownership and control of UK companies and helping to combat money laundering.

Meanwhile, the annual return has been replaced by a new 'check and confirm' process, in which companies supply a confirmation statement stating whether the information remains up to date.

The PSC register must be updated on an ongoing basis, either by entering the information when the annual confirmation statement is made, or by electing to hold your own register at Companies House and updating this register in real time.

Companies must ensure that their own PSC register is available for inspection at their registered office address, or provide copies if requested to do so.

For more information on the PSC register, or to discuss your company secretarial requirements, please contact us.

OCTOBER 2016

1 Due date for payment of Corporation Tax for period ended 31 December 2015.

5 Individuals/trustees must notify HMRC of new sources of income/chargeability in 2015/16 if a Tax Return has not been received.

14 Due date for income tax for the CT61 quarter to 30 September 2016.

19/22 Quarter 2 2016/17 PAYE remittance due.

31 Last day to file 2016 paper Tax Return without incurring penalties.

NOVEMBER 2016

1 £100 penalty if 2016 paper Tax Return not yet filed. Additional penalties may apply for further delay (no penalties if online return filed by 31 January 2017).

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

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