NEWBY CASTLEMAN FORWARD THINKING ADVICE
CHARTERED ACCOUNTANTS

NEWBY CASTLEMAN 60 YEARS 60th ANNIVERSARY

FRONTLINE

SUMMER 2012

IT'S ALL 'APP-ENING'

Every single business owner and individual looking for accountancy advice can now access it at the tap of a screen following the launch of our free smartphone and tablet app last month.

Hundreds of people pre-registered their interest in the build-up to the launch of the new app, which is now available to download from our website, the App Store and Google Play. The app offers a number of interactive features, including tax calculators and tax tables, alongside the latest business news and advice on tax savings and is available to iPhone and Android users.

Incredibly within a fortnight of its launch the app shot to the top of the worldwide rankings in the Finance category for iPads, ahead of internationally recognised names such as CNN Money. It also reached eighth in the list for most downloaded accountancy apps for iPhones.

Raquel Lesta, our Marketing Manager, comments, "We are absolutely thrilled with the success of our app within such a short time. Our aim is to offer services that meet the contemporary needs of our existing and prospective clients and our brand new app does just that. Managing your finances and your business whilst on the go will now be that much simpler thanks to the app's interactive features, which can be accessed quickly and easily."

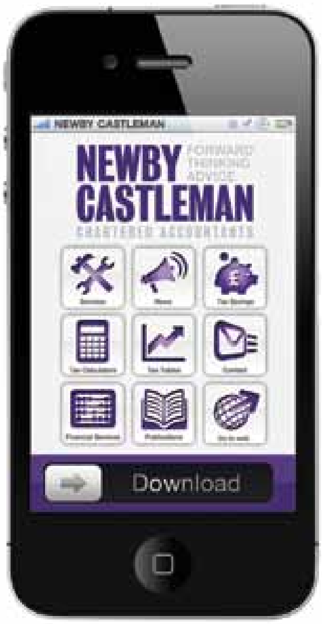
She adds, "Having recently celebrated the past with the firm's 60th anniversary, this launch also shows our forward-thinking mentality and marks a further phase of our re-brand, which to date has seen striking new interior and exterior signage at both our Leicester and Loughborough offices, the creation of a new logo and the launch of a new website."

Chris Castleman, Managing Partner, says, "The services required by our clients have been constantly evolving and we feel it is essential to deliver tools that make it easier to access the information they need, when they need it. The app will act as an extension of our current online and personal services and we hope will prove to be extremely useful for everyone."

The app makes it possible to scroll through information on corporate and personal tax planning, VAT, audit and accounts, acquisitions and disposals, corporate finance, business start-up, estate planning and much more.

Available on the App Store

ANDROID APP ON Google play



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PROTECTING YOUR PROFITS...AND REDUCING THE TAX BILL

Corporation tax is payable by companies on their profits, and the rate of tax depends on the level of those profits. This article looks at some tax-saving tips to help keep your corporation tax liability to a minimum.

Companies whose profits do not exceed £300,000 pay the small profits rate of 20%, while companies with profits exceeding £1.5 million pay at the main rate (24% for the financial year to 31 March 2013 and 26% for the financial year to 31 March 2012). Marginal relief provides, in effect, a sliding scale rate of corporation tax for companies with profits between these limits.

TAKE ADVANTAGE OF ALLOWABLE EXPENSES

In calculating the profits chargeable for corporation tax, a deduction is given for expenses incurred wholly and exclusively for the purposes of the business. It is therefore advisable to carry out a review to ensure that all allowable expenses have been taken into account. These include wages and salaries, interest, insurance, accountancy fees, motor expenses, postage, travel expenses, pension contributions, and many others.

CONSIDER THE TIMING OF EXPENSES...

While there is often a tendency to delay incurring expenditure to save money or aid cash flow, this might not be the most tax-efficient option. By incurring expenses shortly before the year end rather than after, relief for those expenses is obtained 12 months earlier. With the main rate of corporation tax set to fall further over the coming years, incurring expenses earlier rather than later may provide relief at a higher rate.

...AND THE TIMING OF INCOME

These days there is little scope for deferring sales as businesses must include in their turnover the sales value of incomplete work, of unpaid bills (debtors) and of work completed but not yet billed. Under current guidance it does not matter when invoices are raised and, apart from the requirement to take account of the time value of money and the risk of default, it certainly does not matter when amounts are actually received.

USE THE ANNUAL INVESTMENT ALLOWANCE (AIA)

The AIA is a form of capital allowance which provides an immediate write-off against profits for expenditure on plant and machinery.

The maximum AIA was reduced from £100,000 to £25,000 with effect from April 2012; please contact us for more details on the regime. Please note that certain items of capital expenditure over and above the £25,000 limit may qualify for 100% relief.

UTILISE TAX RELIEFS ON CAPITAL GAINS

Companies pay corporation tax on chargeable gains. Unlike individuals, companies do not have the benefit of an annual allowance exemption, although indexation relief provides some protection against inflationary gains.

Making the most of tax reliefs on capital gains, such as roll-over relief for business assets, can reduce the amount of corporation tax payable.

MAKE THE MOST OF LOSSES

With the UK economy still struggling, many companies are reporting losses. However, we can review loss relief claims to ensure that losses are being utilised in the most tax-efficient manner – please contact us if you wish to discuss this further.

Please note that tax-saving strategies will depend on a company's individual circumstances, so please seek our advice before taking action.

NATIONAL MINIMUM WAGE TO RISE IN OCTOBER

The Government has announced that the national minimum wage (NMW) for individuals aged 21 and over will rise to £6.19 per hour from 1 October 2012. The change equates to a 1.8% increase in the existing rate, which is currently set at £6.08.

Eligible apprentices are also set to benefit from a 5p increase, taking the minimum hourly rate from £2.60 to £2.65.

However, the rate for those aged 18 to 20 will remain unchanged at £4.98, while the rate for 16 and 17-year-olds will also remain at its current level of £3.68.

The Government's decision, which is based on the recommendations of the Low Pay Commission, has attracted a mixed response. Some organisations have warned that the increase in the main rate will cost businesses at a time of rising inflation, while union leaders have criticised the decision not to help those aged under 21.

TAX-EFFICIENT PENSION SAVINGS: CARRYING FORWARD THE ANNUAL ALLOWANCE

Contributing to a registered pension scheme can be a tax-efficient way of saving for your retirement, as contributions attract tax relief at an individual's marginal rate of tax, subject to certain limits.

One of those limits is the annual allowance, which places a cap on the amount of tax-relieved contributions made in any tax year. The annual allowance was reduced from £255,000 to £50,000 from 2011/12. However, provisions apply which allow unused allowances to be carried forward for up to three years.

WHAT COUNTS TOWARDS THE ANNUAL ALLOWANCE?

The annual allowance is the amount by which pension savings can grow each year. Members of defined contributions schemes will need to look at total contributions (whether personal, employer or third party). Members of defined benefits schemes will have to work out how much their accrued pension has increased during the year.

It is important to note that contributions in excess of the annual allowance can be made to registered pension schemes. However, contributions which exceed the allowance do not qualify for tax relief. Where tax relieved contributions have been made in excess of the annual allowance, the relief is clawed back by means of an income tax charge.

THE THREE YEAR CARRY-FORWARD RULE

Unused allowances can be carried forward for up to three years. It is possible to make pension savings of more than £50,000 in a tax year if unused allowances are available from one or more of the previous three years.

The carry-forward rule was introduced from 2011/12. For 2008/09, 2009/10 and 2010/11 allowances can be carried forward where actual pension savings are less than an assumed allowance of £50,000. The amount carried forward is the difference between £50,000 and the amount of tax relieved pension savings for the year.

CARRYING FORWARD YOUR UNUSED ALLOWANCES

There are strict rules as to the order in which available allowances must be used. The annual allowance for the current year is used first. Carried forward allowances are then used, with the earliest year's unused allowances utilised first.

Example: Polly makes total pension savings to registered pension schemes as follows:

Year	Pension savings	Unused allowance
2012/13	£75,000	Nil
2011/12	£20,000	£30,000
2010/11	£60,000	Nil
2009/10	£30,000	£20,000

The £50,000 annual allowance for 2012/13 is used to shelter the first £50,000 of 2012/13 contributions.

The remaining contributions of £25,000 are sheltered by £20,000 of unused allowances carried forward from 2009/10 and £5,000 of the £30,000 of allowances carried forward from 2011/12.

Due to the availability of the allowances carried forward, Polly can make tax-relieved contributions of £75,000 in 2012/13, despite the fact that this is more than the £50,000 annual allowance for the year.

The remaining unused allowances from 2011/12 (£25,000) can be carried forward to 2013/14 and 2014/15.

We can advise on a wide range of tax and financial planning issues. Please contact us for assistance.

A FAMILY AFFAIR? TAX PLANNING AND THE FAMILY COMPANY

The flexibility inherent in a family company offers a number of tax planning opportunities. Here we consider some of the ways in which family companies can reduce the overall tax bill.

PAYING DIVIDENDS

Paying dividends rather than a salary or bonus can be a particularly tax-efficient way to extract profits, as there are no employees' or employers' NICs payable. In the hands of the recipient, no further tax is payable until the basic rate limit is reached, as income tax at the dividend rate of 10% is offset by the tax credit attached to the dividend. Dividend income over £34,370 is taxed at 32.5%, while dividend income over £150,000 is taxed at 42.5% (2012/13).

However, the company must have sufficient retained profits in order to pay dividends. Dividends must be declared properly in accordance with company law requirements. They should also be paid in relation to all shareholdings (though not necessarily to all shares of different classes).

SMALL SALARY

It may be advantageous to pay a small salary to retain the individual's contribution record and preserve entitlement to the state pension and contributory benefits. If the salary is between the lower earnings limit and the primary earnings thresholds for NICs, the contributor is deemed to make notional contributions, thereby preserving the contribution record without triggering an NIC liability.

Keeping the salary below the secondary threshold ensures that no employer contributions are payable. For 2012/13 this will be achieved with a salary of between £107 and £144 per week. As this is below the personal income tax allowance, in most cases the salary can be paid tax-free.

SPOUSES' ALLOWANCES

Within a family company scenario, utilising the personal allowances and basic rate bands of all family members will help to reduce the family's overall combined tax bill. From a tax viewpoint, it is more favourable for both spouses/civil partners to receive an income of, say, £35,000 a year, than for one to receive £70,000 and the other nil. Equalising income where possible ensures that you will both pay tax at the lowest possible rate, thereby reducing the overall combined tax bill.

Please contact us if you wish to explore this option in more detail.

It must be noted, however, that HM Revenue & Customs (HMRC) has made challenges under the settlements legislation, most notably in the Arctic Systems case, in an attempt to tax dividends received by one spouse as income of the other.

PENSION CONTRIBUTIONS

Pension contributions attract tax relief at the taxpayer's marginal rate of tax, providing that the relevant limits are not exceeded. Contributions made by the company are usually tax deductible when computing corporation tax. Paying pension contributions can be very tax-efficient. In a family company situation, you might want to consider purchasing the business premises through a Small Self Administered Scheme (SSAS) or a Self-Invested Personal Pension (SIPP) and renting them to the company.

In such cases the rent received will not be taxed in the SSAS/SIPP and the company should receive a tax deduction for the rent paid.

As always, it is important to seek professional advice to identify those strategies best suited to your particular circumstances.

EMPLOYEE SHARE SCHEMES: A SLICE OF THE COMPANY PIE

Companies are being advised to offer shares to their workers as part of Government plans to boost employee share ownership. Ministers hope the proposals will help to create a new era of 'responsible capitalism'.

If you are contemplating an employee share scheme, there are many points to consider. The most appropriate scheme will, of course, depend on your individual circumstances, so you should always seek expert advice before making a decision.

SETTING UP A SCHEME

The positive effects of share schemes are well documented, with some employers reporting an increase in employee motivation and staff retention. The potential tax saving for both employers and employees is also viewed as a significant benefit.

However, before deciding to set up a scheme, employers should also consider the potential disadvantages, such as the negative effect on morale and employee retention if the share price falls, as well as the cost of setting up and running a share scheme.

WHAT TYPES OF SCHEMES ARE THERE?

There are various employee share schemes to choose from, including tax-advantaged and taxed (approved and unapproved) options. Schemes can involve giving free shares to employees, granting them options to buy shares at a specified price after a specified period of time, or allowing employees to buy shares, and sometimes matching these with free ones. Some of the most popular schemes are explored below.

ENTERPRISE MANAGEMENT INCENTIVES (EMI)

Under EMI, certain small higher-risk trading companies (quoted or unquoted, with gross assets of no more than £30 million and fewer than 250 employees) can grant options over a maximum of £3 million worth of shares at any one time. The options are normally free of income tax and national insurance charges upon grant and on exercise. Certain trades are excluded from EMI options.

Employees cannot hold qualifying EMI options, taking into account Company Share Option Plan (CSOP) options also granted to them, with a total market value of more than £120,000 at the date of the grant. This is to be increased to £250,000 once state aid approval has been obtained.

SAYE LINKED SHARE OPTION SCHEMES ('SHARESAVE')

Under Save As You Earn (SAYE), employees are granted options at a discount of up to 20% at the start of the savings contract. Monthly amounts of between £5 and £250 for up to five years are deducted from pay, under a certified SAYE contract with a bank or building society.

At the end of the savings contract a tax-free bonus is payable. Employees use the proceeds of the savings contract, including the bonus, if they want to exercise the option, normally after three, five or seven years. If they do not, the proceeds are repaid in cash, tax free. There is no tax or national insurance charged on the discount or on the gain made when the option is exercised.

COMPANY SHARE OPTION PLAN (CSOP SCHEMES)

Employees are granted options to acquire shares at the market price at the date of grant. Employees may be granted options over shares worth up to £30,000 at any one time. There is no tax or national insurance charged on the gain made when the option is exercised, provided that the options are held for at least three years unless participation ends through disability, redundancy or retirement.

SHARE INCENTIVE PLANS (SIPS)

SIPs provide employees with the opportunity to acquire shares (as opposed to share options). They have four core elements: free shares (up to £3,000 in any tax year); partnership shares (up to £1,500 in any tax year); matching shares; and dividend shares. Various rules and restrictions apply, so please ask us for further information.

Employees who keep their shares in a SIP for five years will pay no income tax or national insurance in respect of those shares, while those who keep their shares in the plan for three years will pay income tax and national insurance on the initial value of the shares, but any increase in value of the shares will be tax free.

These are just some of the schemes available. We can advise on the most appropriate course of action for your business – please contact us for details.

ARE YOU COVERED? INSURING YOUR BUSINESS

As a business owner, you are likely to experience times of challenge and uncertainty in the course of running your business. While no one knows what is around the corner, having in place adequate insurance cover is an essential part of preparing for unexpected events and situations which could otherwise result in a major loss to your business.

TYPES OF BUSINESS INSURANCE

All businesses are required by law to have certain types of insurance policy in place, and it is advisable to consider taking out additional forms of insurance to cover the specific needs of your business.

COMPULSORY INSURANCE

- **Employers' liability insurance** – most employers are legally obliged to insure against liability for work-related injury or illness arising to their employees. The cover must be worth a minimum of £5 million, and employers must display a copy of the insurance certificate where employees can easily access it
- **Motor vehicle insurance** – you must purchase motor insurance for any business vehicles used on the road or other public place, and you must also ensure that employees who use their own vehicles for work have sufficient levels of insurance.

Depending on the nature of your business, you may also be required to take out specific industry-related insurance cover, such as professional indemnity insurance.

ADVISABLE INSURANCE

There are many other types of insurance which, although not compulsory, are well worth considering. The type and level of cover will vary according to the kind of risks your business is exposed to, but some of the more common business risks to insure against might include:

- **Public liability insurance**, which covers claims for damages to members of the public or other businesses
- **Product liability insurance**, which protects against damage or injury caused by a failure of your product
- **Building and contents insurance**, which offers cover in the event of fire, flood, theft or other disaster
- **Business continuity or business interruption insurance**, which protects against costs and loss of profits incurred in the event of a disaster such as a flood
- **Key person insurance**, which compensates your business in the event of the illness or death of key members of staff
- **Goods in transit insurance**, which protects goods which are lost or damaged when in your vehicle or that of a courier.

INSURANCE TIPS

A surprising number of businesses do not have appropriate levels of insurance, meaning that they are either not sufficiently covered in the event of an incident, or that they are paying higher premiums than they need to.

Follow our top tips to making sure you choose the right cover.

- ✔ Read the small print: make sure you understand exactly what is covered by the policy, the duration of the cover, and any excesses or restrictions that may apply
- ✔ Check that the sum insured or indemnity limit are appropriate
- ✔ Be prepared to shop around for the best deal; discounts may be available for multiple policies
- ✔ If you run a business from home, make sure you have adequate cover – your household policy may not be sufficient
- ✔ Conduct a risk assessment: taking steps to manage and reduce your level of risk (eg by installing certain security measures) may help to reduce your premium
- ✔ Assign someone the responsibility of ensuring that policies are up to date
- ✔ Review your insurance cover regularly, to cover your changing needs as the business evolves
- ✔ On a personal note, make sure you have adequate insurance cover in the event of your own death or incapacity, or the loss of personal assets.

This article is intended for general guidance only. You should always contact a qualified legal professional if you are unsure of your legal obligations.

THE 2012 BUDGET: SOME KEY MEASURES

In addition to the so-called 'granny tax' and other contentious measures, the 2012 Budget contained some significant announcements on business and personal taxation. Here we outline some of the key measures which recently came into effect and which are in the pipeline.

BUSINESS MEASURES

CORPORATION TAX

The Chancellor doubled the reduction in corporation tax, bringing the main rate down to 24% in April. The rate will be further reduced to 23% for the financial year commencing 1 April 2013 and to 22% for the financial year commencing 1 April 2014.

RESEARCH AND DEVELOPMENT (R&D)

The additional corporation tax deduction given to SMEs for qualifying R&D expenditure has risen from 100% to 125% in respect of expenditure incurred on or after 1 April 2012. The Government will introduce an 'above the line' R&D tax credit from April 2013 with a minimum rate of 9.1% before tax. Loss making companies will be able to claim a payable credit.

NATIONAL LOAN GUARANTEE SCHEME

The National Loan Guarantee Scheme was launched ahead of the Budget, with the aim of giving small businesses greater access to finance. Further details can be found on page eight.

TAX CALCULATIONS FOR SMALLER BUSINESSES

From April 2013 a new cash basis for calculating tax for small unincorporated businesses will be introduced. The Government will consult on the details of the scheme, including extending eligibility to businesses with turnover up to the VAT registration threshold of £77,000.

PERSONAL MEASURES

INCOME TAX AND PERSONAL ALLOWANCES

The 50p additional rate of income tax will be reduced to 45p with effect from April 2013.

Further to the recent increase in the income tax personal allowance, the allowance will rise again in 2013, to £9,205. The Chancellor also announced that the age-related personal allowances will be frozen from 2013/14, and will not be available for anyone turning 65 after 5 April 2013.

STAMP DUTY LAND TAX

A new 7% Stamp Duty Land Tax rate now applies to properties worth more than £2 million.

A 15% duty applies to residential properties worth over £2 million that are purchased by certain 'non-natural persons'.

CHANGES TO CHILD BENEFIT

From 7 January 2013 a new income tax charge will apply to individuals who receive Child Benefit, or whose partners receive Child Benefit, where income is more than £50,000 for the tax year. If both partners exceed this threshold, the charge will apply to the partner with the highest income. For those with income between £50,000 and £60,000, the benefit will be clawed back by 1% for every £100 of earnings in excess of £50,000.

UNLIMITED TAX RELIEFS

It was also proposed that a new cap was to be applied, from April 2013, on previously uncapped income tax reliefs to prevent individuals from claiming relief in excess of £50,000 (or 25% of their income if greater). However, following a consultation and ensuing conversations with charities, the Government has now announced that it will not be proceeding with the cap.

For more advice on how the Budget measures affect you and your business, please contact us.

NATIONAL LOAN GUARANTEE SCHEME GETS UNDERWAY

In March the Chancellor launched a new National Loan Guarantee Scheme (NLGS), designed to give smaller businesses greater access to cheaper finance by guaranteeing banks' own borrowing.

Up to £20 billion of Government guarantees will be provided on unsecured borrowing by participating banks, enabling them to borrow at a cheaper rate. They will then pass on the entire benefit to businesses which, when taking out an NLGS loan, will receive a discount of one percentage point compared to the interest rate that they would otherwise have received from that bank outside the scheme.

As an example, a business receiving a loan of £1 million could receive a discount of up to £10,000 a year – money that can be reinvested in the future of that business.

The loans are available to all UK businesses with a company group annual turnover of less than £50 million. Banks currently participating in the scheme are Barclays, Santander, Lloyds and RBS, with Aldermore having also agreed to join in principle. Around £5 billion in guarantees will be made available in the first tranche.

EMPLOYEE 'SMARTPHONE TAX' IS AXED

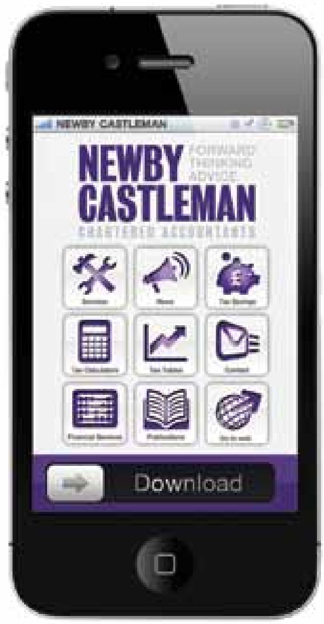
Smartphones such as iPhones, BlackBerry and many android-powered devices are no longer subject to tax as a 'benefit in kind', following a change in policy by HMRC.

Unlike ordinary mobile phones, which can be provided tax-free to employees, smartphones were previously treated as a taxable benefit. This is because HMRC argued they were not primarily designed to make or receive voice calls, as the exemption requires.

However, the soaring popularity of such devices, along with technological advances, has led HMRC to acknowledge that android and smartphones now conform to their definition of 'telephone apparatus' and will therefore no longer be subject to tax.

Consequently, employers can now provide these devices to any number of employees without incurring a tax or national insurance contributions (NIC) charge.

Yet devices that only provide Voice Over Internet Protocol (VOIP) – a technology for making free or cheap calls over the internet – will not qualify for the tax exemption. This means that iPads and other tablet computers will still be subject to the old rules.



Please contact us for further advice on tax-efficient benefits and expenses.

HMRC BEGINS COLLECTING DEBTS THROUGH PAYE

HMRC can now collect unpaid Self Assessment bills and tax credit overpayments through a taxpayer's PAYE code. From April 2012 HMRC began including debts in 2012/13 tax codes. It means that the Revenue can collect debts up to the value of £2,999 by amending the tax code of individuals in employment who pay through PAYE, or who have a UK pension.

Last year HMRC wrote to those affected offering them the opportunity to arrange to pay the outstanding amount by another method. Information about recovering debts from PAYE codes is published on HMRC's website: **www.hmrc.gov.uk/payinghmrc/taxcode-vdp.htm**

HMRC TURNS UP THE HEAT ON TAX EVADERS

Meanwhile, HMRC is planning to step up its campaign to tackle tax evasion throughout 2012/13. It has confirmed that 30 new tax taskforces will target various industries including indoor and outdoor markets, the motor trade and clothing sellers.

The tax authority is also extending some of the task forces from 2011 to different locations, including the scrap metal task force launched in Scotland in November. The Revenue already expects to collect more than £50 million as a result of 12 taskforces launched last year and ongoing criminal investigations.