SMAILES GOLDIE AND SMAILES GOLDIE TURNER

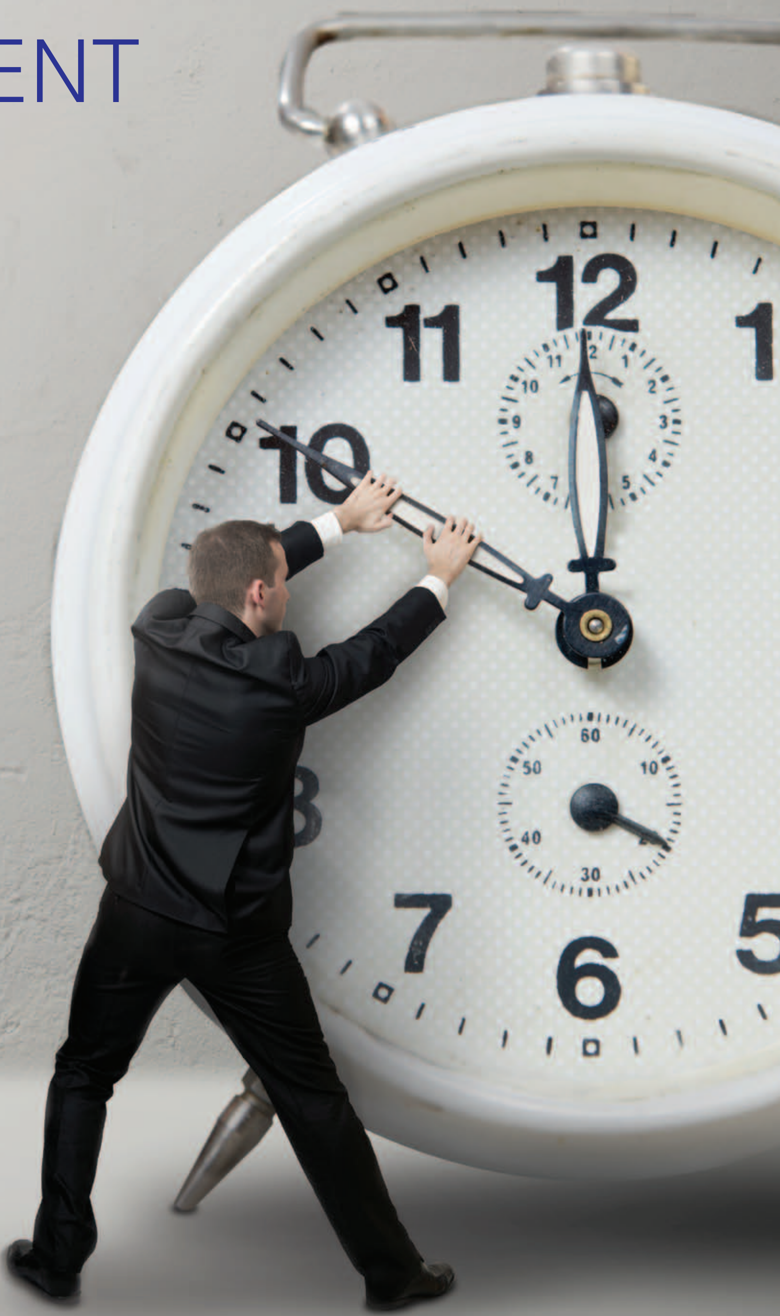
NEWSLETTER

CHARTERED ACCOUNTANTS

SUMMER 2014

AUTO-ENROLMENT IS WELL ON IT'S WAY

Auto-enrolment is gathering pace and must not be ignored



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WELCOME

Welcome to our newsletter, bringing you news about latest developments at the firm and about issues that may affect your business or personal finances.

We're always interested in receiving feedback on any aspect of our work, so if you have any comments on our newsletter – or have an idea for a topic that you'd like to see featured in the future – please let us know.

We also welcome enquiries about any issues covered in the newsletter, so for more information, please contact us.

AUTO-ENROLMENT – WELL ON ITS WAY

*By **David Chambers**, Smailes Goldie Financial Management*

Auto-enrolment for business is gathering pace and must not be ignored. However, evidence suggests that businesses are more likely to take no action at all (or leave it as late as possible) through fear about the impact that it will have on their cash flow.

A survey of 600 small business owners carried out by business software specialists Sage revealed that a lack of understanding of the new legislation was the key concern for almost one in ten (9.5%) respondents while the biggest worry for just under 9% was the increased administrative burden and updating payroll processes.

Auto-enrolment of eligible workers into qualifying workplace pension schemes began with the largest firms in October 2012.

As the initiative gathers pace, employers with between 249-499 employees will have started to auto-enrol in January and February and smaller employers will not be far behind, for example employers with 50-61 workers will come on board between August 2014 and April 2015. All employers will be brought on board by 2018.

"If you run a smaller business, the date when you need to start enrolling your employees may still seem a long way off – but if you want to get auto-enrolment right, you need to start planning as soon as possible."

Alongside the concerns highlighted by the Sage survey, employers also need to consider a range of issues including funding the contributions they must make to their workplace pension scheme and either putting in place a compliant pension scheme (if they do not already have one) or making sure that an existing scheme meets auto-enrolment requirements.

Businesses also need to understand which of three categories of worker their workforce falls into. Based on age and earnings, each category of worker has different rights, entitlements and employer communication obligations.

At Smailes Goldie, we understand that auto-enrolment is not a straightforward process and that preparing for, and implementing, compliant new pension arrangements takes time. We can provide expert advice to help employers on their auto-enrolment journey and assist on an ongoing basis once auto-enrolment is in place. For more information, please contact us.

CHANGES FOR EMPLOYEE SHARE SCHEMES

By Vicky Parkinson, Tax Manager, Smailes Goldie

HM Revenue & Customs (HMRC) is introducing changes to the way that new and existing employee share schemes and arrangements are administered.

HMRC said that the changes would affect:

- Enterprise Management Incentives (EMI)
- Company Share Option Plans (CSOP)
- Save As You Earn option schemes (SAYE)
- Share Incentive Plans (SIP)
- any non-tax advantaged arrangements.

The changes include registering all existing and new employee share schemes and arrangements online with the Employment Related Securities (ERS) service.

HMRC said: "The service will be part of the PAYE Online for employers service. To use the service you must be registered for HMRC taxes and signed up as an organisation for online services.

"If you're registered with HMRC as a business but don't operate PAYE on employees, you'll need to add PAYE to use the ERS service."

From April 2015, all information returns must also be filed online, with automatic penalties for late filing. Other changes include a requirement to self-certify that any tax advantaged schemes meet certain requirements.

HMRC said it would no longer approve any new tax advantaged schemes, adding: "You must self-certify CSOP, SAYE and SIP to confirm that they meet legislative requirements. If you don't do this, any tax advantages will be lost."

At Smailes Goldie we understand that business tax can be highly confusing, but we have many years' experience in assisting with a wide range of business services including advising on all aspects of taxation and compliance with the latest legislation.

For more information or advice about the tax implications of your existing employee share scheme or to find out how the new changes will affect your future plans, please contact us.

SMAILES GOLDIE THROW SPOTLIGHT ON RENEWABLE ENERGY AT FREE SEMINAR

By Vicky Parkinson, Tax Manager, Smailes Goldie

We offered agricultural and other businesses the opportunity to find out more about the benefits of renewable energy at a recent seminar.

The breakfast event, which was hosted in conjunction with NatWest and Boston Renewables, took place on 13 May, at the Hallmark Hotel Hull.

Vicky Parkinson of Smailes Goldie, Paul Forth of NatWest and John Hudson of Boston Renewables talked on a wide range of issues relating to renewable energy, highlighting how businesses and landowners can make the most of this growth area. Topics included funding, tax, feed-in tariffs and planning constraints.

Commenting on the event, Vicky Parkinson said: "Renewables represent a unique growth industry and yet many business owners and landowners do not realise how it could benefit them.

"This seminar was designed to throw the spotlight on some of the key issues and put people in the picture about the advantages of getting involved."

Meanwhile, Smailes Goldie has also been busy at a number of events in the Lincolnshire area. The firm's agricultural division, Smailes Goldie Turner, sponsored the inaugural Lincolnshire Rural Charities Dinner, which took place at the Lincolnshire Showground on 10 April to raise money for four local charities – Lincolnshire Rural Support Network, Lincolnshire and Nottinghamshire Air Ambulance, Lincolnshire Agricultural Society and Lincolnshire Chaplaincy Services.

Smailes Goldie was also among 74 exhibitors at North Lincolnshire Council's first ever Northern Lincolnshire Business Expo, which took place at the Forest Pines Hotel, in Broughton, on 15 April, attracting around 300 visitors.

CHARITY CYCLING CREW TACKLE 262 MILES

A team of ten cyclists have just completed a ride down the east coast of England in a bid to raise money for MacMillan Cancer Support.

Organised by Rix Petroleum, the team consists of representatives from companies that have sponsored the event, including Jamie Cousins from Smailes Goldie.

Called the 'Tour de Rix', the charity ride – which took place 14–18 June – saw the cyclists complete a 262 mile journey from Rix Petroleum's depot in Alnwick, Northumberland to its depot in Spalding, Lincolnshire, over five days.

The Smailes Goldie trainee accountant is no stranger to the saddle and has competed in an Austrian Ironman triathlon that saw him cycle for 112 miles as well as two Ironman events in Majorca that each demanded a gruelling 56 mile bike ride. He's also preparing for a half Ironman event in Budapest in August.

"I've always been interested in cycling and used to do a lot of mountain biking in the Peak District whilst studying at the University of Sheffield," said Jamie. "I got into road cycling through friends but to prepare for the Tour de Rix, I've been training in the hilly terrain of the Yorkshire Wolds.

"I'm currently studying for my ACA accounting qualification, so I've been studying instead of riding over the past few weeks."

Rory Clarke, Managing Director of Rix Petroleum – another member who took part in the event – said that the ride had been inspired by the Tour de France, which started in Yorkshire on 5 July. He added that they also wanted to do something that would generate a significant amount of money for Macmillan Cancer Support as staff at Rix Petroleum had recently elected the organisation as its charity of the year.

RTI PENALTIES PHASED IN

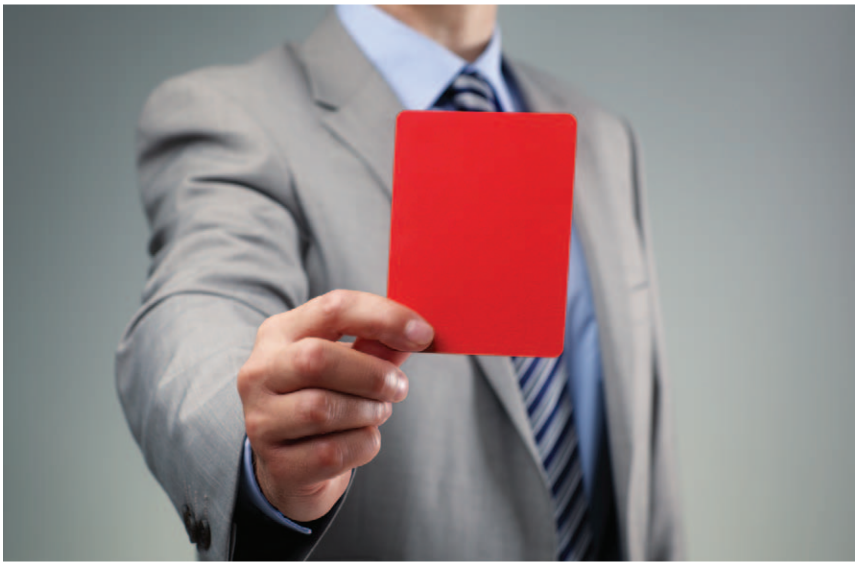
By Peter Markham, Outsourcing Manager, Sigma Solutions

HM Revenue & Customs (HMRC) have introduced a staggered start to the introduction of Real Time Information (RTI) penalties.

Automatic in-year Pay As You Earn (PAYE) penalties for late filing and late payment and in-year interest – charged on tax and national insurance contributions paid late during the year – were due to start in April 2014. But HMRC said that having listened to customer feedback, it has decided to stagger the start of the new in-year late filing and payment penalties to give employers more time to adapt to reporting payroll information in real time.

The new timetable for the penalties is as follows:

- **April 2014**: in-year interest on any in-year payments not made by the due date
- **October 2014**: automatic in-year late filing penalties
- **April 2015**: automatic in-year late payment penalties.

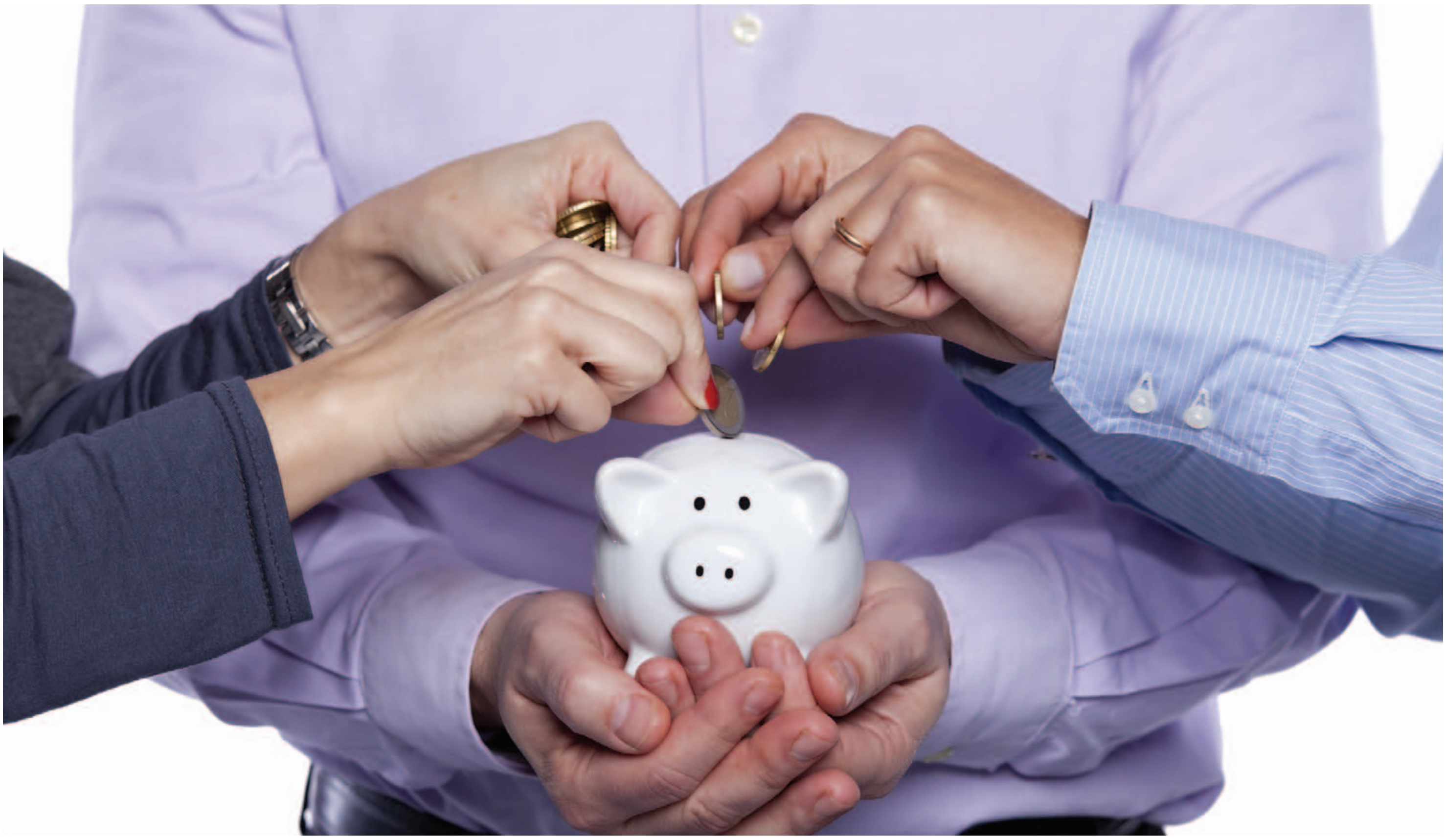


Ruth Owen, HMRC's director general for personal tax, said: "The introduction of RTI is going extremely well for the majority of employers but there are still some who need a bit of time to adapt fully to the changes.

"This additional time will give us the opportunity to ensure that improvements to our internal systems are working, to learn from them and to provide better customer support to employers who need more time to adapt."

Colin Ben-Nathan, chair of the Chartered Institute of Taxation's employment taxes sub-committee, said: "We think this is a constructive move on the part of HMRC and will hopefully allow the time that both employers and HMRC need to bed down what is a fundamental change to the PAYE system."

Our expert services at Smailes Goldie mean that we can keep you up to date with all new and relevant tax rules and regulations, including those relating to RTI. For more information, please contact us.



NEW CROWDFUNDING RULES INTRODUCED

By *Jeremy Allison, Partner (Corporate Finance), Smailes Goldie*

Those looking to crowd fund money for their business, can expect new Financial Conduct Authority rules to regulate certain types of crowdfunding.

A rising number of SMEs are looking at crowdfunding as a way of raising finance as an alternative to dealing with banks and investors. However, new rules by the Financial Conduct Authority (FCA), which were rolled out, regulate certain types of crowdfunding.

Crowdfunding involves raising finance by taking small investments, loans or donations from a large number of people.

The FCA has regulated loan-based crowdfunding and investment-based crowdfunding. Loan-based crowdfunding involves the lending of money. Investment-based crowdfunding usually involves subscribing for shares or some other form of securities. Traditional pledge-based crowdfunding remains unregulated.

The FCA believes that loan-based crowdfunding, often called peer-to-peer lending, is less risky than investment crowdfunding and peer-to-peer lending will be more lightly regulated. These regulations require peer-to-peer platforms to carry a certain amount of capital, to describe risks accurately and to have a resolution plan in place should the platform fail.

These rules may raise costs and are likely to make peer-to-peer lending slightly less attractive in terms of lending rates. However, borrowers do not generally have to worry about the administration of multiple loans – this is all handled by the platform and their technology.

In order to raise equity investment there is an additional layer to the loan-based rules. Generally these equity-based investments come from either “high net worth” individuals or investors who confirm they will invest no more than 10% of their net investible assets - this excludes their home, pension funds and insurance.

“The majority of criticism of the rules has focused on this “10% rule”. Compared to the existing legislation this rule actually expands the number of people that the crowdfunding platforms can promote itself to. It restricts the crowd to a relatively narrow category of people and limits the amount of money the vast majority of ordinary people can invest.”

At Smailes Goldie, we can help you explore the funding options available to you. Our expertise and contracts will help you open doors to financing that might have otherwise remained closed. For more information on how we can help your business, please contact us.

BUSINESSES ENCOURAGED TO MAKE THE MOST OF INCREASED AIA

By *Steve Bramall*, *Partner (General Practice), Smailes Goldie*

Businesses should always be encouraged to make the most of any tax-efficient opportunities available to them in order to reap the benefits. That's why we are reminding them about the opportunity to invest in equipment which was first announced in the Budget 2014.

Back in December 2012, the Autumn Statement included a tenfold increase in the Annual Investment Allowance (AIA), from £25,000 to £250,000, with effect from 1 January 2013 and continuing to the end of 2014.

In his March 2014 Budget, Chancellor George Osborne increased the AIA again, doubling it to £500,000 for all qualifying investment made on or after 1 April 2014 until 31 December 2015, after which it is expected to return to £25,000.

The government said the move would be of particular benefit to small and medium-sized firms, adding: "The increased AIA will mean that up to 4.9 million firms – 99.8% of businesses – will receive 100% upfront relief on their qualifying investment in plant and machinery."

The increased AIA level was welcomed by business groups, with leading employers' organisation the CBI describing it as "a shot in the arm for businesses ready to invest and drive the recovery" while the Federation of Small Businesses said the move would provide certainty and allow businesses "to realise their investment expectations".

Expenditure under AIA qualifies for 100% tax relief, enabling most businesses to offset investment in plant and machinery – including items such as commercial vehicles, equipment, computers and office furniture – against taxable profits.

There are also certain fixtures in buildings, and integral features in buildings, that qualify, such as electrical systems, including lighting, water systems, air cooling systems and lifts.

> "Businesses looking to maximise the value of the higher level of AIA need to be aware that where accounting periods straddle the date of changes to limits, there are some complex transitional rules in place."

While the increased AIA threshold is welcome, businesses will need to plan carefully to optimise the available tax relief.

At Smailes Goldie, we can provide expert advice on how the increased allowance could benefit your business. For more information, please contact us.

HMRC RAISED £30 MILLION EXTRA THROUGH IHT CHALLENGES

*By **Nicki Shipley**, Partner (General Practice), Smailes Goldie*

Figures from HM Revenue & Customs (HMRC) have shown that it increased the amount of extra tax raised by challenging estate valuations for inheritance tax by 23% in the last year.

The data showed that HMRC brought in an additional £108 million through such challenges in 2012-13, up from £88 million the previous year.

According to the authors of the research, HMRC appears to be taking "a pretty aggressive approach" in challenging property valuations

submitted for inheritance tax (IHT) purposes on the owner's death.

They say their analysis showed that HMRC was checking Land Registry records of sales of other properties in the area, to identify whether the valuation on the inheritance tax return was lower than it should be, and whether there had been any refurbishments or extensions to the property that might have increased its value but had not been taken into account.

They said: "Local issues could also mean that property values in a particular area have not risen in line with regional trends, or could even have fallen since the property was purchased – there are sometimes legitimate reasons for an apparently low valuation which can mean that HMRC is pursuing people's heirs and executors unnecessarily."

The research showed that in 2012-13, in cases where HMRC successfully argued for a higher valuation for a property it raised an average of £34,704 in additional tax, up from an average of £27,227 in 2011-12.

As the research highlights, the inheritance tax regime can contain unexpected pitfalls, which is why expert advice and forward planning are crucial to maximising IHT efficiency. For more information on our expert tax planning services, please contact us.

VAT? IT DOESN'T HAVE TO BE TAXING

*By **Alicia Guest**, VAT Tax Manager, Smailes Goldie*

Research suggests that more than a third of UK small and medium-sized enterprises are missing out financially by not reclaiming VAT.

A survey of 1,000 business owners by Sage found that 36% were failing to reclaim VAT and that more than half (52%) estimated they were losing more than £500 every year by not claiming for everything they were entitled to.

The research also revealed that 30% of business owners felt that a deeper understanding of VAT could help to make their firm more profitable.

At Smailes Goldie, we understand that the VAT regime's complexities often creates real challenges for businesses and offer a full range of VAT support services to help them get to grips with the issue, including registration and deregistration, advice on the most appropriate VAT scheme and VAT compliance. For more information, please contact us.

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HIGH EARNERS WARNED OF HMRC SELF-ASSESSMENT CHECKS

We would like to make high earning individuals aware of the fact that HM Revenue & Customs (HMRC) is sending out letters asking taxpayers to double-check whether they have put down the correct information on their self-assessment tax return.

HMRC has recently begun a process of sending out letters asking some savers to explain why their "effective rate of tax" is lower than the national average.

In the letters, HMRC says: "Looking at the figures in your self assessment tax calculation for the tax year ended, we can see that your effective tax rate is lower than average for people with a similar amount of income to you. This could mean that there is something wrong with your tax return."

The letters also say that "paying the right amount of tax is important as it helps pay for the public services that we all rely on."

" HMRC say that the letters are part of a trial to help individuals identify any mistakes they may have made on their self-assessment return.

Steve Bramall, partner at Smailes Goldie, said: "Many individuals are being contacted because HMRC has adopted a computerised system which tells them to send out the letters, rather than inspectors simply checking tax returns.

"Our message to individuals who have received this letter is firstly don't panic. It is likely that you have done nothing wrong and have already explained your circumstances on your self-assessment return.

"These letters are mostly designed as a scare tactic to unsettle certain individuals.

"We would urge anyone who thinks they may have made genuine mistakes on their self-assessment form to contact a trusted accountant for advice."

For more information on HMRC's campaign, please contact us.

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