



Budget 2011



Employment Law



Spring Clean



Plumbers Tax



Tax Tips



Company Cars

... and much more

The Budget 2011: what it means for your business



The recent budget announcement was much hyped as a springboard for growth in the British economy. This was to be 'a Budget for making things, not making things up', intended to 'put fuel in the tank of the British economy'.

So, all very uplifting stuff, but what does it really mean in practice? And just how far do the changes go to help small businesses? In fact, overall the announcement looked very positive, with some sensible, workable measures to encourage private sector investment, enterprise and innovation, by increasing the competitiveness of the UK tax system, reducing the burden of regulation and increasing incentives for business investment.

Here we pick out a few of the highlights...

The aim was the put fuel into the tank of the British economy, and the single measure that is likely to be of most help to most businesses - and individuals for that matter - is the 1p cut in fuel duty, which comes with a promise to introduce a 'fair fuel stabiliser'. This is what business organisations had called for, so let's hope the reality lives up to expectations.

The reduction in Corporation Tax should also provide a welcome boost: from April 2011 the higher rate of Corporation Tax will drop by 2% to 26%, and then by a further 1% each year until it reaches 23%. Meanwhile the small profits rate of corporation tax usually paid by small companies will reduce to 20%. This should assist firms to increase investment, and if they invest in research and development they can claim additional relief following a rise in the rate of R & D tax credit from 75% to 100% of the amount spent. This means that a business can now benefit from 200% tax relief - previously 175% - on qualifying expenditure (effectively, the tax system will be contributing up to £55 for each £100 of qualifying expenditure for businesses in the marginal corporation tax band of 27.5%; relief at the small profits rate will be worth £40 per £100 spent). More importantly, perhaps, from 2012 this benefit will be available more widely when the current minimum

expenditure of £10,000 per annum in order to qualify is abolished. Anyone selling a business worth in excess of £5 million will benefit significantly from the increase in Entrepreneurs Relief from £5m to £10m. This increase has the effect of doubling the amount of qualifying gain that will be taxed at 10%. You may still have to jump through hoops to get the benefit but it will be worth it!

More welcome news comes in the form of various attacks on red tape which are supposed to save businesses £350 million, according to the Chancellor. In particular, he is targeting discrimination rules and health and safety regulations, and has also promised to restrict the activities of 'no win no fee' lawyers, which is sure to raise a cheer. Taxes are also going to be simplified; a



particularly welcome measure, given that the complexity of our tax legislation had become a bit of a standing joke. Forty-three 'complex reliefs' are to be abolished, and 100 pages removed from the tax code.

Other changes of note include the extension of business rate relief for small businesses for a further year and the the promise to create 21 new Enterprise Zones offering various benefits for businesses setting up in these areas, including exemption from business rates and enhanced capital allowances. Finally (for now), there's encouragement for the construction industry as a result of a £250million pledge to help 10,000 first-time homebuyers to purchase newly built flats and houses.

As always we'll be working behind the scenes to help make sure you get maximum benefit from the changes.

Meanwhile if you would like to discuss any aspect of the Budget announcement and how it will affect your business please contact your usual advisor on 01582 540800, or speak to a member of our tax department.

Employment law update for April 2011

2010 brought some landmark employment legislation for small businesses to contend with and 2011 is set to bring its own challenges. Here we pick out the main changes that came into effect at the beginning of this month.

Default retirement age to be scrapped

From 6th April 2011, employers are prohibited from issuing new notifications of retirement using the default retirement age (previously 65).

Employers who issued a notification of retirement before 6 April 2011 will be able to retire the employee if his or her retirement date is before 1 October 2011. An employer cannot prescribe a compulsory retirement age, unless it can justify it as “a proportionate means of achieving a legitimate aim”.

Right to request ‘time to train’ for organisations with fewer than 250 employees

Last year, the Apprenticeships, Children and Learning Act 2009 introduced a statutory right to make a request in relation to study or training for employees in organisations with 250 or more employees – and this April it’s the turn of businesses with fewer than 250. All employers will be obliged to seriously consider requests they receive from their staff, but will be able to refuse where there is a good business reason for doing so.

Right to request flexible working extended to parents of children under 18

Currently, parents of children under the age of 17, or under the age of 18 if the child has a disability, and employees who care for adults aged 18 or over have the right to request flexible working. From April 2011, this right will be extended to parents with children under 18.

Paternity leave

Last April, changes were made to paternity leave that meant that mothers would be able to transfer up to six months of their maternity leave to fathers to give parents additional choice and flexibility as to how they use maternity and paternity leave. Previously, fathers were entitled to two weeks paid paternity leave and mothers to 52 weeks maternity leave, of which up to 39 weeks are paid.

Under the new rules, employees who are fathers, or spouses or partners of mothers, and employees who have been matched for adoption and are spouses or partners of the person taking adoption leave are entitled to take additional paternity leave of up to 26 weeks in the first year of their child’s life or the first year after the child’s placement for adoption, and may be entitled to additional paternity pay. This applies to children whose expected week of birth is on or after 3rd April 2011, or who are matched for adoption with a person who is notified of the match on or after 3rd April 2011.

Statutory maternity, paternity and adoption pay

The standard rate of statutory maternity, paternity and adoption pay has been increased from £124.88 to £128.73.

Statutory sick pay

The rate for employees earning more than £102 per week has increased from £79.15 to £81.60 a week.



*“...attention to detail, a true understanding of your personal and business needs and foresight in pointing out any pitfalls or opportunities in the future -
Foxley Kingham provide all this and more...”*

Give your business a spring clean and boost your profits

As you may well know first-hand, we would always recommend keeping a constant track of your financial position, profitability, and so on, as vital for good short-term decision-making, forward planning and the nurturing of a successful business.

But just as ongoing maintenance is important, so a systematic 'spring clean' of your business - in which you undertake a thorough review of your systems, structure, product portfolio and your costs - can reap substantial rewards.

Make the time (or delegate the task to someone else within your organisation!) to see what's contributing to your profits and what's not, and look for improvements in efficiency and cost savings throughout your business and you'll be surprised by just how much difference it can make to your bottom line.

Here we offer a few tips to get you started:

1. Streamline your product/service portfolio - to do that you need to know, *not* guess, exactly how profitable each of your product lines or services are and to take appropriate action. Markets evolve over time and inevitably even former 'star performers' can become obsolete. So it may feel like saying goodbye to old friends, but if they are failing to make a profit it's time to let them go and to turn your attention to the star performers of the future.

2. Streamline your systems - again, putting sentimentality firmly to one side, as well as ensuring that all your products and services are adding to, not eating away at your profits, it's important to make sure you're getting maximum value from your systems and infrastructure too. These could include, for example, the processes you follow to get a particular job done, how you

get your goods or services to market (direct sales, online, retail, etc), your delivery methods and so on. Take each area in turn, and look at what could be done more cheaply or efficiently, or indeed whether it pays to keep doing it at all.

3. Look around you - as well as keeping a close eye on what's happening inside your business, you also need to know what's working for your immediate competitors and in the wider market. To remain competitive you need to be at least keeping up when it comes to evolving your business and product/service portfolio. And with significant financial benefits for companies investing in research and development (200% of actual expenditure in tax relief from April 2011, rising to 225% in 2012 when the current minimum expenditure limit of £10,000 will also be removed), there's every incentive to not just keep up, but to lead the field.

4. Cut your costs and watch your profits rise - maximising the profitability of your systems and product/service portfolio is one way to improve your margins; another is cutting costs. We all know prices fluctuate over time and from one provider to the next, and although as individuals we're getting better at managing our expenditure by comparing what's on offer and switching products or suppliers to get a better deal, businesses have been slower to follow.

Foxley Kingham underwent just such a comprehensive sweep, starting in 2009 and still ongoing today, and we've saved thousands of pounds as a result. So where should you start? The first step is to get an accurate breakdown of your costs; how much you spend on everything, from premises, utilities, staff and raw materials to vehicles, travel, marketing, stationery and so on. Then the challenge is to make the biggest saving you can on each of them.



Here are a few tips to help you on your way...

● **Shop around for a better energy deal** - beware 'evergreen' contracts which automatically renew unless notice is served 90 days before the contract ends. To make it easier to shop around in the future, it's a good idea to serve notice on such a contract as soon as it's signed. Another potential pitfall comes when you move premises - the supplier to your building will automatically put you on an 'out of contract' rate - often exorbitant - until a tariff has been agreed.

● **Cut printing costs (and improve your environmental credentials)** by setting printers to print on both sides of the page and printing internal documents in black and white. You can also make a significant difference by introducing a 'think before you print' strategy (provided the point is made strongly enough); many people automatically hit print when it really isn't necessary just to read a document or e-mail, for example, and then promptly throw the paper in the bin. Break these bad habits and you can make a difference.

● **Cut stationery costs** by shopping around, and don't be afraid to ask suppliers for their best price. Most reps will do their best to undercut their competitors. If you use a lot of paper in your business you can also make substantial savings by using a slightly thinner paper (so if you usually print on 100 gsm paper, try going down to 90 gsm). It's also worth considering printing internal

documents on an even thinner grade, e.g. 80 gsm.

● **Switch to energy saving lightbulbs** - they cost more than traditional bulbs but last 8 times longer, as well as costing less to use on a daily basis.

● **Cut postage costs** by sending mail 2nd class, especially following the recent 5p rise for first class.

● **Switching things off** - it sounds simple but you might be surprised at how much electricity is wasted in your business by leaving lights on in rooms that aren't occupied, and leaving equipment/appliances on standby rather than turning them off at the wall.

● **Consider outsourcing your IT, HR or payroll functions.** Experience shows that it can prove more cost-effective than paying an employee to do the job in house, especially when you take into account pensions and other benefits, providing cover for holidays and maternity/paternity leave, training costs, equipment, and so on.

● **Get back to basics** - consider how much of your expenditure is essential and how much you could manage perfectly well without. It's surprising how many things that start off in the first category are not actually essential at all when you really get down to the brass tacks...

Finally, don't be put off by the prospect of a thorough spring clean - like cleaning the oven or defrosting the fridge you'll feel better once it's done, and your margins will look a lot healthier to boot.

HMRC to tackle leaks in plumbers' (and other trades') tax affairs

A new scheme from HMRC is designed to tackle professionals in the plumbing trade, whose income has not been fully disclosed. The Plumbers Tax Safe Plan (PTSP) gives those in the plumbing industry and other related trades, the opportunity to come forward to disclose any income they haven't previously told HMRC about, and get their tax affairs up-to-date.

The PTSP is designed to make it easier for those in the plumbing industry to get their tax affairs in order, and is the first campaign of its kind focused on tradespeople.

In doing so, those who take up the PTSP will face a reduced penalty rate, which will be between 10-20% for the majority of people. They have until 31st May 2011 to inform HMRC of their intention to take up the plan, and until 31st August 2011 to make their disclosures and arrange for payment.

It is expected that most people will have to pay HMRC up to six tax years, with the ability to spread the cost of payments dependant on your circumstances.

HMRC claim that it 'will be using various intelligent sources' to tackle plumbers who have not disclosed their full income. This plan will give people the chance for people to come forward and pay the lower penalty than risk being caught and having to pay the full fine. HMRC strongly urge that anyone affected by this plan, get in contact with HMRC so that their tax affairs can be sorted out on the best terms.



If you'd like to make a disclosure, or for more information about the scheme, please contact your usual advisor on 01582 540800. And remember, this opportunity is not restricted to plumbers - HMRC will consider applications from other tradespeople who want to get their books in order!

Tax Tips...

Reporting company cars to HMRC – keep your employees happy!

If you make a company car available to an employee and they can use it for private journeys, it must be reported to HMRC on form P45 (Car). The employee will be charged Income Tax and National Insurance. The employer will be charged Class 1A National Insurance.

Make sure HMRC receives your completed form within 28 days of the end of the quarter in which the car benefit change you're reporting took place. The four end-of-quarter dates are:

5th July

5th October

5th January

5th April

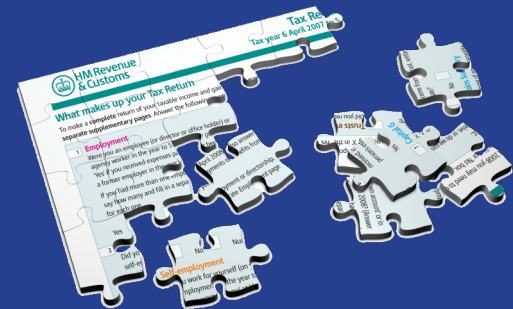


If in the past you thought it was acceptable to report the car benefit on forms P11D(b) alone then think twice. It can upset the employee as they will have underpaid tax on the car benefit and the only way HMRC can recover the underpaid tax is via an adjustment to their PAYE code. So in reality, in one tax year an employee could be paying the company car benefit twice – once for the current year and once for the underpayment of tax because the car benefit wasn't reported to HMRC.

If you require any assistance on completing the forms or you have any queries regarding company cars then please call Michelle Blacker on 01582 540800.

Self Assessment

– paying tax at 50% in 2011-12



HMRC has written to taxpayers who may need to pay tax at 50 per cent during 2010-11 advising them to make provision for any underpaid tax that may be due on 31st January 2012.

Those taxpayers not currently in the Self Assessment Club will be registered and allocated a Unique Taxpayer Reference (UTR) before being issued with a 2010-11 Notice to Complete a Self Assessment Tax Return.

From 2011-12, tax codes will be issued to fully reflect the 50 per cent rate. This will then ensure that the correct tax is collected from all jobs or pensions for an individual.

New Rules for Company Cars

Please be advised of the following changes affecting the cost of running company cars.

Company car advisory fuel rates

Prior to the Budget, HMRC announced new advisory fuel rates that were introduced on 1 March 2011, as follows:

Engine size	Petrol	Diesel	LPG
1400cc or less	14p	13p	10p
1401 – 2000cc	16p	13p	12p
Over 2000cc	23p	16p	17p

(Petrol hybrid cars are treated as petrol cars for this purpose)



Approved Mileage Allowance Payments (AMAPs)

The tax free mileage allowances for employees using their own cars for business journeys have also been amended: the rate for the first 10,000 business miles increased from 40p to 45p from 6th April 2011. The 25p rate for 10,000+ miles remains unchanged.

Employers can reclaim part of any payments made to employees as input tax. However they will need to retain receipts in line with current legislation.

Fuel Benefit Charge

Employees and Directors who are provided with a company car and also receive free fuel from their employers are subject to the fuel benefit charge. The figure on which car fuel benefits are based went up from £18,000 to £18,800 on 6 April 2011. Employees/Directors can avoid the charge repaying the employer for any private fuel used. This requires keeping a record of annual and private mileage. Note that following the rate increase they may be missing out if no private fuel reimbursement is made.

If you are concerned about the effects of these changes on your business, please get in touch and we'll be happy to discuss your specific circumstances.

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When does a tax rebate trigger a tax liability?

If you make donations under the Gift Aid regulations you are basically saying that you are making the donation out of your income after tax has been deducted. The Government then refunds the basic rate tax you have suffered to the charity. These refunds increase the amount charities receive by approximately 25p for every £1 donated.

But what happens if your income for a year changes?

Say you are in business and can make use of present tax write downs to create a tax loss. Say that this loss when carried back to the previous tax year completely covers your taxable income of £50,000 and results in a refund of all the tax you paid. Before you rush out to spend your windfall rebate you might like to consider the following point.

If you had made £2,000 of Gift Aid donations in the previous year, HMRC would have accepted your declaration that the donations had been made out of your taxed income, which they were, and refunded your basic rate tax to the charities. Unfortunately, after your income was covered by the loss relief carry back, your previous declaration is no longer true - you have effectively paid the donations out of gross income as all the tax you paid has been refunded.

The outcome? The £500 of basic rate tax deemed to have been deducted from the net donation made of £2,000 will have to be repaid. HMRC will pursue you for the tax, not the charity.





Bank Holiday office closures

Please be advised that our offices will be closed on the following dates:

Friday 22nd April, Monday 25th April, Friday 29th April, Monday 2nd May, and Monday 30th May

Please also note that with two of these holidays falling at the end of the month, anyone working towards an April or May deadline will need to allow extra time to ensure records are submitted on time.

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