POWER IN NUMBERS

ROTHMANS CHARTERED ACCOUNTANTS NEWSLETTER ISSUE 12 2013

ROTHMANS
everyone counts

AUTUMN STATEMENT 2012

Chancellor George Osborne delivered his 2012 Autumn Statement in December, as the Office for Budget Responsibility said it expected the UK economy to contract by 0.1% in 2012. The Chancellor outlined a raft of measures designed to curtail public spending and kick-start growth.

Some of the key announcements for businesses were:

- **Corporation tax:** the main rate of corporation tax will be reduced to 21% from April 2014.
- **Capital allowances:** from 1 January 2013, the Annual Investment Allowance (AIA) for plant and machinery will increase ten-fold from £25,000 to £250,000 for two years.
- **Small Business Rate Relief:** the temporary doubling of the Small Business Rate Relief scheme has been extended until April 2014.
- **Property rates:** subject to state aid approval, an exemption from empty property rates will be available for 18 months on all newly-built commercial properties completed between 1 October 2013 and 30 September 2016.
- **Cash basis of accounting:** the new cash basis for small, unincorporated businesses with receipts of up to £77,000 to calculate their tax will be introduced as planned from April 2013. The use of flat rates to calculate some expenses will also be introduced.
- **Employee share ownership:** the Government will go ahead with proposals to provide shares to employees in return for giving up employment rights, as planned from 6 April 2013.
- **Company cars and vans:** the car fuel benefit charge multiplier will increase from £20,200 to £21,100 in 2013/14. The van fuel benefit charge will increase from £550 to £564.
- **Support for exporters:** the Government will set up a scheme to provide up to £1.5 billion of loans for the purchase of UK exports when there is no other suitable finance available.
- **Business Bank:** the state-backed Business Bank will receive an extra £1 billion of capital to encourage lending to SMEs.
- **Business Growth Fund:** the £2.5 billion Business Growth Fund is budgeting to substantially increase its level of investment to £200 million in 2013.
- **Start-up loans:** the Government will provide £72 million of follow-on funding for start-up loans.

A vital part of our role is to make sure that you are keeping your tax liability to a minimum. Please do not hesitate to contact us if you would like to discuss any areas of tax planning.

Andy Miller
Partner
Sutton

END OF YEAR TAX PLANNING

There have been some significant changes announced in the March 2012 Budget and December 2012 Autumn Statement. As ever, there are some which present opportunities for tax saving. Here are some of the key areas you may want to consider prior to the end of the tax year on 5 April 2013:

Personal tax

The 50% additional rate of income tax on incomes above £150,000 will reduce to 45% on 6 April 2013. For those who fall into this band, it may be beneficial to defer income from 2012/13 to 2013/14 where possible, as this will save 5% on the top slice of taxable earnings.

Also, those with incomes above £100,000 continue to suffer a withdrawal of their personal allowance at a rate of £1 for every £2 over this amount. Due to this, for 2012/13, taxpayers with income between £100,000 and £116,210 will have an effective tax rate of 60% on this band. You could therefore consider deferring income/ bonuses or opting for pension contributions as an alternative to salary.

Child benefit changes

The high-income child benefit charge (HICBC) applies to those earning more than £50,000 a year, with a 1% charge on the benefit paid for every £100 of income over this threshold. Households with an individual earning £60,000 or more will have the benefit withdrawn completely.

We can help work out your HICBC charge and help complete self assessments. We can also look at ways to legitimately reduce adjusted net incomes to lessen HICBC liabilities, such as paying more into a company pension scheme, salary sacrifice or through charitable donations.

Pension changes

The maximum annual contribution to pensions is to reduce from £50,000 in 2012/13 to £40,000 from 2013/14 onwards. Contributions at the higher level must therefore be made by 5 April 2013. For those taxpayers wishing to pay more than the annual maximum, the ability remains to contribute any unused contributions from the previous 3 years. For example, a taxpayer who had paid no contributions since 6 April 2009 could pay £200,000 prior to 5 April 2013 (4 x £50,000).

Tax efficient investments

Personal. Have you made use of your annual ISA allowance? For the 2012/13 tax year, individuals can invest up to £11,280 in total, with a maximum of £5,640 in cash, into an ISA which offers tax relief on the income and gains. Junior ISAs for under 18s are also available.

Business. There are several tax efficient investment schemes for individuals seeking to invest in UK businesses, the main ones being: the Enterprise Investment Scheme (EIS), the Venture Capital Trust (VCT) and the Seed EIS (SEIS). As is usually the case, the higher the investment risk the greater the tax advantages to be gained. For example, the EIS offers 30% tax relief on large investments into growing businesses and capital gains exemption on shares after a qualifying period. The new SEIS offers a greater range of benefits providing investment is made into a smaller business at the start of trading.

Robin Lloyd
Director
Chandlers Ford

Andrew Bennett, Rothmans Partner; Mark Berrisford-Smith, HSBC Head of Economics; Gary Rothery, HSBC Area Commercial Director

LEADING ECONOMIST TELLS THE SOUTH'S BUSINESSES TO LOOK FORWARD TO GROWTH IN 2013

A leading economist has told nearly 200 businesses from across the southern region that the British economy can expect some growth in 2013. However, the economy is unlikely to fully recover until 2017.

Mark Berrisford-Smith, Head of Economics for HSBC commercial banking, was the keynote speaker at an economic update seminar at the Ageas Bowl, Southampton, organised by HSBC and Rothmans.

As the outlook for the Eurozone improves, there is more cause for optimism than a year ago, Mr Berrisford-Smith said, with the next five years being a process of "slow healing" for the British economy.

His insightful talk included an overview of global economic conditions, such as the slowing down in growth of the BRIC economies (Brazil, Russia, India, China) and the fiscal debt 'cliff' in the US, and their implications for British business. The global economic conditions can give us confidence with the permanent rescue mechanisms that are now in place for the European economies, he said.

He reported that in the UK, the job market is growing and our economy is creating jobs. By encouraging businesses to grow, consumers will feel more confident about spending.
He said that a consumer-led recovery is necessary as 60 percent of our GDP is based on consumer spending.

"The seminar was an opportunity to gain invaluable insight and market intelligence about the economy both here and internationally, and the prospects for the regional business community," Rothmans partner, Andrew Bennett, said.

REAL TIME INFORMATION (RTI) PENALTIES

Details of the penalties for late and inaccurate returns submitted via the new Real Time Information (RTI) system have been published by HMRC. The majority of employers will begin using RTI from April 2013, with larger employers required to follow by October 2013.

Under RTI rules, almost all businesses and pension providers are required to report their employee's PAYE payments online on or before each pay day, as opposed to at the end of each tax year.

According to the HMRC guidance:

- Penalties for late in-year Full Payment Submissions (FPS) will not begin until April 2014. The current penalty process will continue to apply at the year end, with a penalty issued if the relevant information is not up to date by 19 May. Letters will be issued to employers from October 2013 to ensure they understand they would have been liable to a penalty.
- No penalties for inaccurate in-year FPS will be charged for the 2012-13 tax year, but will apply for 2013/14.
- Inaccurate final FPSs for the 2012-13 tax year may however incur in-year penalties.
- Penalties may be charged after the end of the tax year based on final FPS for the year.
- Automated late payment penalties will not begin until April 2014.

Are you ready for the switch to RTI? We can help with payroll issues and RTI compliance.

Andrew Spencer
Director
Havant

TENFOLD INCREASE IN ANNUAL INVESTMENT ALLOWANCE

The shock announcement of the Autumn Statement was the tenfold increase in the amount of the Annual Investment Allowance (AIA).

The AIA provides a 100% deduction for the cost of plant and machinery purchased by a business up to an annual limit which has been £25,000 for expenditure incurred from April 2012. The Chancellor announced that this limit will rise to £250,000 for a period of two years for expenditure incurred from 1 January 2013.

Where a business has an accounting period that straddles the date of change, the allowances have to be apportioned on a time basis.

Where a company has a 12 month accounting period ending on 30 June 2013 the AIA will be £137,500 (£25,000 x 6/12 + £250,000 x 6/12).

However for expenditure incurred before 1 January 2013, rules will limit the maximum figure available. The maximum allowance will be the AIA that would have been due for the whole of the accounting period to 30 June 2013 if the increase in AIA had not taken place. This would have meant that the company would have been entitled to £25,000 for the 12 months and so this is the limit for the six months to 31 December.

The rules for accounting periods straddling 1 January are complicated and this is without the additional complications that arise if part of the accounting period commences prior to April 2012 (as yet another AIA limit needs to be factored in).

The main point to appreciate is that expenditure incurred after 31 December 2012 may give a full tax write off but expenditure incurred before 1 January 2013 may not give this result.

Please contact us before capital expenditure is incurred for your business in a current accounting period, so that we can help you to maximise the AIA available.

ROTHMANS MAKES TAX LESS TAXING

Finding out up-to-date tax information just got easier with the new free tax app for your smartphone from Rothmans.

This easy-to-use app is full of useful tools, including tax calculators, key tax diary dates, helpful tips and tables and the latest tax news affecting you and your business.

Rothmans' personalised service is now available while on the go. With every office location and number being found at the click of a button, making it quick and easy to get in contact any time.

The app is available to download free of charge from the app store for all of Rothmans' clients and anyone looking to make tax a little less complex while still gaining the vital information needed.

LAST OPPORTUNITY FOR 100% CAPITAL ALLOWANCES ON LOW CO^2 CARS

For the past few years a 100% first year allowance (FYA) could be claimed by businesses on capital expenditure on low CO^2 emission cars. From 1 April 2013 the definition of a low CO^2 emission car is changing, making it tougher to qualify for this relief.

Generally, to qualify for the 100% FYA the expenditure must be:

- to purchase a low CO^2 emission car; and,
- on a car that is unused and not second hand (although demonstration cars can also qualify).

Until 31 March 2013 a 'low CO^2 emission car' is one with CO^2 emissions of not more than 110g/km.

From 1 April 2013 the definition of low CO^2 emissions is falling to 95g/km.

This can obviously be a very valuable tax break, but time is running short to utilise it before the definition changes.

There are many tax implications to consider when purchasing or leasing cars. We recommend that you contact us for advice when considering making a change.

Jonathan Poulter
Director
Winchester

Giles Mooney

2013 BUDGET SEMINAR DIARY DATE

Budget Day has been announced as Wednesday 20 March 2013. We are pleased to confirm that our ever-popular annual Budget Seminar will be held at the Ageas Bowl one week later on Wednesday 27 March 2013.

Giles Mooney will again be presenting the seminar for us, but we've given him a few more days to prepare this time! Humour and tax don't often go together, but Giles seemed to manage to keep everyone entertained, as well as informed last year, and we're sure he'll do the same this time. There will be some light refreshments on offer plus the chance to network with the Rothmans team and other guests after the presentation.

Please contact your local office if you wish to reserve a place now.

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