

LATE PAYMENT OF PAYE – NEW PENALTIES



HM Revenue & Customs (HMRC) has given details of penalties that may be charged from tax year 2010/11 if PAYE is paid late. The penalties relate to tax, National Insurance contributions (NICs), construction industry scheme deductions and student loan deductions.

The penalties may be imposed if due payments are not made on time and in full from May 2010.

The new penalties for tax year 2010/11 will start to be sent out from April 2011 and the amount of the penalty will depend on whether payment was due on a monthly, quarterly or annual basis.

For monthly and quarterly payments, penalties will start at 1% of the late amount and will rise to 4%, depending on how often payment is late. If only one payment is late in any year, no penalty

will be payable unless the payment is more than six months late. If payment is more than six months late a penalty of 5% of the amount may be levied.

For annual payments such as Class 1A NICs, up to three penalties of 5% of the amount that is late may be levied, depending on the amount of time that the amount due is not paid in full.

Our advice:

With inflows of tax to the Treasury slowing down due to the recession, the government is determined to encourage payments of tax to be made on time and in full, hence the new penalty regime.

If you feel that you will be unable to pay any amount due on time you should contact us or the Business Payment Support Service on 0845 302 1435.

In certain circumstances HMRC may be prepared to allow you extra time to pay. But make sure you contact them as soon as possible, and in any case before the due date for payment.



John Poulter
Partner – Rothmans Winchester

CHARITIES – MANAGE THE RISKS



Charities and not-for-profit organisations are one of the most vulnerable sectors in a recession. Not only are they more or less immediately affected by pressure on private and corporate donors to cut costs, falls in investment returns and possible major cuts in public sector spending, but they are likely to be amongst the last to recover once the economic downturn ends.

For some charitable organisations, income levels are always too uncertain to predict with accuracy, but in the current climate, financial forecasting might appear as accurate as gazing into a crystal ball. For trustees at this time, the pressure to achieve their charitable aims and deliver to beneficiaries is immense. While funding may be dropping, it's also possible that demands on their services may be increasing as well.

This is the time that every charity needs to review the effectiveness of its risk management and strategic planning. How well has its programme been able to mitigate risks? For example, one of the key features of this recession has been the speed at which change has occurred, requiring charities to take policy decisions quickly, particularly with regards to investments.

For boards of trustees which are reviewing their current strategies, our recommendation would be to think longer term, perhaps for the next five years, rather than just look to the immediate future. If we are seeing some green shoots in the economy then it will take some time before the effects are felt in the charity and not-for-profit sector.

Rothmans has many years' experience in working with charitable organisations across a variety of sectors. We understand the pressures charities and their trustees face in today's environment and we work in partnership with our clients to ensure they maximise their resources both in the present and in the future.

Our charity team specialises in advising trustees on the preparation of budgets and forecasting, tax planning, analysing risks and opportunities, strategic planning and development, and investment procedures and policies. If you are currently reviewing your strategic and operational policies then please do talk to us about how we can help you achieve increased efficiencies and improved effectiveness, not just in the months ahead, but in the years that follow.



For more information about our work in the charity and not-for-profit sector or to arrange an appointment, please contact us.



Andrew Perriam
Partner – Rothmans Chandlers Ford



PLAN FOR YOUR RETIREMENT RATHER THAN LEAVING IT TO CHANCE

Lots of us were born in the 50s, 'baby boomers' and one of the luckiest generations ever, going to university with no fees and a free student grant in the 70s, beneficiaries of Nigel Lawson slashing the top rate of tax from 60% to 40% in the 80s and then over the next three decades the value of our houses more than trebled. But as we approach retirement will we continue to be so fortunate?

Whilst we all tend to put off reviewing our finances if they seem complicated, there are a number of relatively simple matters which could improve your retirement.

Request a state pension forecast online at www.direct.gov.uk, then search for 'state pension forecast' to see if you can improve your benefits by making backdated contributions. When working out if this is worthwhile, remember a spouse may be entitled to a partial pension by reason of their current or ex-spouse's contributions or through home responsibilities protection if they have claimed child benefit. Deferring taking the state pension could also benefit you, particularly if your tax

rate will be lower in the future, but if you don't claim it your pension is now automatically deferred.

As with all financial planning, it's best to spread your money. Overpaying your mortgage is a low risk strategy – you will save all future interest payments compared to investing the money, possibly with a lower return, on which you may have to pay tax.

Whilst pensions give tax relief when any contributions are made, any income paid out of a pension is taxable, after you have taken up to 25% of the fund as tax free cash. Building up a pot to produce tax free income in retirement, such as ISAs, VCTs and certain National Savings products, will also allow you access to the capital should it be required.

If you are considering buying an annuity, gradually moving out of riskier stock market investments can help to protect your benefits and boost your pension income. A market dip just before your retirement could significantly lessen your pension pot.

Four in 10 of us might qualify for a higher level of pension by reason of our health. These 'enhanced' annuities not only apply to those with significant health problems, but also to anyone who smokes, is substantially overweight, diabetic or taking medication for problems such as high blood pressure or high cholesterol.

Most importantly, consider taking advice on your retirement plans to ensure the lifestyle, financial and tax positions are fitted together to produce the best possible outcome.



Carolyn Cox
Partner – Rothmans Eastleigh
Director – In Partnership Financial
Design Ltd

FINANCING GROWTH IN THE MONTHS AHEAD



Even by the most optimistic reading, the UK economy still faces tough times ahead, but as we gradually move out of recession many businesses are looking to take advantage of the better market conditions. Clearly businesses need to adopt strategies to plan for their increased financial requirements over the coming months.

Businesses concerned about accessing finance might consider looking at alternative financing strategies to ensure they are in a strong position not just to survive the months ahead, but more importantly assist their growth during the upturn.

One possible option is invoice financing. Factoring is an arrangement with a factor to advance you up to 80 per cent of the value of an invoice, usually one or two days after it is raised. The factor, who assumes control of your sales ledger, then collects the funds from your customer, in return for a fee and payment of interest, and then pays you the balance of your invoice. Many factors also provide insurance against bad debts.

On the face of it this seems to be an attractive option, providing a quick boost to your cashflow in the short term

and a smoothing out of the peaks and troughs over the longer term. You might even find that outsourcing your sales ledger in this way will free up more time for you to manage your business.

However, be aware of the possible downsides, the most obvious being the costs involved. It could also impact on your scope for other forms of borrowing because you will not be able to use your book debts as security. Some factors might want to have a say in which customers you do business with, and there is also a risk that the way they handle your customers might damage your reputation. Most factors are sensitive to these issues, but even so you would be wise to choose an established and reputable company to work with.

One way to alleviate some of the perceived problems with factoring is to use a slightly different scheme – confidential invoice discounting. This can be more attractive to businesses that want to keep control of their sales ledger and debt collection. Also, customers are not aware of the invoice discounter's involvement. In recent years confidential invoice discounting has become a very well-used method of business finance.

If you think invoice financing might be a possible solution for you, we recommend you discuss the matter with your Rothmans Partner first so we can help you determine the best course of action. We have a number of contacts in this area and can make recommendations for you, if required.



Martin Osborne
Partner – Rothmans Portsmouth North & Segensworth



CASE STUDY

ROTHMANS HELPS MANAGE START UP

rippl is a young company run by young entrepreneurs. Founded by Doug Chisholm in 2008, in response to the huge untapped potential of new handsets such as the iPhone, it is the leading UK publisher of location-based mobile applications. Its mission is to bring the content from the web to life on a mobile handset by letting people browse what's happening around them, on the move.

As a start-up business, initially backed by private funding and aiming to grow rapidly through strong investment in publishing partnerships, Managing Director Doug Chisholm needed to find an accountancy firm to help him structure the company, advise on a funding strategy and recommend effective shareholder agreements.

In the early stages of the business Doug chose local accountants Rothmans, based at Sutton, to

help him. "There is just so much to do when you set up a new business" comments Doug, "so having someone who can not only guide you through the correct processes, but also give advice on all financial issues is just invaluable."

Partner Graham Hindley at Rothmans oversees the team who works with rippl. "Starting a business can be a very stressful time for the owners, so setting up good accounting procedures, quickly and efficiently is important. rippl's first year was primarily a time when it needed to fund its R&D, which enabled us to look at tax liability issues, but the business is now growing rapidly and increasing staff and investors. So our role has expanded to also handle payroll and to work with Doug on the most efficient way to structure the business moving forward."

rippl is convinced there are near limitless opportunities for social and event-based publishers to reach consumers in ways they had never thought of previously. "The future is extremely exciting and Graham and Rothmans are key advisors in helping me look at how we run the company – for example we are exploring a structure where we can give the workforce equity.

"We recently moved to new offices in London's Covent Garden and have already been short listed for several start up and innovation awards. Moving at this pace we need a firm of accountants who understand the business and who we feel are working with us to succeed. That's Rothmans."



MANAGING HEALTH ISSUES AT WORK – FREE ADVICE FOR SMES

The impact of sickness absence for small businesses can be dramatic, but a free helpline, run by NHS Plus, has now been launched nationally to help employers manage a variety of health issues commonly found in the workplace.

Small business employers can now call the Health for Work Adviceline on 0800 0 77 88 44 to get direct access to advice from occupational health professionals.

The pressures of running a small business are now greater than ever before and the importance of staff health is often overlooked due to the daily demands on business owners to manage growth and improve profit. The new advice line provides free and immediate advice on all occupational physical and mental ill health problems, as well as helping tackle existing workplace health issues.

The most common recorded causes of absence are issues associated with back pain and mental ill health. With ever-increasing levels of stress resulting from demanding work requirements, and balancing home and work life, mental ill health issues are estimated to cost the equivalent of £1,035 per year for every employee in the UK work force.

The cost of unexpected staff absences should not be underestimated with the worst performing businesses losing an average of 12 work days per annum for every employee in the business.

As a small business owner, it is vital to manage sick leave effectively and intervene early to minimise the impact that absenteeism and ill health can have on the profitability of a business. The Health for Work Adviceline has been set up to help employers who are

thrown into the role of managing the complex area of health matters but who do not have access to the expert advice which larger organisations have at their disposal. Common issues include coping with an employee who is away from work for a long period of time, someone who frequently takes days off sick or trying to support a staff member who is at work but has physical or mental ill health concerns.

The Health for Work Adviceline provides free, professional and confidential advice for small businesses and employers will receive help to take a proactive approach to employees' health and improving their wellbeing in the workplace.

Further information is also available at www.health4work.nhs.uk.

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