POWER IN NUMBERS

ROTHMANS CHARTERED ACCOUNTANTS NEWSLETTER ISSUE 6 2011

ROTHMANS
everyone counts

NEST PENSIONS REFORM 2012

The introduction of the National Employment Savings Trust (NEST) has been in the press recently following a government review of the scheme. The headlines that employers will have to start making pension contributions for all of their employees from 2012 are somewhat misleading as the majority of employers will not need to comply with the rules from that date. The start date for the roll out of the scheme is October 2012 but this will only impact on employers with 120,000 employees or more. For those with a more modest workforce the start date varies, for example for those with less than 500 employees the date is 1 January 2014 and for those with less than 50 employees the earliest start date is 1 August 2014.

According to the NEST website: 'The requirement to be NEST compliant starts from October 2012 and will vary dependent on the size of the business and PAYE reference number. The Regulator will write to all employers around 12 months before their staging date so that they know when to automatically enrol their eligible jobholders. Three months before the employer's staging date the Regulator will write again to remind them of the new duties and the need to register.'

Employees eligible for automatic enrolment will be:

- those who aren't already active members of a qualifying scheme,
- are aged between 22 years and the state pension age, and
- earn over £7,475 gross a year.

The qualifying scheme may be the existing employer pension scheme if it meets certain conditions, or if an employer does not have a qualifying scheme they will have to set one up or use a NEST pension scheme.

Minimum contribution levels for qualifying schemes:

Employee pays	4%
Tax relief	1%
Employer pays	3%
Total minimum contribution	**8%**

Simon Elliott
Partner Southampton

Contribution levels will be phased in over a period of time:

	Employee pays **	Employer pays
Before October 2016	1%	1%
October 2016 – October 2017	3%	3%
From October 2017	5%	3%

** Less tax relief

If you would like more details of the scheme please contact us.

CORPORATION TAX REFORM

The government has recently announced details of some of its plans to reform corporation tax. Among the changes announced is a plan to make corporation tax more "competitive".

The UK competes with other countries in terms of the corporation tax regime. The government "wants to send out the signal loud and clear that Britain is open for business". It has already reduced the rates of corporation tax for large companies to 27% and small companies to 20% from 1 April 2011. However, the UK's rates still compare unfavourably with the 12.5% offered by the Republic of Ireland. Even in its recent austerity package, the Irish government made clear that it would not increase this rate as other countries have been calling for it to do. The UK had the tenth lowest corporation tax rates in the 27 present EU states in 1997. By 2010, it had fallen to 20th.

The proposals have five objectives:

- Reducing rates but removing tax breaks, to maintain revenue
- Maintaining stability, by avoiding constant changes
- Being aligned with business practice, to reflect new accounting standards
- Avoiding complexity, and
- Maintaining a level playing field, not advantaging one group at the expense of other groups

Territoriality

The first significant change is a move away from taxing UK companies on global profits to taxing them on UK activities only. This change will particularly affect close foreign companies and foreign branches.

The broad thrust of the proposals are:

- to target more precisely artificial profit-shifting to low tax countries
- to exempt from UK tax, foreign profits where doing so does not erode the UK tax base
- not to tax profits from genuine economic activities undertaken offshore.

Interest payments

There was a fear that the government could end the tax-deductibility of interest payments on borrowings. It has decided not to do so, as most other countries allow such payments and doing so conforms with accounting standards.

Intellectual property

The taxation of intellectual property (IP), particularly patents, has been identified as an area that needs reform. The main driver is, again, preventing diversion of UK profits to low tax countries. Some provisions already apply, including transfer pricing.

Details have already been announced of proposals for a "patent box". Under this, profits derived from exploiting a patent will be given certain tax advantages.

IR35 issues

One running sore in the tax system is the arrangement commonly known as "IR35" about personal management companies. This is when a person works for his or her company and sells his or her services to clients on the basis that would otherwise regard the person as an employee. In short, it seeks to tax the self-employed on the basis that they are avoiding tax they would pay if they were employees.

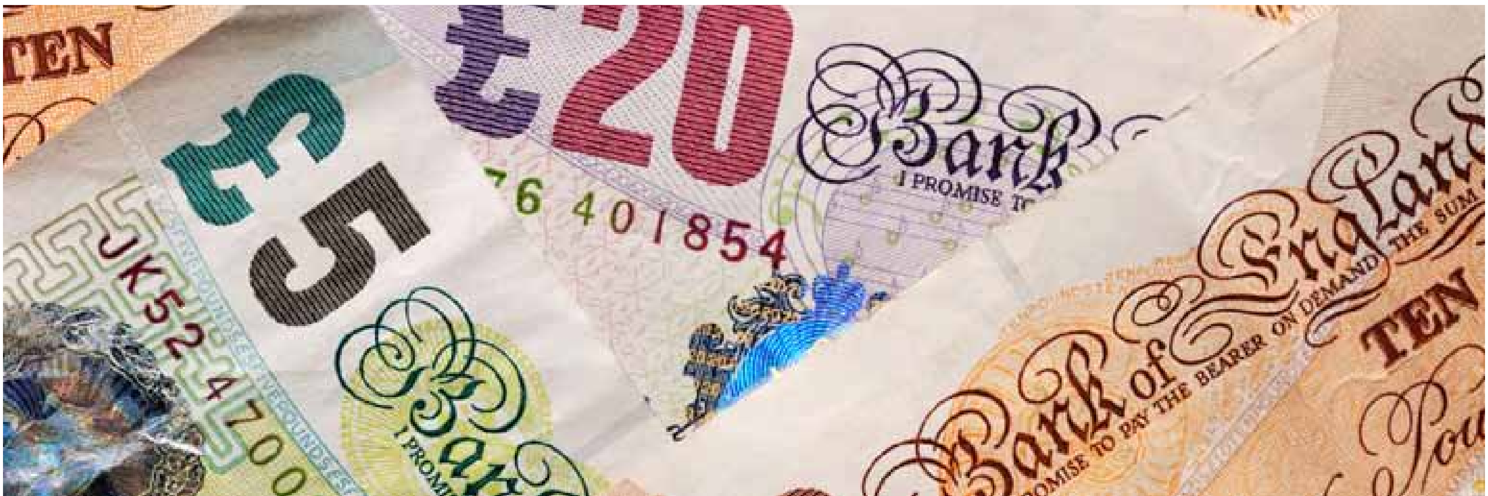
In practice, it is often far from clear whether someone is within the scope of IR35. The new Office of Tax Simplification has been given the task of simplifying this as its first priority. Details will be made known in time for the 2011 Budget. It is difficult to see what simplification there can be, other than scrapping it.

Administration

The plans also give details of simplifying the administration of tax. This involves avoiding the constant change in tax laws, much of which is either trying to tell people how to run their businesses or closing loopholes found from previous changes.

On all these matters, we can provide you with advice and assistance if required.

Andy Miller
Partner Sutton



IN SHORT .....

SAVERS GET EXTRA PROTECTION

There isn't much to cheer savers at the moment: rock bottom interest rates and stubbornly high inflation have combined to keep returns on funds at a very low level.

But there has been some good news for those concerned that a second banking crisis may serve to compound problems. The ceiling on the amount of savers' money that is safeguarded should a bank or building society collapse has risen from £50,000 to £85,000 as from 31 December 2010.

As well as offering a higher level of protection, the new rules will also provide a quicker compensation service, with much of the money to be paid within seven days and the rest within 20 days. The practice of reducing payouts by the amount of money that a saver might owe their savings institution in the form of a mortgage or other loan is scrapped.

PENSION CHANGES FROM APRIL 2011

Significant changes to pension rules are being introduced from 6 April 2011. These include:

- A reduction in the annual contribution allowance from £255,000 to £50,000 per annum.
- The introduction of a 'carry forward' of unused allowances for up to three years.
- Scrapping the requirement to purchase an annuity at age 75 (or 77).
- A reduction in the lifetime allowance from £1.8M to £1.5M (from 5 April 2012).

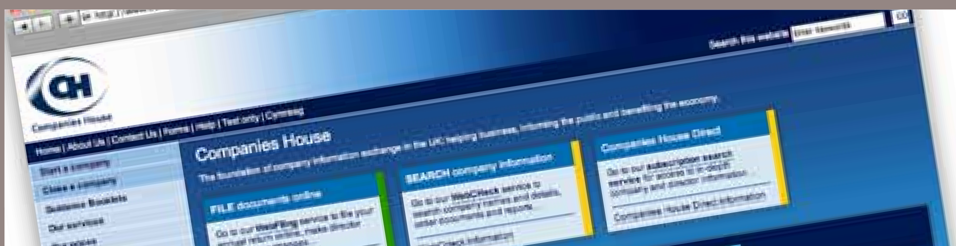
These and other changes provide opportunities for tax planning and if you would like to hear more, please contact us.

LATE FILING PENALTIES – A REMINDER

Although announcements were made over two years ago concerning Companies House filing dates and penalties, these are now starting to take effect so here is a timely reminder:

Accounts for private companies must now be filed within 9 months of their year end (public companies 6 months).

The penalties have also increased significantly for failure to deliver accounts on time and are now as follows:-



Length of delay (measured from the date the accounts are due)	Penalty: Private company	Penalty: Public company
Not more than 1 month	£150	£750
More than 1 month but not more than 3 months	£375	£1,500
More than 3 months but not more than 6 months	£750	£3,000
More than 6 months	£1,500	£7,500

EQUALITY ACT 2010

From 1 October 2010 a significant change in discrimination law was introduced in the Equality Act 2010.

It aims to create a single piece of legislation which:

- combines the various complex discrimination laws.
- introduces changes to further protect employees.
- rectify several loopholes in existing legislation.

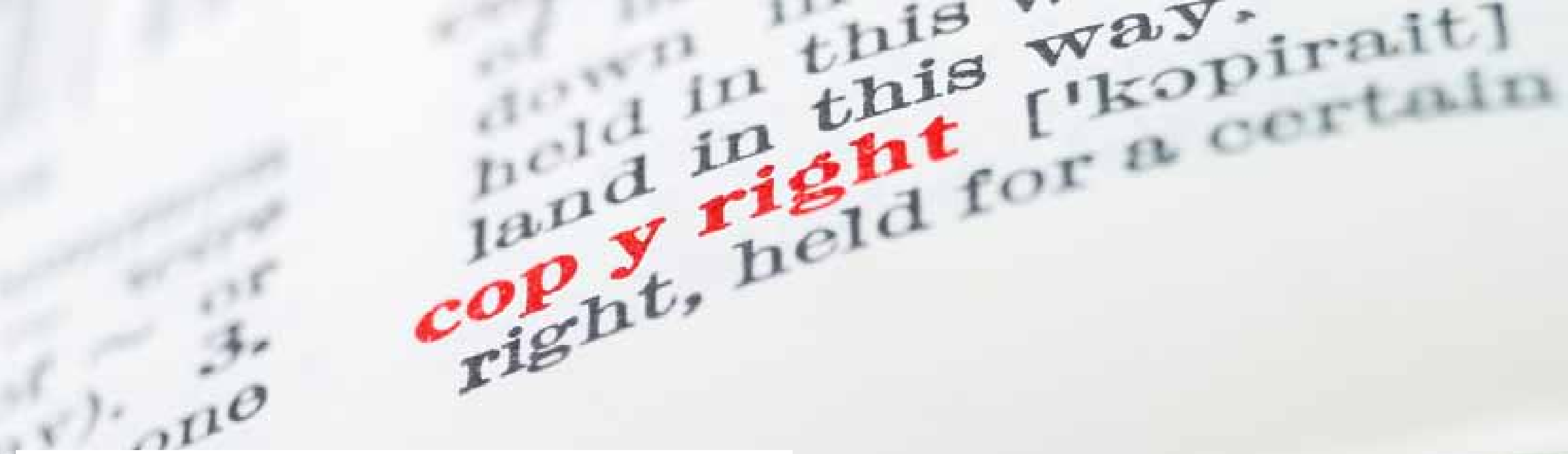
SOME OF THE KEY PROVISIONS ARE AS FOLLOWS

Coverage	The new Act covers the same groups as previous legislation, ie prohibits discrimination on grounds of age, disability, sex, race, nationality, religion or belief, gender reassignment, marriage or civil partnership, pregnancy or maternity and sexual orientation. These areas are now described as 'protected characteristics'.
Third party harassment	Employers can be liable for harassment which their employees are subjected to by a third party (eg by a customer). The employer will be legally responsible if they are aware that their employee has been subject to harassment on two separate occasions, and has failed to act on that knowledge.
Discrimination by perception	Employees can now bring a claim if they are treated less favourably or harassed due to an employer's 'perception' that they have a 'protected characteristic', regardless of whether the perception is correct.
Discrimination by association	Employees can now bring a claim if they are treated less favourably or harassed due to their association with a person with a 'protected characteristic', eg an employee with a disabled child.
Pre-employment health questionnaires	It is unlawful for employers to ask health related questions prior to a job offer being made. It is however still possible to ask a question to ascertain whether a person is fit enough to carry out a function that is fundamental to the role.

Other changes that are possibly to be introduced in future include the ability to 'positively discriminate' in favour of candidates with a 'protected characteristic'.

Our advice:
It is essential that employers should make themselves familiar with the changes, and if necessary take steps to update company policies and train staff accordingly.

Richard Showan
Partner Eastleigh



INTELLECTUAL PROPERTY

Intellectual property can account for a substantial portion of a business' assets, even in a small enterprise, and in some cases can be the most valuable asset an organisation owns. This brief article covers some of the more important aspects of identifying, protecting, and leveraging intellectual property in small and medium-sized businesses.

What is intellectual property?

The term 'intellectual property' or 'IP' basically refers to specific creations of the mind for which property rights are recognised. It can include designs, inventions and discoveries as well as literary, artistic and musical works and even symbols, words, and phrases, including software.

Your IP will often be an essential element in your business or brand identity, something that distinguishes you from your competitors and a crucial factor in your ability to attract and retain customers.

The value of IP

Generally, IP only has value if you can establish ownership rights, or intellectual property rights (IPRs). Once IPRs are established they can be attributed monetary value and traded in the marketplace, thus rendering an intangible asset much more 'tangible'. For example, you can:

- Earn royalties by licensing them
- Leverage them in strategic alliances
- Use them to secure loans
- Sell them separately or as part of a wider business disposal.

There are many different ways to value IPRs and no one method is suitable for all situations.

Protecting IPRs

Often the terms 'intellectual property' (IP) and 'intellectual property right' (IPR) are used interchangeably, but strictly speaking, IP is an intellectual 'product' such as a design, an original piece of writing, some software, or an invention, and the IPR is the legal right covering the ownership and usage of that product.

The most common types of IPR are patents, trademarks, copyrights, database rights and registered designs. Whereas copyright accrues automatically, the others have to be applied for through the appropriate channels.

Protection in the workplace

Generally employers have the rights to IP created by their employees, but it is always a wise precaution to spell this out in the employment contract. In some cases, where employees work with sensitive material, it might also help to have them sign a confidentiality agreement.

Respect for others' IPRs

Care also needs to be taken not to infringe the IPRs of other businesses because this can prove costly if the other party decides to pursue the matter through the courts. Be sure to carry out appropriate searches of trademarks, patents, registered designs and copyrights before using, selling, or importing others' products.

IP and taxation

For corporation tax purposes, any intangible asset created or acquired on or after 1 April 2002 is taxed under a self contained intangible asset regime. In general, the regime attempts to align the tax treatment of intangible fixed assets with the accounting treatment. Consequently, the tax treatment of an intangible asset is fairly simple as the debits, credits or gains recognised in a set of company accounts are also normally allowed for tax purposes.

Debits typically include:

1. Revenue expenditure charged to the profit and loss account.

2. Amortisation of expenditure on assets included in the balance sheet.

Credits typically include:

1. Receipts charged to the profit and loss account.

2. Profit on the disposal of intellectual property.

Whilst the accounting treatment is generally followed, it is important that a distinction is made between trading or non-trading assets.

Intangible assets created or acquired before 1 April 2002 are subject to different provisions.

Finally, the new coalition government has decided to retain the proposal to introduce a 'patent box', which is one of the measures announced by the previous government. The plan is to introduce a new reduced rate of corporation tax of 10% arising on income from April 2013 on patents registered after the Finance Bill 2011 is enacted, although full details are not yet available.

Adam Bolger
Partner Portsmouth-South

PARTNERS COMPETE IN GREAT SOUTH RUN

Four partners competed in the recent Great South Run. Even more commendable was that they all finished the 10 mile route ...... albeit in significantly varying times. Andy Miller, the youngest of the intrepid four, posted a very impressive 1hr 12 mins. Brian Corlett insisted that with the introduction of an age handicap, he won by a mile! Perhaps more importantly funds were raised for various charities including the Alzheimer's Society.

The final results were as follows:-

Andy Miller	**1 hr 12 mins**
Andrew Perriam	**1 hr 22 mins**
Terry Stocker	**1 hr 44 mins**
Brian Corlett	**1 hr 48 mins**

Photo: Left to right: Andrew Perriam, Brian Corlett, Andy Miller, Terry Stocker

ROTHMANS TO EXHIBIT AT BUSINESS SOUTH

Rothmans will be exhibiting at the Business South exhibition at the Rose Bowl in Southampton.

The Business South exhibition covers every aspect of business today, from the tried and trusted to the new and exciting. The exhibition provides the opportunity to:

- Stay informed of cutting edge business ideas
- Meet the widest selection of suppliers in the region
- Benchmark your competitors
- Develop and grow your network
- Learn from the experts on key business issues
- Meet fellow professionals
- Benefit from personal and professional development opportunities

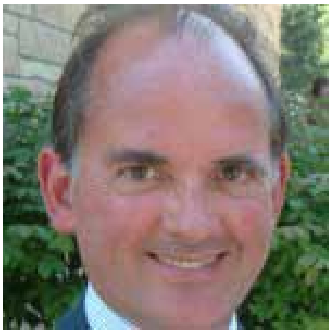
Come along and visit the Rothmans stand we are open from:

Wednesday 2 March 10am - 5pm
Thursday 3 March 10am – 4pm

Entrance to the exhibition is free.

ROTHMANS ANNUAL BUDGET SEMINAR

We are pleased to confirm that Tim Good will once again be presenting our annual budget seminar. Tim is a renowned speaker on tax issues and will give us an entertaining view on the coalition's second budget. This year the event is on 28 March at The Rose Bowl. For more details visit our website on www.rothmansllp.com



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