Winter 2012/Spring 2013 Issue 18

watson associates
REGISTERED AUDITORS • ACCOUNTANTS • BUSINESS ADVISERS

WatsON

Registered Auditors • Accountants • Business Advisors

H M TREASURY AUTUMN STATEMENT

In December 2012 the Chancellor delivered his Autumn Statement

H M TREASURY

AUTUMN STATEMENT 2012

Clauses published in the Finance Bill 2013 outline what has been happening with legislation since the last Budget which will hopefully enable the Government to deliver much needed growth to the UK.

Here we outline some of the major changes that may affect you:

CORPORATION TAX

Main Rate

The Government will reduce the main rate of Corporation Tax by a further 1 percentage point to 21% from April 2014. The rate will fall from 24% to 23% from 1 April 2013 as announced in the 2012 Budget.

Relief for the creative sector

The Government announced in the 2012 Budget that, following consultation on design, it would introduce Corporation Tax relief for video games, animation and high end television industries from April 2013, subject to state aids approval. Under these reliefs, qualifying companies will be able to choose between an additional deduction at a rate of 100% of enhanceable expenditure or a payable tax credit of 25% of qualifying losses surrendered.

ALLOWANCES FROM CORPORATION TAX

Annual Investment Allowance

The Government will increase the Annual Investment Allowance limit from £25,000 to £250,000 for two years for all qualifying investments in plant and machinery made on or after 1 January 2013.

AVOIDANCE AND EVASION

Tax avoidance schemes

The Government will increase HMRC's resources to accelerate its resolution of avoidance schemes, including long standing avoidance schemes involving partnership losses.

Contents

Our Services

- BUSINESS DEVELOPMENT SERVICE
- CORPORATE STRATEGY SERVICE
- OUTSOURCED MANAGEMENT ACCOUNTS
- TAXATION
- ACCOUNTING & AUDIT SERVICES
- PAYROLL
- IT SUPPORT
- LITIGATION SUPPORT
- COMMERCIAL BROKING & ADVISORY SERVICE

Contact us

watson associates
REGISTERED AUDITORS • ACCOUNTANTS • BUSINESS ADVISERS

HAILSHAM

30-34 North Street, Hailsham, East Sussex, BN27 1DW

Phone : (01323) 842 119

Fax : (01323) 442 826

BRIGHTON

Lace House, 39-40 Old Steine, Brighton, East Sussex, BN1 1NH

Phone : (01273) 926 119

Fax : (01273) 926 826

PAYROLL INFORMATION - ARE YOU RTI READY?

There is a major change in the way payrolls will be administered on the horizon

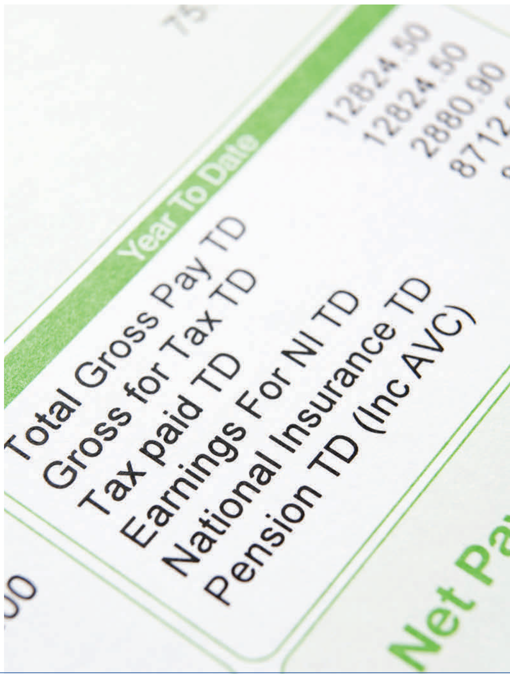
Real Time Information (RTI) will be brought into practice between April 2013 and October 2013 - all employers will be required by Law to submit a Full Payment Submission (FPS) Return to H M Revenue & Customs every time they pay their employees.

WHAT IS RTI?

RTI will be HMRC's prescribed way for employers to submit data in real time i.e. at the time the employee is paid their earnings. The employer will be required to report information about their employees PAYE Income Tax, National Insurance contributions and other deductions either weekly or monthly depending on when wages are paid. Currently these reports are submitted by way of an Annual Return after the tax year has ended.

WHAT IS EXPECTED OF ME AS AN EMPLOYER?

Whether you pay your staff weekly or monthly, each week or month before the pay day you will be required to submit the pay information to HMRC showing all pay and tax details. If you are late in doing so a penalty will be incurred.



Every employer will be required to complete an Employer Alignment Submission (EAS) in order for HMRC to set you up on their system. The information you should have on all current employees is as follows:

- Full formal name (including any middle names) as appears on their birth certificate, driving licence or passport
- Date of birth
- Gender
- Address including UK postcode
- National Insurance number

If you are a small employer (less than 250 employees) this EAS may be part of the first Full Payment Submission (FPS). If your software allows, you may be able to perform a test EAS before your FPS is due. HMRC will advise you if the EAS is required if you are transferring to RTI before 6 April 2013.

Additional information will be required for all new starters and leavers under FPS which may necessitate a change in your current procedures.

WHAT CAN I DO NOW?

1. Check that your payroll software will be ready in time and is compliant with the changes in legislation.
2. Ensure you have all information to hand necessary to complete the EAS (Employer Alignment Submission).
3. Start to consider any possible changes required to your procedures in respect of new starter information.
4. Order new stationery.

Following submission of the EAS HMRC will contact you if they find any data inaccuracies. HMRC records are updated to reflect the information you provide therefore it is vital that your payroll information is accurate and complete.

SEIS VS EIS

Main differences between Seed Enterprise Investment Scheme (SEIS) and Enterprise Investment Scheme (EIS)

From 6 April 2012, the Seed Enterprise Investment Scheme (SEIS) was introduced enabling certain individual investors to benefit from generous tax reliefs for investing into start up companies. At the same time, significant changes were introduced to the Enterprise Investment Scheme (EIS) allowing certain individual investors to invest more money into larger (more established) companies thereby enabling them to access more in the way of tax relief.

Now that a few months have passed since these changes and, further to our feature on SEIS in the Summer, we thought it would be useful to compare the two schemes from an investment company and investor point of view:

	SEIS	EIS
INVESTMENT COMPANY		
Structure	Unlisted company less than two years old. May be listed on AIM but not the main market.	Unlisted Company. Maybe listed on AIM but not the main market.
Qualifying Company	New Company with gross assets of less than £200,000. Fewer than twenty five employees.	Gross assets £15m limit pre investment. Gross assets £16m limit post investment. Fewer than two hundred and fifty employees.
Company Investment Limit	£150,000 (total). This is a cumulative limit not annual.	£5m subject to state aid approval.
Use of Money	Must be used within three years. 70% of funds must be used before applying for EIS/VCT schemes.	Must be used within two years.
Subsidiaries	May have a subsidiary provided it owns 50% of the ordinary share capital and another company does not control the subsidiary.	May have a subsidiary subject to certain conditions.
INVESTOR		
Maximum Individual Investment per Tax Year	£100,000. Any unused annual amounts can be carried back to the previous year.	£1m. Any unused annual amounts can be carried back to the previous year.
Form of Investment	100% shares and must be fully paid up.	100% shares and must be fully paid up.
Connection	No employee investment. Directors can invest subject to the 30% no substantial interest rule. Cannot hold more than 30% of share capital, voting rights or entitlement to assets on winding up.	No employee investment. Business Angels can invest subject to being a director receiving no remuneration. Cannot hold more than 30% of share capital, voting rights, entitlement to assets on winding up two years before issue of shares and three years after.
Subject to Anti Avoidance Measures	Yes. Investors will be subject to a disqualifying purpose test.	Yes. Investors will be subject to a disqualifying purpose test.
TAX		
Income Tax Relief	50%.	30%
Eligibility for Tax Relief	Three years.	Three years.
Carry Back Tax Relief to Previous Year?	Yes. Up to 100% of investment.	Yes. Up to 100% of investment.
CGT Reinvestment Relief	Yes. CGT exemption for gains realised and reinvested in 2012-2013.	Yes. Deferral for gains when investment in EIS made within one year before or three years after the gain arose.
CGT Liability	Nil after three years.	Nil after three years.

BUSINESS RECORDS CHECKS

HMRC take a fresh approach

Following a pilot programme of Business Record Checks in 2011 HMRC have, after an eight month suspension, reintroduced BRC having given it a facelift. In November 2012 HMRC outlined their new approach.

The rationale behind the checks remains the same – to monitor the adequacy of records being held so that small and medium sized businesses can complete their Tax Returns correctly.

Starting on 1 November 2012 the new BRCs will be conducted as follows:

1. HMRC will write to arrange a telephone appointment with those businesses who, in their eyes, are more likely to be at risk of holding inadequate records.

2. HMRC will phone and go through a short questionnaire (10-15 minutes) to assess whether you are likely to be able to submit an accurate Tax Return from your records.

At this stage:

- If satisfied - HMRC will confirm no further action is required.
- If issues are identified – the business will be offered targeted self help education.
- If identified as being at risk of keeping inadequate records – the business will be referred back for a BRC on site visit and a call made to the business at a later date to arrange the same.

3. If HMRC deem it necessary to attend a face to face BRC appointment at the business, the Visiting Officer will:

   - ask for an explanation as to how the business is run.
   - note how business records are kept.
   - check a sample of current business records (usually the last four months).
   - advise if the business records are **adequate** and confirm via letter a few days later.
   - advise if the business records are **inadequate** and need improving. The officer will then advise what the business needs to do to make the records adequate and what will happen next.

POSSIBLE OUTCOMES FOLLOWING A BRC VISIT

SCENARIO 1
No problems with your records
Visiting Officer would advise no further action required whilst on visit and later confirm in writing.

SCENARIO 2
Improvement needed to record keeping
May incur a penalty (not before being given the chance to bring records up to standard).

SCENARIO 3
If record keeping not improved
A penalty will apply. £500 for first offence. £250 for a business in its first trading year.

SCENARIO 4
Inadequate records
Will be referred for a further BRC in two year's time.

SCENARIO 5
Tax needs to be checked
Details passed on to other HMRC teams to look into the Tax Return.

PLAN NOW TO BE TAX EFFICIENT

Is there tax efficient planning you could undertake before 5 April 2013

As the end of the tax year approaches, it is worth ensuring you utilise any relevant exemptions or limits that may be available as many of these cannot be claimed retrospectively.

Income Tax

- If possible ensure you utilise your annual tax free personal allowance of £8,105.
- Transferring income bearing assets between spouses or civil partners may result in income either being covered by unused allowances or being taxed at a lower rate.
- Income in excess of £150,000 gross is liable to Income Tax at 50% so it may be worth deferring any bonus or payments until after 5 April 2013 as the top rate of tax is falling to 45%.
- The loss of the personal allowance when your gross income exceeds £100,000 is effectively at a rate of over 60%. Use of pensions and other reliefs may help here.
- If you or your partner receive child benefit and your income exceeds £50,000 there may be a claw back of the benefit. Use of pensions and other relief can reduce this exposure.

Pension contribution

- Up to £3,600 gross can be invested by anyone. Tax relief is generally only available up to £50,000 for the year but is linked to earnings. More can be claimed in specific circumstances.

ISA limit

- The limits for individual ISA investments for 2012/13 are £11,280 in total (with up to £5,640 in a cash ISA) or into a junior ISA for certain children (£3,600) which is released to them at age 18.

Capital Gains Tax – Annual Exemption

- Ensure where possible you have utilised the individual annual exemption of £10,600, as transferring gains between spouses, prior to disposal, may save nearly £3,000 of tax. Crystallising losses where there are potential gains over this limit must be done before 5 April 2013. Capital losses cannot be carried back.

IHT exemptions

- Every individual has an annual exemption for Inheritance Tax purposes of £3,000 plus the previous year if not utilised. You should review your Inheritance Tax position regularly and determine whether there are gifts that can be made to minimise the tax.
- You might also be able to help your family out with ‘normal expenditure out of income' and the sooner you start the stronger the argument for exempting these payments from a future tax liability.

Capital allowances for business

- As from 1 January 2013 the 100% Annual Investment Allowance has been increased from £25,000 to £250,000 - this is only a temporary situation for two years at the moment. The timing for asset purchase will affect the allowable tax relief. Whether to purchase an asset prior or after your year end should always be a consideration.

Good personal tax planning can provide significant savings – don’t wait until the new tax year – contact us now!

CLIENT CORNER

LACE AT 2012 RYDER CUP

Lace International secure Ryder Cup DVD release rights

Our congratulations go out to Brighton based Sports DVD publisher Lace International who successfully secured the DVD rights for the 2012 Ryder Cup, held at the Medinah Country Club in Chicago.

In what turned out to be an amazing three days of golf it ended in one of the most incredible comebacks the sporting world has ever seen – dubbed by the media and Lace as 'The Miracle at Medinah'!

The DVD's and Blu Ray's, released at the end of November 2012 have become the fastest selling and most successful Ryder Cup release ever, with over 50,000 units sold in little over two months. Lace MD Adam Lacey was thrilled and said 'This has been a fabulous project to work on and we are all extremely pleased with the results, and it was great to see the players get behind the project also!'.

WELCOME TO OUR NEW PARTNER

STAFF ROOM

A warm welcome to our newest Partner - Paul Severn

Paul *"I am excited to be joining such a well established and widely respected dynamic, proactive firm and thrilled to be a part of the driving force behind Watsons".*

We would like to welcome Paul as a fantastic addition to Watson Associates. It is great that we have been able to attract a new, young Partner with the vision and drive to match our own.

Paul joined the Watsons team in February 2013 making us now an eight Partner practice.

Having come to us from another local firm and previously having worked at one of the "big six" in London, Paul brings with him a wealth of knowledge. He enjoys all aspects of general practice in particular assisting with start ups and owner managed businesses.

Outside of work Paul enjoys and participates in many sports most notably golf and football.

We look forward to a long and happy working relationship with him!

WELCOME PAUL!

Dates for your Diary

2 March 2013	Last day to pay balance of 2011/2012 tax and Class 4 NICs to avoid automatic 5% surcharge
20 March 2013	Budget speech by Chancellor of the Exchequer
31 March 2013	End of Corporation Tax financial year