Winter 2013 Issue 21

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EMPLOYMENT ALLOWANCE

Will your businesses NICs be cut in April 2014?

From April 2014 the Government's National Insurance Contributions Bill will come into force and an employment allowance will become available to every business and charity in the UK.

The Employment Allowance will reduce an employer's National Insurance bill on an annual basis by up to £2,000 for businesses with under 50 employees.

From April 2014, up to 1.25 million businesses will benefit, with 98% of the benefit going to small and medium sized businesses with fewer than 250 employees.

The Exchequer Secretary to the Treasury, David Gauke, said: "Small businesses are the lifeblood of our economy and we want to do what we can to support them. The Employment Allowance will reduce the cost of taking on new staff, supporting 200,000 businesses in the South East and hundreds of thousands more across the UK that are ambitious to grow by reducing the cost of hiring their first employee or growing their workforce".

The allowance will mean that a business that employs one person on £22,400, or four employees on a minimum wage, will not be required to pay NICs on the employee(s) earnings.

A business employing five adults full time on the national minimum wage will see their employer NICs bill reduced by over 80%.

The allowance will have to be claimed and businesses will be required to confirm their eligibility for the allowance through their regular payroll processes. Up to £2,000 will be deducted from their employer NICs liability over the course of the year.

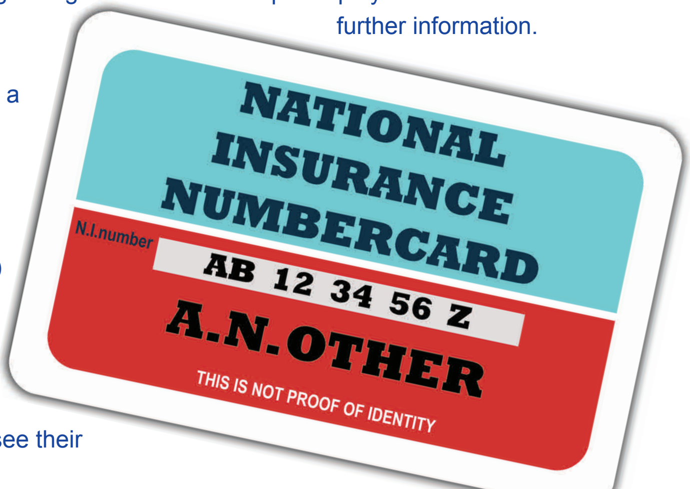
WHO WILL BE ELIGIBLE FOR THE NEW EMPLOYMENT ALLOWANCE?

- Businesses
- Charities
- Community amateur sports clubs

Up to 35,000 charities with employees are expected to benefit by around £45 million a year in total.

Businesses paying NICs of £2,000 or less will not pay any employer NICs at all.

Visit http://employmentallowance.com for further information.



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CREATIVE SECTOR RELIEFS

Tax incentives for companies

Legislation has been included in the Finance Act 2013 to provide tax incentives for expenditure incurred by companies within the creative sector on or after 1 April 2013.

The creative sector reliefs offer tax advantages for companies engaged in high end TV programme production, animation and video games.

To qualify for the relief, animation and high end TV programmes and video games will need to be certified as culturally British.

Overview of the reliefs

The Finance Act 2013 Creative Sector Relief enables a qualifying company to obtain an enhanced deduction in computing their taxable profits, and where that additional deduction results in a loss, the company can surrender that loss for a repayable tax credit.

Only companies liable to UK Corporation Tax are eligible for relief.

The enhanced deduction is limited to the lower of the qualifying expenditure that is UK core expenditure and 80% of total core expenditure incurred on or after 1 April 2013.

If the business is loss making, any resultant loss may be surrendered for a payable tax credit of 25%. The amount of the loss that can be surrendered is restricted to a cap of the lower of UK core expenditure and 80% of total core expenditure. There are special rules for the treatment of any losses incurred in the business (including the enhanced element) which have not been surrendered for a tax credit.

Conditions for the reliefs

- **TV and animation**

  The relief is available to television production companies and applies to drama, documentary and animation programmes. Drama for this purpose includes comedy, but excludes programmes such as advertisements, live performances and quiz shows, news broadcasts or current affairs and training programmes.

  For the programme to be classified as qualifying for these purposes:

  ◊ it must be intended for broadcast to the general public;

  ◊ it must meet the cultural test and

  ◊ at least 25% of the core expenditure incurred by the company on the relevant programme must be UK expenditure.

  High end TV, animation and video games tax reliefs are subject to cultural tests similar to that of the UK film tax incentives. Tax relief is only available for core expenditure. This is a narrower definition than production expenditure.

  Production expenditure means all expenditure on television production activities in connection with the programme, including the development, pre production, principal photography and post production of the programme.

  Core expenditure means the pre production, principal photography and post production costs of the programme. UK core expenditure refers to goods or services that are used or consumed in the UK. The relief is available for core expenditure incurred on or after 1 April 2013.

- **Video games**

  The relief can be claimed by a video games development company provided the video game meets the following conditions:

  ◊ it must be intended for supply to the general public, as determined when video production activities begin;

  ◊ it must meet the cultural test;

  ◊ at least 25% of the core expenditure incurred by the company must be UK expenditure.

PENSION REFORM - AUTO ENROLMENT

The Seven Steps to Preparing for Auto Enrolment - STEP 3

Having previously outlined the first two steps (which can be found at http://www.watsons.co.uk/blog/pension-reform-auto-enrolment-and-nest1) here is the third you will need to follow when preparing for auto enrolment.

THE SEVEN STEPS

1. Know Your Staging Date
2. Assess Your Workforce
3. **Review Your Pension Arrangements** *- in this issue*
4. Communicate the Changes to all your Employees
5. Automatically enrol your eligible job holders who are not already active embers of a qualifying pension scheme
6. Register with TPR and keep records
7. Contribute to your employees' pensions

AS THE EMPLOYER YOU MUST BE SATISFIED THAT YOUR PENSION SCHEME MEETS THE CRITERIA TO BE AN AUTOMATIC ENROLMENT SCHEME BEFORE IT CAN BE USED FOR AUTOMATIC ENROLMENT.

SEVEN STEPS TO PREPARE FOR AUTO ENROLMENT

STEP 3

REVIEW YOUR PENSION ARRANGEMENTS

You will be required to provide a pension scheme that fulfils your employer's duties enabling you to enrol **all** of your employees. The pension scheme must meet with the automatic enrolment and qualifying criteria of a new or existing pension scheme. For more information on the qualifying criteria please refer to the TPR website www.tpr.gov.uk

If you already have an existing pension scheme please check with your current provider that the scheme qualifies. If it doesn't you may be able to change the scheme rules or amend the terms of the policy. The scheme must be able to accept new members.

If you do not already have a pension scheme or your existing pension scheme does not qualify under the automatic enrolment criteria and you are unsure what scheme to choose TPR will be able to assist in choosing a scheme for automatic enrolment that is well run, offers value for money and protects employees' retirement savings. Please refer to the TPR 'Employer's Guide' on their website. http://www.thepensionsregulator.gov.uk/employers/choosing-quality-pension-scheme.aspx

We would be happy to recommend an appropriate financial advisor to assist with auto enrolment. Please contact us for details. Alternatively you could look at using the National Employment Savings Trust (NEST) for a simple low cost pension arrangement.

Once you have chosen your pension scheme you will be required to contact the scheme provider and understand the joining process. You will be required to send data to the pension scheme and ensure that the scheme is set up and ready to meet the automatic enrolment criteria by your staging date. Timing is all important at this stage so please check the dates with your pension provider. You can use the TPR website to create a plan to assist if you so wish - http://www.thepensionsregulator.gov.uk/employers/planning-for-automatic-enrolment.aspx

MICRO ENTITY EXEMPTIONS

Simplified financial reporting requirements for very small companies

In September 2013, the UK Government confirmed that it will be introducing simplified financial reporting requirements for very small companies 'Simpler financial reporting for micro entities: the UK's proposal to implement the 'micros directive''.

A micro entity is defined as an entity satisfying at least two of the following criteria:

- Balance sheet total not exceeding £316,000.
- Net turnover not exceeding £632,000.
- Average number of employees during the financial year not exceeding 10.

Following consultation, the Government decided not to go ahead with some of its earlier proposals and in particular have...

"...concluded that we should implement the Micros Directive except for those parts that would remove the obligation

- to present prepayments and accrued income and accruals and deferred income;
- to recognise only certain prepayments and accrued income and accruals and deferred income.

In addition, we will exclude companies which are charities from exercising the Micros Exemption in the interests of transparency."

So, the proposals will not be moving closer to cash accounting after all. The relaxations will not apply to charities nor to the other obvious exclusions, such as public companies. Limited Liability Partnerships will be excluded from using these exemptions for the time being.

The Department for Business, Innovation and Skills has said that the new rules, which are optional, will apply for financial years ending on or after 30 September 2013 provided the accounts are filed on or after the necessary regulations have come into force. The draft regulations were laid before Parliament on 23 October 2013.

The changes

Aside from those amendments noted above, the special financial reporting rules for micros will follow the proposals outlined by the Government in February 2013. This will enable micro entities to draw up an abridged profit and loss account and balance sheet. The accounts will be deemed to provide a true and fair view.

Companies will have to file the abridged balance sheet at Companies House. They already do not have to file a profit and loss account.

Notes to the accounts will not be needed apart from details at the foot of the balance sheet of:

- Any outstanding commitments by way of guarantees
- Advances and credits to directors.

The original proposals had also recommended that details of any acquisition of a company's own shares should also be included at the foot of the balance sheet of a micro entity. However, narrative reporting regulations recently approved by Parliament for financial years ending 30 September 2013 has limited this requirement to public limited companies only. Therefore, it is not expected to feature as part of the final micro entity regulations.

It will be interesting to see how HMRC responds to these proposals in due course as presumably there will still be a need for further information from some of these companies.

STATUTORY RESIDENCE TEST

On 6 April 2013 the Statutory Residence Test (SRT) came into effect and must now be used in order to determine whether or not an individual is UK resident for tax purposes.

START

- Not resident throughout the whole of the previous 3 tax years and present in UK < 46 days in the current tax year — YES → NON RESIDENT; NO ↓
- Resident in UK in at least one of previous 3 tax years and present in UK < 16 days in the current tax year — YES → NON RESIDENT; NO ↓
- Leave UK to work abroad full time, present in UK < 91 days and < 31 days spent working in UK — YES → NON RESIDENT; NO ↓
- Present in UK ≥ 183 days in the current tax year — YES → RESIDENT; NO ↓
- All homes are in the UK — YES → RESIDENT; NO ↓
- Work full time in the UK — YES → RESIDENT; NO ↓
- Not resident in UK throughout all of the previous 3 tax years — YES → ARRIVER; NO → LEAVER

ARRIVER		LEAVER	
• UK resident family		• UK resident family	
• Substantive UK employment ≥ 40 UK days in tax year		• Substantive UK employment ≥ 40 UK days in tax year	
• Accessible UK accommodation stayed in ≥ 1 night		• Accessible UK accommodation stayed in ≥ 1 night	
• Present ≥ 91 days in either of previous 2 tax years		• Present ≥ 91 days in either of previous 2 tax years	
		• Present in UK ≥ any other single country	
TOTAL CONNECTIONS		TOTAL CONNECTIONS	

Count days in UK

ARRIVER	DAYS	LEAVER
Always non resident	< 16	Always non resident
Always non resident	16 - 45	Resident only if ≥ 4 connections
Resident only if ≥ 4 connections	46 - 90	Resident only if ≥ 3 connections
Resident only if ≥ 3 connections	91 - 120	Resident only if ≥ 2 connections
Resident only if ≥ 2 connections	121 - 182	Resident only if ≥ 1 connection
Always resident	183 or more	Always resident

CLIENT CORNER

A GREAT 1ST YEAR FOR ACTIV8

Business goes from strength to strength in its first year

Activ8 Development was established a year ago by Paul Welling, who had been managing all the personal, management and commercial development training for a large accountancy firm. Paul focuses on developing people by designing and delivering exceptional learning and development solutions.

Paul commented that it has been an enjoyable first year in which he had to make key decisions over which other businesses to partner with, stating further that ‘by working freelance with other development organisations, such as Go Make A Difference, I have been able to facilitate development workshops for very large clients such as Kraft Foods Inc. in the USA.’

2014 should be a great year for Activ8 Development.

Paul *“As I specialise in Professional Services, I have valued working with JA Consulting and The Excedia Group designing and delivering workshops for lawyers and accountants”.*

MACMILLAN COFFEE MORNING

WA pulling together to raise funds for Macmillan Cancer Support

STAFF ROOM

Pictured: Joyce Peacock, Kerry Batkin and Amy Noakes

In September 2013 MacMillan Cancer Support held the ’World’s Biggest Coffee Morning’. Taking this idea and spearheading the effort from Watson Associates were Kerry Batkin and Amy Noakes.

They rallied the troops and with the support of fellow baking wizard colleagues laid on a coffee morning spread to top all others. Elegantly presented on beautiful cake stands courtesy of Joyce Peacock, the room was decorated with bunting, balloons and floral displays.

It was an amazing spectacle to see the office pull together for a marvelous cause - the coffee morning raised just under £300 in cake sales, raffles and games for the charity.

Well done to everyone involved!

Dates for your Diary

5 December 2013	The Chancellor delivers his Autumn Statement
1 January 2014	Due date for payment of Corporation Tax for the period ended 31-3-2013
31 January 2014	First Self Assessment payment on account for 2013/2014
	Capital Gains Tax payment for 2012/2013
	Balancing payment for 2012/2013 Income Tax/Class 4 NICs due
	Last day to file 2013 Tax Return online
2 March 2014	Last day to pay balance of 2012/2013 tax and Class 4 NICs to avoid automatic 5% surcharge
March 2014	Budget speech by Chancellor of the Exchequer
31 March 2014	End of Corporation Tax financial year