

Watson

Accountants • Business Advisors

Contents

NEW IR35 GUIDANCE

How does IR35 legislation affect you?

HMRC's new guidance explains when IR35 applies to a Director who provides their services through a Company.

WHAT IS IR35

IR35 is the name given to the anti avoidance tax rules which can apply where someone provides their services to another business through a limited company or partnership. However, it only comes into play where the person providing the services would be classed as an employee of their customer if they worked for them direct i.e. not through a company or partnership.

LATEST GUIDANCE

In July 2014 HMRC updated its guidance, which completely replaces that previously published. There are a number of changes to HMRC's approach, but perhaps most importantly for directors, the guidance makes it clear that IR35 will inevitably apply where someone uses their own company to provide directorial services to other companies.

Example

James is on the board of several companies, but rather than receiving a salary he invoices each of them for his work as a director through his own company, James Ltd. In that way he hopes to avoid PAYE tax and NI from being deducted from his pay. However, IR35 will now apply.

PAYE

In our example because IR35 applies James Ltd will have to account for PAYE tax and NI on all the money it receives from the companies James works for. Depending on how much James Ltd is paid by each company for James's services as a director, it might still be tax and NI efficient for it to continue with the arrangement and accept the IR35 charges.

WHAT DO I NEED TO DO?

If you use your own company to provide directorial services to others, you will need to work out how much tax and NI you will have to pay as a result of IR35. Compare that to the amount payable if each company of which you are a director deducted PAYE tax and NI at source.

IR35 will apply in every case where a person provides directorial services to businesses via their own company. Despite this it might still be tax efficient to do so.

Please call if you would like to know more or require assistance in calculating the potential impact on you and your business.



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PENSION REFORM - AUTO ENROLMENT

The Seven Steps to Preparing for Auto Enrolment - STEP 6

THE SEVEN STEPS

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

Since the Summer 2013 issue of WatsON we have published a guide in instalments of the steps required for employers to fall in line with the Government's pension reform system of auto enrolment. In this issue we cover the final two Steps. If you have missed issues providing Steps 1-5 then please contact us and we will forward our Business Update covering all stages.

WHY DO I NEED TO REGISTER?
AS THE UK REGULATOR OF WORK BASED PENSIONS TPR WILL BE POLICING THE AUTO ENROLMENT PROCESS AND CAN ENFORCE FINES AND PENALTIES FOR NON COMPLIANCE.

SEVEN STEPS TO PREPARE FOR AUTO ENROLMENT

STEP 6

REGISTER WITH TPR AND KEEP RECORDS

Once you have been given your staging date by TPR you will be required to register online with TPR giving them the details of the employer's qualifying pension scheme and the total number of employees in the PAYE scheme. This must be done three months before your staging date. TPR will contact you as a reminder of your duties. TPR will also issue you with a reference number on all correspondence which you will require when communicating with them. It is advisable to make a note of this reference.

For more information on registration and a copy of the checklist of information required to register please refer to the TPR website www.thepensionsregulator.gov.uk/registration.aspx

The employer must keep accurate records relating to automatic enrolment for six years as this will enable them to prove that they have complied with their duties and help avoid or resolve any potential disputes with employees, assist in the reconciliation of contributions made to the pension scheme and aid in the efficient running of the pension scheme. A list of all records that need to be kept can be found of the TPR website <http://www.thepensionsregulator.gov.uk/docs/pensions-reform-keeping-records-v4.pdf>

PENSION REFORM - AUTO ENROLMENT

The Seven Steps to Preparing for Auto Enrolment - STEP 7

SEVEN STEPS TO PREPARE FOR AUTO ENROLMENT

STEP 7

CONTRIBUTE TO YOUR EMPLOYEES PENSION

The pension contribution percentage will be phased in between October 2012 and October 2018.

	Minimum Employers Contribution	Minimum Employees Contribution	Total Contribution
Oct 2012 - Sept 2017	1%	0.8% + 0.2% tax relief	2%
Oct 2017 - Sept 2018	2%	2.4% + 0.6% tax relief	5%
Oct 2018 onwards	3%	4% + 1% tax relief	8%

These percentages relate to the percentage of qualifying earnings. Tax relief is calculated at the current basic rate of tax.

The percentages quoted are the minimum requirements for employer and employee, anything agreed over and above these percentages is at the employers discretion.

OPTING OUT OF THE WORKPLACE PENSION

All employees have to have been enrolled before they can opt out. Any employee who has already received their enrolment information can opt out of a workplace pension at any time but they must follow the correct procedure.

The employer **MUST NOT** provide the employee with an opt out form directly excepting if the employer operates its own pension scheme. The employee must obtain the opt out notice from the pension provider. It is against the Law for an employer to influence or coerce the employee to opt out.

If the employee gives the completed opt out notice to their employer instead of the pension provider this must be forwarded to the pension provider. This notice must be checked for validity. More information about opting out and refunding pension contributions already deducted can be found on the TPR website.

The employees that have chosen to opt out have to be

automatically enrolled back in around the three year anniversary of the employers staging date and if they wish to choose to opt out again they need to follow the same procedure.

FAILURE TO COMPLY WITH THE RULES OF AUTOMATIC ENROLMENT

TPR will have the powers to enforce fixed penalties upon employers who are non compliant with the automatic enrolment legislation. Any employers that fail to comply, either through lack of knowledge or because they choose to ignore their obligations, will be dealt with in a firm but fair approach by TPR.

For persistent and deliberate non compliance of the statutory notices or if there is sufficient evidence of a breach, there will be a fixed penalty of £400. This is payable within a specific period. An escalating penalty notice will be applied if you continue to fail to comply with the statutory notice at a prescribed daily rate of £50 to £10,000 depending on how many employees you have.

If you fail to pay contributions over when they become due, you could receive financial penalties of up to £5,000 for individuals and up to £50,000 for organisations. For more information on penalties please refer to the TPR website <http://www.thepensionsregulator.gov.uk/docs/pensions-reform-compliance-and-enforcement-quick-guide.pdf>

THE EMPLOYER'S PERSPECTIVE

It may be necessary for you to look at your workforce to ensure you have a key member of staff or enough staff to deal with the administration and assessment of all of your workforce on a regular basis. You must ensure that all new members of staff are assessed and if necessary automatically enrolled and that any employee who is a non eligible jobholder or entitled worker is also assessed in case they have changed worker status and are required to be automatically enrolled.

It would be advisable to review the way that you communicate with your workforce to ensure that your processes comply with your employer duties under auto enrolment.

A good quality pension scheme should not be difficult to choose.

The more you plan now the smoother the auto enrolment process will be!

FOLLOWER NOTICES AND ACCELERATED PAYMENTS

UK Finance Act 2014 legislation to deal with purported tax avoidance

Until the Finance Act 2014 it was generally the case that where a taxpayer contested a direct tax assessment made by a tax authority, the appeal would suspend the need for paying the disputed liability (although interest would continue to run should the taxpayer prove to be unsuccessful). As part of its strategy to combat what it perceives to be unacceptable tax avoidance, the UK Government has introduced legislation that reverses this principle in certain cases.

Under the new legislation the UK tax authorities may issue so called Accelerated Payment Notices provided certain conditions are satisfied. In particular, notices may be issued where the arrangements giving rise to the tax dispute were earlier disclosed to HMRC under the Disclosure of Tax Avoidance Regulations ("DOTAS"). Under those regulations, avoidance arrangements promoters (or scheme users where there is no promoter) are required to notify of tax avoidance arrangements if they meet certain conditions. Once notified the arrangements are given a scheme number and a taxpayer entering into the arrangements is required to include the scheme number in their Tax Return.

HMRC has already issued a large number of Accelerated Payment Notices for arrangements that are being litigated and that were disclosed under DOTAS. There are very limited grounds for appealing an Accelerated Payment Notice once it has been issued. One of the only grounds for appeal is that the amount of tax set out in the Accelerated Payment Notice is incorrect. If the taxpayer believes this is the case, they have a limited amount of time to make representations to HMRC. If no representations are made or if they are dismissed, the amount specified must be paid within 90 days of the issue of

the Accelerated Payment Notice or the representations being dismissed.

- HMRC anticipates issuing 43,000 notices over the next 18 months:
 - ◊ 33,000 to individuals
 - ◊ 10,000 to businesses
- The notices are expected to cover £7.1 billion in disputed tax

The Finance Act 2014 also contains provisions under which HMRC may issue so called Follower Notices. These notices can be issued where a court ruling has been handed down in relation to a particular matter and HMRC believes that the ruling is relevant to an inquiry or appeal.

Although on its face the legislation is not limited to marketed avoidance schemes, HMRC has stated that it would apply the legislation mainly in this area. Taxpayers receiving Follower Notices are not required to settle their case but they will face specific penalties if they do not.



CHANGES TO STATUTORY SICK PAY (SSP)

Will changes to SSP affect your business in 2015

Although sickness absence in the workplace is falling it still costs the UK economy £14 billion a year and can hit small businesses particularly hard.

Following a 2011 review of sickness absence in Britain a number of recommendations were made to make it easier for employees on sick leave to get back to work. We take a look at the changes to Statutory Sick Pay and how they will affect employers.

ABOLITION OF THE PERCENTAGE THRESHOLD SCHEME

The Government has decided to introduce an independent assessment service after the review found that a lack of access to occupational health advice was one of the biggest barriers to people returning to work after illness.

The Health and Work Service (HWS) aims to make expert health and work advice readily available to employers, employees and GPs.

This new service, which is being rolled out and is expected to be fully operational by April 2015, will be funded through the abolition of the Statutory Sick Pay Percentage Threshold Scheme (PTS), which at the moment compensates employers for higher than average sickness absence. This will ensure public funds are used in a more effective way to help employers reduce sickness absence and costs.

WHEN IS PTS BEING ABOLISHED?

PTS is being abolished from 6 April 2015 but employers will still be able to make claims for reimbursement of SSP (paid for sickness periods up to 5 April 2014) under PTS until the end of the

2015/16 tax year.

SSP record keeping will also be abolished. However, employers will still be required to keep sickness records for PAYE purposes.

WHAT IS THE HEALTH AND WORK SERVICE?

There are two parts to HWS – advice and assessment:

- **ADVICE** – Employers, employees and GPs will be able to access advice about various health conditions and what support is needed.
- **ASSESSMENT** – Once an employee has been absent for four weeks they can be referred by their GP or employer for an assessment by an occupational health professional. This will identify what is preventing a return to work and any steps that can be taken to speed up recovery.

HOW WILL IT BENEFIT EMPLOYERS?

Although the proposals are still being refined, it is thought that the HWS will help employers manage sickness better and help employees get back to work quicker. Although employers will be expected to fund treatment they may be eligible to benefit from tax relief on costs of up to £500 a year per employee but there will be limitations.



WA FIRMBALLS 5 A-SIDE VICTORY

A winning combination!

Earlier this year Watson Associates entered a team into the FirmBalls 5 A-Side league which we are pleased to announce saw Chris Ayling and the team taking Watson's to victory to win the Eastbourne Wednesday Evening league!

Congratulations guys!

FirmBalls is specifically aimed at businesses and professionals. It enables firms to play competitive football whilst using the sport as a forum for team building, marketing and networking. As a result the Watson's team met various other businesses across the fixtures including solicitors and marketing companies etc.

The team are already well into the new season, battling hard to retain their title! Keep up the good work!



Photo left to right: Chris Ayling, Dan Wickens, Alex Hutchinson, Luke Summerford, Nick Gooch and Tom Harper

BEACHY HEAD MARATHON

Paula raises money for charity



Above: Paula Newnham

In October 2014 our Payroll Manager, Paula Newnham, took part in the Beachy Head Marathon in aid of **run4cancer**. She raised in excess of a whopping £1,500 for this wonderful charity which researches cures for cancer and offers support to those families affected by the disease.

The marathon consisted of 26.2 miles over the rough terrain, steep hills and many steps of the South Downs. Paula completed the marathon in 6 hours 25 minutes and her aim is to beat this time when running the marathon again in 2015!

Paula said "I would like to say a big thank you to all clients and colleagues who sponsored me in my challenge - your support and generosity spurred me on".

Well done Paula!

Dates for your Diary

- 1 January 2015** Due date for payment of Corporation Tax for the period ended 31-3-2014
- 31 January 2015** First Self Assessment payment on account for 2014/2015
Capital Gains Tax payment for 2013/2014
Balancing payment for 2013/2014 Income Tax/Class 4 NICs due
Last day to file 2014 Tax Return online
- 2 March 2015** Last day to pay balance of 2013/2014 tax and Class 4 NICs to avoid automatic 5% penalty
- March 2015** Budget speech by Chancellor of the Exchequer
- 31 March 2015** End of Corporation Tax financial year