

tlp - news

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The monthly newsletter of The Long Partnership and A A Mackenzie & Co.

www.thelongpartnership.co.uk

Get in touch!

We like to provide you with information and strategies on current business and tax issues.

However, in these few short paragraphs we can only give you a summary or outline - a brief guide.

Many of these are introductions to otherwise quite complex issues and, if you are in any doubt, you should contact us so that we can advise you on your own particular circumstances.

Quotes

"Everyone starts from scratch, but not everyone keeps on scratching!"

-- Anonymous

"We either make ourselves miserable or we make ourselves strong. The amount of work is the same."

-- Carlos Castaneda,
author

"Opportunity is missed by most people because it is dressed in overalls and looks like work."

-- Thomas Edison,
Inventor

"An amazing thing, the human brain. Capable of understanding incredibly complex and intricate concepts. Yet at times unable to recognize the obvious and simple."

-- Jay Abraham,
Marketing Expert

New year, new beginning, new ideas, fresh approach, renewed enthusiasm, ready for the fight, on the blocks... However you view it, 2014 is a blank page on which you can write whatever you want. Your choice!

I know that you are supposed to have all your plans in place before the start of the new year but we did not quite manage it. We're getting there. However, we have our vision clearly fixed and we know where we are going. If you know where you are going, then you just need a map to show you how to get there. If you don't know where you are going, all roads lead there. You can be flying, either in business or just "busyness", but is it getting you to where you want to be at the time you want to be there?

Anyway, before we start fighting the good fight in 2014, let's reflect on a couple of very positive outcomes from last year.

Firstly, **download our new App**. Just go to our website :

www.thelongpartnership.co.uk

There are 2 buttons on the home page to choose between the Apple and Google downloads. It's as simple as that. Put the App on your phone and you can ring us or email us from the App without needing to look up numbers or email addresses. You can keep track of your mileage and check tax rates. It's wonderful! Are we biased? I don't think so. That is our measured and very reasonable opinion.

In the process of getting the App you will see that we have a **new website**. The Kirkwall webcam is still there so you can see the view of Broad Street up to St Magnus Cathedral, but there is a lot of old and new stuff. Go and check it out and let us know what you think. We know there are a few things to get sorted yet, so let us know your own thoughts.

Next is the well deserved Order of British Enterprise for Andrew Banks, the (in)famous MD of Pentland Ferries. I know what OBE

really stands for, but when I last looked the British Empire consisted of Scotland, Wales, Gibraltar and the Falklands. Just joking. However, the point I am making is that the gong is in recognition of a man who had a clear vision and has been focused on bringing that vision into reality, working tirelessly, setting goals, making tough decisions, working hard and following the road map from two poorly developed harbours to the very successful operation that we can all see for ourselves. And of course, as we all know, behind every successful man, is a woman working tirelessly in the shadows, without whom, he could not achieve what he does. Correct?

Question? Why does someone with such capabilities not get more recognition, support and encouragement from local and national government or their agencies. Why don't the Highland Council or the various Island Authorities tap into this expertise. That begs the next question. Who here really understands business? Who really understands how to deliver what customers really want, profitably. No £30+ million subsidy here. Good old fashioned delivery of "value for money" services, attracting customers and making profits.

I am sure that he still has further to go on his road and let's hope he gets the support he deserves. Just think what a difference it would make if the journey from Caithness to Orkney by boat was only 30 minutes. That would give a real shot in the arm to Caithness and Orkney and help to really open up the tourist market.

So, back to 2014. What's your vision? Where do you want to be by 31 December 2014 and what will you be doing? Perhaps the question should be, where do you want to be on 31 December 2024 and what do you want to be doing? 31 December 2014 will come and go on your way to 2024. If you have a vision, what goals do you need to achieve to make your vision a reality? What is your timetable for achieving these goals? What are your goals for 2014, 2017, 2019 etc. These are just the towns and villages on the road map to your destination. It is not our destination. We know where we are going. This is your destination. Where is it? What does it look like? What will you be able to do when you get there?

Dr Who accountant e-x-t-e-r-m-i-n-a-t-e-d

A former BBC production accountant has been jailed for two years on 17 fraud charges amounting to £80,000.

He worked on Dr Who and Casualty. He became a casualty of his own making. Could have been worse - he could have been E-X-T-E-R-M-I-N-A-T-E-D !

He was dismissed from his job by BBC Finance following allegations of fraud in October 2012.

A spokesperson for the BBC said that the organisation has since reviewed its cash processes and ensured "that there is additional oversight to prevent a crime like this from happening again.

Shame he can't travel back in time and undo his mistake. Never mind, at least his cell should be bigger on the inside.

Eight reasons to love your tax return

Source - the Guardian

1. People who work at HMRC are actually helpful, friendly and understanding (excluding The Debt Management Departments).
2. It's January - It's miserable, stay-indoors weather. Would you rather be doing this in July?
3. You can nose through your partner's pay, and because of the new child benefit rules, you have to.
4. You realise what piddling interest you earned on your savings.
5. It forces you to be honest by having to sign on the dotted line.
6. You learn to bend it better than Moira Stuart who entered into "perfectly legal" tax planning arrangements to avoid higher rates of tax. Talk to me later and I'll tell you how it's done.
7. You find things - In the search for your P60, you find all those things you thought you had lost.
8. **You don't have to do it for another year. Thank the Lord.**

HMRC's 10 oddest late tax return excuses

HMRC has published its list of its oddest 10 excuses it has received for those who failed to file on time. Presumably they are saying that you should not bother even trying any of these. If you do not file on time, then you have to come up with something more imaginative by way of a "reasonable excuse".

1. My pet goldfish died (self-employed builder)
2. I had a run-in with a cow (Midlands farmer) – presumably 4 legged and not a female tax inspector!
3. After seeing a volcanic eruption on the news, I couldn't concentrate on anything else (London woman).
4. My wife won't give me my mail (self-employed trader)
5. My husband told me the deadline was 31 March, and I believed him (Leicester hairdresser)
6. I've been far too busy touring the country with my one-man play (Coventry writer)
7. My bad back means I can't go upstairs. That's where my tax return is (a working taxi driver)
8. I've been cruising round the world in my yacht, and only picking up post when I'm on dry land (South East man)
9. Our business doesn't really do anything (Kent financial services firm)
10. I've been too busy submitting my clients' tax returns (London accountant)

You can only have a limited amount of sympathy for those who have over 9 months to file a return but leave it to the last moment to do it. Life gets in the way and then they miss the deadline. On the other hand the death of a beloved goldfish is a terrible tragedy.

All of the above who chanced their arm received a £100 late filing penalty.

Did your Christmas day flag a little? Even so, were you reduced to filing your tax return? According to HMRC, 1,566 people filed their online tax returns on Christmas day; 144 of these were submitted before 1pm. In addition, around 17,000 returns were filed on Christmas Eve, and over 4000 on Boxing Day.

Just think, when you file a return online, or we file it for you, someone will notice and you become a statistic. Hopefully you had better things to do on Christmas Day.

Pension Auto Enrolment – are you ready?

Apparently, according to a recent survey, a third of small businesses aren't planning to seek any advice on pensions despite automatic enrolment, 1 in 10 do not even know about auto enrolment, and around half will not be communicating the changes to employees or spending any extra time getting ready for it.

Are you ready? You will have no choice but to implement the new rules. By when?

There are staging dates by which you need to have everything in place which are based upon your number of employees. Do you know your staging date? The largest employers have already passed their dates. Staging dates are looming for businesses sized between 50 and 250 employees. Smaller employers will follow. Time is running out.

Many businesses will have to freeze wages to accommodate the additional payroll costs. Some may even need to cut wages as a result. Depends on your circumstances and the market in which you operate. Cash flow may become an issue for some businesses.

If you haven't already done so, it's important to find out your staging date to see how much time you have to prepare. Preparation should start 12 to 18 months prior to your staging date.

You can find out the staging date for your business by entering your PAYE reference into The Pension Regulator's staging date tool which can be found here:

New EU Micro-entity Accounting Regime

Are you trading through a small company? In the constantly evolving world of accounting, more changes are on the way. The legislation is effective for financial years ending on or after 30 September 2013 and where the company's financial statements are filed with the registrar of companies on or after 1 December 2013.

A company qualifies as a micro-entity if it meets at least two of the following three conditions:

- Turnover not more than £632,000
- Gross assets (balance sheet total) not more than £316,000
- Average number of employees not more than 10

These are reduced where you have a trading period of less than one year.

Companies which are parent companies will qualify as a micro-entity in the financial year only if:

- The company qualifies as a micro-entity in that year.
- The group headed up by the company qualifies as a small group (as defined in Companies Act), which is actually quite large.
- The company has not voluntarily elected to prepare consolidated accounts.

Care must be taken in assessing whether each company within the group qualifies as a micro-entity. The exemptions available under the micro-entities regime will NOT be available for subsidiary companies that are included in consolidated financial statements for the year. In addition, the micro-entities regime is not applicable to:

- Investment undertakings
- Financial holding undertakings
- Credit institutions
- Insurance undertakings
- Charities

If a company qualifies as a micro entity, it is entitled to: -

1. Prepare "micro entity accounts" (comprising director's report, P&L, balance sheet and certain notes), for shareholders and these accounts will also be accepted by HMRC when filing your Corporation Tax Return.
2. Submit just a balance sheet and certain notes to Companies House.

It is said that between 30% and 50% of company accounts currently filed at Companies House have never seen an accountant. You can usually tell! This number is likely to increase with further simplification.

Will we ever get to the stage where accounts are filed at Companies House by just pressing a button on your bookkeeping software? I think that will be the case for some, but for most small companies, there will still be the need for an experienced eye to oversee the submissions. Even if this is for no other reason than making sure you are not inadvertently declaring incorrect figures which will also be relied upon by HMRC, and you could pay too much tax. It has been known.

Small employers (<9 employees) - RTI exemption

HMRC has given "micro businesses", or businesses with nine or fewer employees, an extra two years to prepare for RTI.

Penalties for late RTI returns start from April 2014 and more than 99% of PAYE records are now successfully being reported under RTI, the Revenue have said. But, a small proportion of micro employers and their agents still need more time to get their act together.

HMRC said that micro employers and, where appropriate, their agents, who need more time will have up to two years to adapt their processes to ensure they are ready to report under RTI in April 2016.

Seems a bit strange that they did not see the difficulties posed for small employers at an earlier date. It might help if they simplified the PAYE process generally.

The Sales Prevention Department

This is where we share our experiences of poor customer service leading to poor business performance and lost sales. These are businesses who blame the recession but should be looking much closer to home.

Let's talk ferries. Let me recount a recent experience.

I was travelling on the "lifeline" ferry service to Orkney. You know the one. It is one of 3 ferry companies operating across the Pentland Firth but this one was selected to receive oodles of subsidy.

On this day, the normal ferry was away on refit and was replaced by a freighter limited to carrying 12 passengers. I arrived on time but had to carry my own bags on board. 3 bags, as usual all heavy.

The journey completed, a member of the crew came to the "Drivers Mess Room" to tell us it was time to disembark. We all duly worked our way down the two sets of steep stairs to the car deck from where we were to walk off the ferry.

And there we stood for over 30 minutes! No crew anywhere to be seen, no announcements, no information, and cold. It was clear that this large boat was carrying just 4 cars along with the dozen passengers. Profitable trip? Don't think so.

Anyway, after about 25 minutes of waiting and wondering I went back up the tortuous stairs to see if anyone could tell me what was happening. No one to be seen. I therefore ventured outside and on to the foredeck. You know the one, it is full of passenger unfriendly winches.

I looked over the side of the boat and saw the small inter island ferry backed right up against the front of the freighter pushing it into the pier - "lifeline service". So, I was able to go back to my fellow passengers and assure them that everything was safely in hand and that we would shortly be able to disembark.

Now, let me ask you a question. Would you want to travel on a (lifeline) ferry service run like that?

Was this boat fit for purpose, were the crew properly briefed on dealing with passengers?

Who got the subsidy? Hmm.

The peedie bits ...

Rates and allowances

The Chancellor's statement confirmed various rates and allowances for 2014/15 that had already been announced, either at the Budget or in last year's autumn statement.

- the personal allowance will increase to £10,000 for 2014/15 (the Chancellor also confirmed that this allowance will be indexed by the Consumer Price Index from 2015/16 onwards)
- the higher rate threshold (personal allowance plus basic rate band limit) will increase to £41,865 (the Chancellor also confirmed that this threshold will rise by 1% per year from 2015/16 onwards) i.e. it will reduce in real terms year on year. Does that mean that ultimately everyone will be paying tax at 40%?

From 6 April 2015, an individual will be able to transfer £1,000 of his personal allowance to his spouse or civil partner. In order to make the transfer both parties must not be higher rate or additional rate taxpayers (it is assumed that this will be assessed prior to the transfer of the £1,000). Therefore, this is only likely to be of benefit where one of the couple is not able to utilise the full personal allowance. The transferable amount will be increased in proportion to the personal allowance.

While some on small earnings will welcome the additional £200 per year, this seems like a pointless complication and an erosion of the concept of independent taxation. Are we heading back to the days when the "man of the house" submitted a tax return for him and his wife and the wife could have nothing financially confidential from her man, but he could keep his finances completely secret from her. Am I being alarmist? You choose.

National Insurance Alignment?

The Class 1 and the Class 4 upper limit are aligned with the higher rate income tax threshold of £41,865. There is no change to the percentage rates of NIC, although the weekly rates of Class 2 and Class 3 NIC will be increased.

However, the starting rates for National insurance have not been aligned with the personal allowance for income tax and it is these values that will affect most people. You will continue to start paying NIC before you pay any Income Tax.

Whatever happened to the "Office of Tax Simplification"?

On a more positive note there is a proposal to dispense with employers NIC for employees under 21 probably from April 2015. As things stand, you pay employers NIC at a rate of 13.8% on so much of an employee's earnings that exceed the threshold (currently £148 per week). Under the new proposals, you would not pay any secondary contributions in respect of the earnings of an employee under 21 until that employee's earnings reach the Upper Earnings limit (currently £797 per week).

Now, it will depend on the nature of your business but will the potential saving of 13.8% (max about £90 per week) be sufficient for you to take on a young inexperienced member of staff, rather than one more mature with experience.

In the right circumstances, it might.

State pension age

The Pensions Bill currently before Parliament includes a statutory requirement for the state pension age to be reviewed at least every six years. Assuming the provision is enacted as drafted, the first review will be in 2017.

There was also a suggestion that the increase in the state pension age to 68 could be brought forward and the state pension age could increase further to 69 or 70 in future.

This is likely to have a significant impact on employers as the state pension age tends to set the expected retirement age for most people. Indeed, many cannot afford to retire until they receive the state pension.

Therefore, you as an employer may wish to consider:

- raising the retirement age in your pension scheme in line with the state pension age, and
- contingency plans for alternative jobs for employees who are unable to continue to meet the physical or mental demands of their current jobs in their old age.

Self-employed NICs

The Government plans to use the Self-Assessment Tax Return to collect Class 2 NIC, after the end of the tax year once the trading profits are known. The small earnings exemption application process could be abolished, and in addition, there will be no need to make an application to defer Class 2 NIC where the trader pays Class 1, 2 and 4 NIC

However, there are also a number of challenges which must be faced if the proposal is to be implemented, including the fact that the small earnings exemption is based on accounting profits whereas Class 4 NIC are paid on taxable profits, and also Class 2 NIC legislation is broader in scope than the Class 4 legislation, so affects more people.

There is also the question of how to ensure the correct state benefit entitlement is recorded where Class 2 NIC is not paid until 31 January after the end of the tax year.

HMRC - tax return email scam

These scam emails are sent from a legitimate looking email address ending in gateway.gov.uk and include a ZIP file and a reference number. When accessed as a website, the gateway.gov.uk website bears the Gov.uk logo but is in fact a fake site.

The emails state the self assessment submissions were received but were not processed leading to anxiety about late filing.

Those in receipt of such emails should forward them to phishing@hmrc.gsi.gov.uk and delete them immediately, without opening any attachments.

Do not respond to the email or open any attachments. It contains a virus and you run the risk of having malware installed such as CryptoLocker, or a trojan, key logger, disclosing information about passwords etc, that they can use (like you) on other sites.

And remember, HMRC will never email you, especially about tax refunds. It's a scam!