BHP
Chartered Accountants

The Knowledge

April/May 2014

It didn't used to be the case but over the last few years we have seen successive Budgets being accompanied by PR-inspired soundbites often sounding very similar to titles of movie sequels or film trilogies. This year's Budget has been entitled a Budget for movers, doers and savers – just like the beginning of a famous movie trilogy perhaps it should have been called "A New Hope!"

Unlike last year's Budget, which was given against a backdrop of economic doom and gloom, this year the Chancellor was able to talk of upwardly revised growth forecasts, falling unemployment and the possibility of the budget deficit being overturned by 2018, all of which is a cause for optimism.

As alluded to by the Chancellor himself, this optimism needs to be tempered with a healthy dose of realism, the economy is not where any of us want it to be yet, but there is hope!

The measures announced in the Budget 2014 are aimed at continuing the upward trend (as well as being politically motivated of course!).

Key measures for business

The previously announced reduction to the main rate of Corporation Tax was confirmed. From 1 April 2015 both the main rate and the small companies rate of Corporation Tax will be 20%.

Capital Allowances
An unexpected but welcome announcement was the extension of and increase to the Annual Investment Allowance (AIA). The AIA provides businesses with tax relief of 100% on expenditure incurred on qualifying capital assets.

This relief is currently limited to the first £250,000 of expenditure per company or group of companies, and was due to revert to £25,000 from 1 January 2015. The Budget announced that the limit will be increased to £500,000 from 1 April 2014, and will remain until 31 December 2015.

Research & Development tax credits
Another welcome announcement was that small loss making companies that incur qualifying expenditure on qualifying Research and Development projects, will be able to obtain tax credits at the rate of 14.5%. This gives a £33 cash repayment for every £100 spent. This is an increase of 3.5% on the current rate of 11%, and will result in significant additional tax credits and tax repayments for many companies, including many start-up manufacturing and technology businesses.

The budget aims to reduce the energy costs for businesses, especially those in the manufacturing industry

"As alluded to by the Chancellor himself, any optimism needs to be tempered with a healthy dose of realism, the economy is not where any of us want it to be yet, but there is hope!"

Energy costs
In an effort to boost the UK's manufacturing industry, a package of reforms was announced, the aim of which is to reduce the energy costs for businesses, especially those in the manufacturing industry. It is estimated that these reforms will save £7billion by 2018-19, and should particularly benefit energy intensive manufacturing businesses.

Enterprise zones
Our region has two enterprise zones, Sheffield City Region (SCR) and Aire Valley Leeds. Businesses in these zones benefit from a number of incentives, the business rate discounts that apply to both zones and enhanced capital allowances that apply to businesses in SCR will be extended by a further three years.

Employment allowances
As previously announced, the £2,000 employers' allowance for National Insurance Contributions will begin in April.

Key measures for individuals

As was expected the Chancellor announced a further increase in the personal allowance (the amount you receive before you start to pay Income Tax). From 2015/16 the personal allowance will be raised by £500 to £10,500. The Chancellor also announced minor increases in the basic rate band, which will remove some individuals from the higher rate of Income Tax, however, the Chancellor refrained from going as far as some would have liked with this.

Investment savings rate
To assist low income savers, the Chancellor announced that from April 2015, the current 10% rate of Income Tax which applies to the first £2,790 of income above the personal allowance will be reduced to 0%. Furthermore the limit will be extended to the first £5,000 of investment income.

Tax efficient savings
In a further move to reward savers the Budget announced reforms to the ISA system designed to make it more flexible and more generous for individuals who wish to save.

Firstly, ISAs will be reformed into New ISAs (NISA), which should provide a simpler structure for people to save. Possibly of more importance to many of our readers is the fact that the annual investment limit for this new NISA will be £15,000.

Pension changes
A significant number of changes were announced on which the Government will issue specific legislation. This legislation will amongst other things aim to provide increased flexibility in the manner in which defined pension contribution pots can be drawn down. It will also reduce the previously exorbitant tax charges for failing to adhere to the pension regulations.

Social enterprise investments
Finally, the rate of tax relief for individuals who make qualifying social enterprise investments has been set at 30%. This can give a higher rate of tax relief than a donation under Gift Aid so will likely be welcomed by donors but not so much by social enterprises.

Anti – Avoidance

A hot topic in the press over the last few years has been tax avoidance schemes, with many high profile celebrities being identified as users of such schemes. In an effort to make them far less attractive to potential users, the Government has said that they will require payment upfront of any disputed tax associated with any tax avoidance scheme that requires a full disclosure under the DOTAS rules, or is counteracted under the General Anti-abuse rule (GAAR). This essentially requires the taxpayer to pay the tax upfront and then enter into likely protracted discussions with HMRC to get it back. This can apply to anyone with an open enquiry into such planning so may have a retroactive effect for some.

In order to further discourage the ownership of high value UK housing by corporate entities, the highly prescriptive ATED and associated tax charges will apply to properties owned by non-natural persons that have a value in excess of £500,000 (previously only properties with a value of £2million or more were caught by these rules). Companies that are potentially affected by this announcement should take advice on their position now.

Summary

If the 2014 Budget could have been called "A New Hope", let's hope that we skip "The Recession Strikes Back" and next year we go straight to "The Return of the Sustained Growth".

For further information,
please contact Chris Humphreys
chris.humphreys@bhp.co.uk

Dispensing with P11Ds

The Office of Tax Simplification has recommended the virtual abolition of forms P11D. These annual 'headaches' for employers record benefits in kind and employee expenses. The intention instead is that an employer will be required to process benefits and expenses through its payroll via its Real Time Information (RTI) submissions.

That is all for the future. However, now is the time for employers to get to grips with the forthcoming P11D reporting season and there is something they can do right now to reduce the burden.

All expenses and benefits paid to/reimbursed to/paid on behalf of an employee are initially subject to tax and NIC either through the payroll, the P11D or both. Something as straightforward as a travel and subsistence claim should be shown on a P11D. The employee is technically taxable on the 'benefit', but can then make a claim for tax relief on the grounds that it is a business expense.

HMRC concede that this report and claim back procedure is an unnecessary administrative burden. So they will permit employers to dispense with reporting travel and subsistence, professional subscriptions, certain telephone expenses, business entertainment, and business expenses paid on a company credit card.

Employers will be permitted to dispense with reporting travel claims

Employers need to apply to HMRC for a P11D reporting Dispensation (P11DX) for permission to forego reporting these expenses. Usefully an application made before 5 April can be backdated to the previous 6 April.

If you can't remember if you have a dispensation, or need to update an old one the process is very straightforward. Search P11DX on HMRC's website.

For further information, please contact Adrian Hulme adrian.hulme@bhp.co.uk

Have you claimed your £2,000 Employers' NIC allowance?

From 6 April 2014 it is possible for most employers to claim a reduction in their Employers' National Insurance Contributions costs, dubbed the 'jobs tax.'

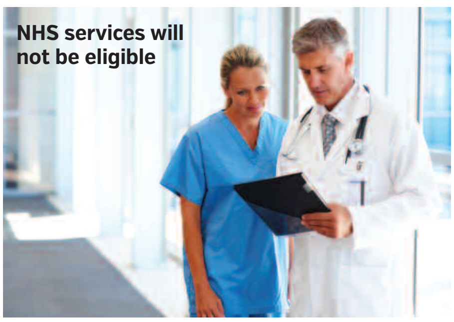
Not all employers will benefit from this allowance. Those businesses carrying out functions of a wholly or mainly public nature such as NHS services, GP services and schools are not eligible for the allowance.

Additionally those employing personal staff such as nannies and gardeners will not be able to benefit from the allowance.

Companies affected by IR35 will need to check their position.

Importantly you have to claim the allowance through your RTI submissions.

"From 6 April 2014 it is possible for most employers to claim a reduction in their Employers National Insurance Contributions costs, dubbed the 'jobs tax.'"



NHS services will not be eligible

If you don't make a claim your RTI data will not match your payments.

The good news is that the allowance is all up front. Accordingly if your employer Class 1 NICs are £1,200 each month, in April your Employment Allowance used will be £1,200 and in May the balance of £800 will be used, up to the maximum of £2,000.

You can only claim the £2,000 Employment Allowance against one PAYE scheme – even if your business runs multiple schemes. Similarly connected companies or those under common control will only be eligible for one allowance between them.

For further information, please contact Adrian Hulme adrian.hulme@bhp.co.uk

BHP Chartered Accountants

Assurance \ Advisory \ Corporate Finance \ Tax
Sheffield \ Leeds \ Chesterfield \ York \ Harrogate

0333 123 7171 www.bhp.co.uk

Customer First KRESTON

A member of Kreston International
A global network of independent accounting firms

High Pressure sale

The BHP Corporate Finance team is delighted to announce that it has acted as lead advisor to the shareholders of Roota Engineering Limited ("Roota") on its sale to Pressure Technologies Plc for a maximum total consideration of £15.2million.

Roota is a long-standing Yorkshire engineering business having been established by founding shareholder Steven Crampin in 1973. Since then Roota has developed into one of the UK's pre-eminent manufacturers of bespoke engineered products for the oil and gas industry. In particular, Roota is widely regarded as a world leader in the machining of exotic alloys for mission critical applications in harsh operating environments. Roota's products can be found in oilfield installations ranging from the North Sea to North and South America and the Middle East.

Matthew Crampin, Managing Director of Roota, commented "BHP Corporate Finance were fundamental to the success of this transaction. From helping us to prepare for the sale process, to marketing Roota to global buyers and then negotiating the detailed deal, the BHP team worked tirelessly and with total commitment. Like us, many business owners will only sell once so it's vital to engage advisors who have the experience, expertise and professionalism to represent your best interests. BHP demonstrated all this in abundance and their ability to remain calm and provide sage and reasoned advice throughout the ups and downs was enormously reassuring."

The sale of Roota reinforces what has been a busy first quarter of 2014 for BHP Corporate Finance and, with activity remaining strong, we look forward to announcing more deal completions in the very near future.

For further information, please contact Don Gray don.gray@bhp.co.uk

Forthcoming deadlines:

Tax	Details	Period to which deadline applies	Deadline
PAYE Annual Return	Last day for filing final RTI submission for 2013/14	2013/14	19 April 2014
Payment of PAYE/ NIC/CIS/student loan deductions		Month to 5 April 2014 Month to 5 May 2014	19 April 2014 (22 April 2014*) 19 May 2014 (22 May 2014*)
VAT Return		Returns to 31 Mar 2014 Returns to 30 April 2014	7 May 2014 7 June 2014
CIS Return	Construction Industry Scheme	Month end 5 May 2014 Month end 5 June 2014	19 May 2014 19 June 2014
Corporation Tax Return	Filing deadline for Corporation Tax Return form CT600 to be submitted to HMRC	Period ended 31 May 2013 Period ended 30 June 2013	31 May 2014 30 June 2014
Corporation Tax	Payment of Corporation Tax for companies not liable to pay their liability by instalments	Year ended 31 July 2013 Year ended 30 Aug 2013	1 May 2014 1 June 2014
Company accounts filing deadline	Filing deadline at Companies House for accounts of private companies	Year ended 31 Aug 2013 Year ended 30 Sept 2013	31 May 2014 30 June 2014
Annual Tax on Enveloped Dwellings	Deadline for returns and tax payments Deadline for amending return	2014/15 2013/2014	30 April 2014 30 April 2014
Tax credits	Last day to claim for 2014/15 to have effect from the start of the tax year	2014/15	5 May 2014

** If paying electronically*

Your business is our business