

BUSINESS UPDATE

Over the last few years a number of changes to the basic State Pension have been announced. Fundamentally, for those who reach pension age on or after 6 April 2010, major differences to the current system will be encountered.



Changes to the State Pension

Link to earnings

The basic State Pension will, generally in the future, increase in line with earnings rather than prices. This means it should rise more quickly each year than it does now. This change is due to happen from 2012 at the earliest and by the end of the next parliament at the latest. The change will apply to existing recipients as well as those who reach pensionable age in the future.

The increasing age of entitlement

Currently the State Pension age is 65 for men and 60 for women. For women born on or after 6 April 1950 it will gradually be increased from 60 to 65 between 2010 and 2020. Therefore by 2020 the State Pension age will be 65 for both men and women but this is to be further increased for both men and women to 68 in stages between 2024 and 2046.

The entitlement to the basic State Pension on reaching State Pension age depends on whether the individual has paid or has been credited with sufficient National Insurance

Contributions (NIC) throughout their working life. If there is a shortfall in an individual's contribution record it can be rectified by paying Class 3 voluntary contributions.

The reducing qualifying years

The number of qualifying years in order to qualify for a full basic State Pension is set to reduce. Currently a man generally needs 44 qualifying years and a woman generally needs 39 qualifying years. Where a person reaches State Pension age on or after 6 April 2010, both men and women will generally need only 30 qualifying years for a full basic State Pension. For those with less than 30 qualifying years there will be an entitlement to at least some basic State Pension.

From 6 April 2010, the current system of Home Responsibilities Protection (which protects entitlement to the basic State Pension for those caring for a child or someone who is sick or disabled by reducing the number of qualifying years needed) will be replaced by a system of weekly National Insurance credits.

It is not unknown for errors to occur due to difficulties linking NIC with pension records. You can check your current pension entitlement by asking for a pension forecast. Visit www.pensionservice.gov.uk for further information.

Please call Linda Warner on 01483 416232 or email her on lwarner@roffeswayne.com if you need any assistance.

Newsletters by email

This newsletter is available in digital format and has been sent to all our contacts for whom we have an email address. If you no longer require a paper copy please call Bev Waters on 01483 416232 or email her on bwaters@roffeswayne.com



Client focus



Rosevale Holdings

Caring Daycare was founded in 1989 in Haslemere and has now grown into a collection of seven well respected day nurseries in Surrey and West Sussex. Major Minors, a sister company, operates two nurseries including one of the largest in Surrey on Bridge Road in Godalming.

Both companies are subsidiaries of Rosevale Holdings Limited and Roffe Swayne has provided a full range of services to the Group since Managing Director Peter Churchley took full control of the business in 2005.

The Group continues to expand and has acquired existing nurseries using support from Roffe Swayne partners, Mark Leigh and Jeremy Gardner, with financial due diligence and advice on deal structuring.

Roffe Swayne's Business Services Manager, Andrew Bagley, has also been involved in overseeing the development of their monthly

management accounting and trend analysis, assisting with the training and development of key personnel. Andrew has worked with Peter Churchley in establishing a clear departmental structure so that the individual performance of each nursery can be analysed based on Sage 50 software with a three company structure and consolidation.

Roffe Swayne also provides payroll, tax and audit services to the group. Peter Churchley said, "In a growing business it is essential to have consistent high quality professional advice and support and Roffe Swayne has been able to provide this to us".

Jeremy Gardner added, "It is always a pleasure to be actively involved with business owners who value our advice and input. We work hard with Peter to ensure that we remain closely involved in what is happening in the business, which enables us to give the right advice and support."

Caring Daycare and Major Minors invest heavily in the training and development of their nursery teams which have grown to over 200 people as the Group has expanded. Awarded Investors in People for 7 years running they recognise that childcare skills training directly feeds through to higher quality outcomes for the children in their care. Ofsted has consistently awarded them "Outstanding" grades at their most recent inspections as the Group's focus is to give every one of their children the very best start in life.

Peter Churchley is delighted that Caring Daycare was recently recognised as the winner in the "Toast of Surrey Business Awards" in the up to £10m turnover category.

To find out more about Caring Daycare go to www.caringdaycare.co.uk

Above from left to right: Jeremy Gardner, Peter Churchley and Andrew Bagley at Major Minors. Below: Major Minors in Bridge Road Godalming



The route to tax-free travel

The starting point for the vast majority of payments to employees is that they are taxable. The employee can then claim back the same amount if the cost they incurred was wholly, exclusively and necessarily incurred in doing their job. If employers wish to avoid the aggravation of reporting these business expense payments they can apply for a dispensation. This would also save their employees the hassle of having to submit a tax relief claim to HMRC. One common expense payment area which can be covered by a dispensation is business travel. However to ensure that the payments are eligible for dispensation treatment, ie tax free, requirements need to be met.

Employees are able to get tax relief on the full cost incurred in travelling in the performance of their duties, or to get to or from a temporary workplace. Tax relief is allowed for travel expenses if:

- the employee is obliged to incur and pay them as holder of the employment and
- the expenses are necessarily incurred on travelling in the performance of the duties of the employment.

Ordinary commuting

There is no tax relief for payments towards the cost of ordinary commuting, so they are fully taxable. Ordinary commuting is defined as travel between the employee's home (or any other place the employee does not have to attend for work purposes), and a place which is a 'permanent workplace' in relation to the employment. Ordinary commuting also applies where travel between two places is substantially the same as home to a 'permanent workplace'.

Example

John's ordinary commuting journey to his office in Birmingham city centre is 15 miles, however during the month of March, he travelled directly to a client premises which is located 300 metres from his office base. Such a journey would be classed as ordinary commuting as it is virtually the same journey.

Permanent Workplace

A 'permanent workplace' includes places where:

- there is a period of continuous work lasting more than 24 months; or
- the period of attendance comprises all or almost all of the period the employee is likely to hold the employment; or
- in either case, where it is reasonable to assume that either of these conditions will be met.

A 'period of continuous work' means a period over which, looking at the whole period and considering all the duties of the employment, the duties of that employment fall to be performed to a significant extent at that place.

Private travel

Once again, there is no tax relief for payments towards the cost of private travel, so they are fully taxable. Private travel is defined as travel:

- between the employee's home and anywhere he or she does not have to be for work purposes or
- between any two places neither of which is a workplace in relation to the employment.

There are also special rules for:

- employees travelling between employments where the employing companies are members of the same group
- employees who attend a depot or base and
- area based employees.

As can be seen, although the rules have been around for many years, they have never been straightforward. In fact, HMRC explain them in a convenient 86-page booklet - '490 Employee Travel'!

If you have any concerns about these rules or are interested in applying for a dispensation, please contact Kerena Allen on 01483 416232 or kallen@roffeswayne.com.



Nothing ventured is nothing gained

At the time it seemed like a good idea to invest £20,000 in the family company, or the venture being undertaken by your lifelong friend, but what happens when the venture is not successful and, instead of looking at reaping the benefits, you are now in a position of losing your capital?

Irrecoverable share capital

A loss on a disposal of shares is a capital loss but, of course, there may be no immediate relief if an individual currently has no chargeable gains to set it against. This is because a capital loss can normally only be relieved against current or future capital gains.

However, certain losses on shares can be relieved against income rather than capital. This alternative treatment may provide tax relief now and could also generate a more substantial tax saving, given that in 2009/10 there is a higher rate income tax of 40% increased to 50% for 2010/11 compared to the 18% capital gains rate.

The conditions which must apply for the shares to qualify in such circumstances are:

- the individual must have subscribed for the shares when issued and
- the shares must be in an unquoted qualifying trading company.

Certain trades are excluded such as leasing, legal or accountancy services, property development, farming, and operating and managing nursing homes or hotels.

What about irrecoverable loans?

Where money is lent to a UK resident borrower wholly for use in a trade and that loan subsequently becomes irrecoverable, the lender can make a claim for a capital loss, subject to certain conditions. A key condition is that the loan was not to a spouse/civil partner.

A loan becomes irrecoverable when there is no prospect of recovering it. This would be the case if a company ceased to trade with

the prospect of insufficient funds to repay its creditors on dissolution. If the borrower continues to trade, HMRC will want to see more robust evidence that there is no prospect of recovery in the future.

Once established, a capital loss may be set off against capital gains realised by the individual or carried forward until such time as gains are realised in the future.

And loan guarantees?

Similarly, in the scenario that a person has guaranteed a loan and the guarantee is then called upon, so that the individual has to make a payment, relief may also be available. Again, the loan must have been of money and must have been used wholly for the purposes of the trade.

If you would like further advice on obtaining these reliefs please contact Liz Beadsley on 01483 416232 or lbeadsley@roffeswayne.com to review your specific position.



Your contacts

Partners and Associates

Chris Baxter, Mark Leigh, Sharon Ward, Jeremy Gardner, John Fisher, Elaine Way, Tony Kelly, Linda Warner, Liz Beadsley, Helen Kay and Matthew Katz.

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Retirement of valued partner

Long standing partner, Richard Edmondson, retired from Roffe Swayne on 31 March. At a retirement lunch for colleagues, clients and contacts Richard was presented with a 2010 Proof Gold Sovereign and a painting by local artist Stephen Goddard.

Richard joined Roffe Swayne in Haslemere in 1979 and became a partner in 1983. He was based in Haslemere until 1998 before moving to the firm's Godalming office, Ashcombe Court.

Fellow partner, Chris Baxter, who spoke at the retirement party said, "Richard has made a huge contribution to Roffe Swayne. He has served his clients and the firm well and always been willing to get stuck in and help out others. We would like to thank him for all the support he has given us over the years and to wish him a long, happy and healthy retirement."

Above from left to right: Roffe Swayne Partners, Chris Baxter, Sharon Ward, Richard Edmondson and Mark Leigh.

Are you complying with the National Minimum Wage?



Automatic penalties will be levied on employers where HMRC compliance officers find arrears of the National Minimum Wage (NMW) that have arisen after 6 April 2009. Penalties can range from £100 to £5,000 and those employers who settle within 14 days of notification can receive a 50% discount of the penalty for prompt payment. The penalty must be paid in addition to any arrears owed to the workers. The most serious cases of non compliance can be tried in a Crown Court and subject to an unlimited fine.

HMRC officers will issue a combined notice of underpayment and penalty. This will be issued whenever HMRC discover that arrears are outstanding at the start of their enquiries.

The notice details the amounts due to workers and any penalty due on those arrears. The penalty will be half the total underpayments shown on the notice, for pay reference periods starting on or after 6 April 2009. HMRC can pursue arrears claims going back up to six years.

HMRC officers also have significant powers including the right to remove NMW records from an employer's premises for a reasonable period in order to copy them.

If you have any questions about the NMW, please feel free to contact Kerena Allen on 01483 416232 or kallen@roffeswayne.com.

We have a factsheet available containing an essential update for employers. If you would like a copy please call Bev Waters on 01483 416232 or email her on bwaters@roffeswayne.com.

Tax Consulting Service

Tax legislation is becoming increasingly complex. For owner managed businesses this is particularly true in relation to the interaction of the various taxes levied on the business and the individual owner managers.

Our tax consulting service is designed to ensure that our clients receive a pro-active service managing the interaction of the various tax liabilities for themselves and their businesses.

Services include:

- Tax return preparation for the individual, company or partnership
- Advice in respect of profit extraction, or the most tax efficient structure for the business
- Advice on minimising tax liabilities and risks in relation to employment taxes for the individual and the business
- Regular meetings with your tax adviser
- Pre year-end tax planning report

Our advisers work closely with our accounts team to understand the development of your business and the opportunities this could present.



If you are an owner manager and want confidence that someone can advise you in this respect helping you minimize your total tax exposure, then this service is for you.

We have a fact sheet available containing practical tax tips for the owner managed business. Please call Bev Waters on 01483 416232 or email her on bwaters@roffeswayne.com if you would like a copy.

For more information please contact:

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Above from left to right: Kerena Allen, Julie Worsley and Linda Warner.

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