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A R Lee & Co *newsletter*

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Just as we all thought the global economy was showing strong signs of recovery, Russia decides to 'invade' the Ukraine and send the markets into turmoil!

We knew the economists were still worried about Europe, but we bet they didn't see that one coming. Hopefully, the intense diplomatic pressure on Russia will persuade President Putin to agree a compromise and the markets will settle down again.

At a local level, trading conditions continue to improve for many of our clients and there certainly appears to be a lot more activity and opportunity, although the appetite for increased risk remains subdued. Most banks want to increase their lending to the SME market, but few businesses want to borrow at present, if they can possibly avoid it.

This year's Budget speech will be given on 19 March, although most commentators are not expecting any major shocks, given there will be a General Election next year.

Our report on the Budget will be issued by email only on the day after the Budget speech to all those clients who are registered on our website and already receive our regular updates. If you are not currently registered and you would like to receive our Budget Report, please log on at www.arlee.co.uk and register.

Hopefully, the winter storms and endless rain are now behind us and we can look forward to some better weather at last!

As usual, if you require any further help or advice in relation to any of the matters referred to in this Newsletter, then do please let us know.

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Employment News

Right to Work

It is recommended that all employers take copies of their employees' Passport or Birth Certificate as evidence of their right to work in the UK and if they are not UK or EEA nationals, further evidence of their right to work in the UK will be required. Having a National Insurance number is not sufficient and fines of up to £10,000 per illegal worker can be incurred if the employer gets it wrong.

Revised Limits from 6 April 2014

Redundancy

- The maximum for a 'week's pay' will increase to £464.00

Statutory Maternity/Paternity/ Adoption Pay

- Increases to £138.18 per week.

Statutory Sick Pay

- Increases to £87.55 for those earning more than £111.00 per week.

Guaranteed Payment

- The daily rate increases to £25.00.

Lifetime Allowance for Pensions

The current limit on the amount that can be accumulated within a pension scheme without incurring an additional tax charge is £1.5 million, but this is to be reduced to £1.25 million from 6 April 2014. However, it is possible to make an election to retain the current limit of £1.5 million, but this must be done before 5 April 2014. You should therefore speak to your pension advisor urgently if you believe you might be affected.

Employment Allowance – Good News for a Change!

From 6 April 2014, nearly all employers will be able to claim a deduction of up to £2,000 from their liability to employer's National Insurance. We will claim the new relief automatically for those clients whose payroll we already deal with. If you run your own payroll, you will need to check and confirm your eligibility and make sure your software has been properly updated.

Statutory Sick Pay (SSP)

Employers will no longer be able to reclaim SSP with effect from 6 April 2014 as the Percentage Threshold Scheme (PTS) is abolished from that date.

Late Payment and RTI Penalties

Automatic late filing penalties for RTI have been delayed until October 2014 and late payment penalties until April 2015. However, interest on late payments will continue to be charged from April 2014.

Age Exception Certificates

HMRC no longer issue age exception certificates and employers will need to obtain copies of an employee's Passport or Birth Certificate as evidence of their date of birth.

Automatic Enrolment (Compulsory Pensions)

Although most of our clients will not have to start making compulsory pension contributions for their staff until either 2015 or 2016, they will start to receive letters later this year from HMRC giving twelve months' notice of the start date, which differs depending on your PAYE reference. It is very important that you do not ignore these letters and that you start to prepare for the changes that will be necessary and seek advice from either your existing pension scheme advisor, or ourselves, if you do not have one.

Property Corner

Income from Jointly held Investment Properties

Income arising from jointly held investment property is normally split equally between the owners, but often a different split might be more beneficial for tax purposes. We often advise clients about the options available, but it can be very confusing and we thought it might be helpful to explain the basic rules.

There are two ways in which property can be owned:

- As joint tenants – usually the default position for married couples. In the event of the death of one owner, their share is automatically inherited by the other, irrespective of what their Will says.
- As tenants in common – usually the default position for unmarried joint owners, the share does follow any provisions in the deceased's Will.

Unmarried joint owners can split their income in any way they like for tax purposes, although the shares must reflect the actual split of income and the input each owner puts into the property business.

However, married couples are automatically deemed to share their income equally i.e. on a 50:50 basis. If it would suit their circumstances to split the income on a different basis, then they will need to:

- Sever their joint tenancy by changing the registered title at the Land Registry.
- Agree a different split of ownership and confirm this by preparing a Deed of Gift or Declaration of Trust.
- Prepare and submit Form 17 to HMRC within 60 days, together with evidence of the change i.e. copy of the Deed, or revised Land Registry entry.

This process can be used to achieve a tax benefit in two different ways:

- A higher earning spouse can increase the beneficial interest held by the other so as to utilise any unused personal allowance or standard rate tax allowance the other spouse may have available.
- A cautious spouse could hold up to 99% of the beneficial interest in the property, but save tax by not submitting the Form 17 and only paying tax on the automatic deemed 50% share of the income.

Married couples can change the split of beneficial ownership at any time without incurring any liability to Capital Gains Tax, or Stamp Duty (provided the amount of any mortgage outstanding on the percentage transferred is less than £125,000). In any event, the split of beneficial interest should be reviewed and, if appropriate, changed before the property is offered for sale, in order to maximise the amount of relief available for Capital Gains Tax, depending on the couple's circumstances at that time.

As always, seeking advice before a transaction is undertaken is essential and we are always here to help.

HMRC Activity

HMRC has launched a Let Property Campaign designed to target landlords in the residential property market who have not properly declared their income and offering incentives to come clean.

This and That

More HMRC Activity

HMRC has also launched a task force in the London area targeting the construction industry in order to check employment status and the correct application of the Construction Industry Scheme (CIS) regulations.

At the same time, new employment agency rules come into force from 6 April 2014 that attempt to tackle disguised employment, particularly within the construction industry where agencies supply large numbers of 'self-employed' workers. Unless the agent can demonstrate the worker was not subject to supervision, direction or control within the contractual chain, then PAYE must be operated.

We believe the new agency rules will tempt more workers to supply their services through a limited company, although they may then be subject to the draconian IR35 legislation.

Interestingly, a House of Lords Select Committee has been established to look at the whole issue of personal service companies and we will have to see what recommendations they make when they report to Parliament.

At the same time, HMRC are now using social media such as Facebook and Twitter, together with very sophisticated data mining software they have developed, in order to investigate, or keep track of, targeted individuals.

So do be careful what you say when you use social media and think about the electronic foot-print you leave behind!

Small Business Rate Relief

The reliefs available to small businesses are being increased from 1 April 2014 and it is important they are claimed where available, as they are not given automatically, although once a claim has been made it will continue each year.

Self Employed Travelling Expenses

HMRC was successful in a recent Tribunal hearing involving a doctor's claim for travelling expenses and this has rather focussed HMRC's attention on the matter and may well result in many more similar enquiries. The doctor maintained an office at his house, but also held private practices at two hospitals to which he travelled regularly and claimed relief for the costs incurred. HMRC claimed, and the Tribunal agreed, the doctor had several permanent places of business (his house and the two hospitals) and that his travel between them was habitual. As a result, the cost was not therefore deductible against his profits. It was previously thought that by maintaining a proper office at his home, all the travel costs would be allowable, but that is not the case if the other locations are visited regularly enough to be considered 'a permanent place of business'. The ruling confirms that only the cost of 'itinerant' travel to premises that are not permanent places of business is allowable.

Advisory fuel rates for business mileage

The latest rates available apply from 1 March 2014 and are reviewed every three months.
See www.hmrc.gov.uk (advisory fuel rates) for the latest details:

Engine size	Petrol	Diesel	LPG
1400cc or less	14p		9p
1401cc – 2000cc	16p		11p
Over 2000cc	24p		17p
1600cc or less		12p	
1601cc – 2000cc		14p	
Over 2000cc		17p	