

A R Lee & Co *newsletter*

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A glimmer of light at the end of the tunnel...

At long last, all the signs are beginning to suggest the UK economy is moving out of recession and into recovery. Unemployment is down, GDP is up and the pound has begun to strengthen a little against the Euro, although not against the dollar. The US economy is recovering more quickly than the UK, but the rest of Europe, apart perhaps from Germany, continues to lag behind and still faces numerous economic difficulties.



The economists remain very cautious and are concerned there may be blips ahead, mainly due to problems in Europe, and they also believe interest rates may start to pick up more quickly than the Governor of the Bank of England is predicting.

Perhaps it is still too early to be sure but, at a local level, we are seeing distinct signs of improvement within our own client base. More clients are buying, selling or starting businesses and more clients are looking to move home. Certainly in our local area, property is a key economic driver and any recovery in this market will be most welcome.

House prices are also beginning to pick up again and the new Government backed deposit schemes are acting as an additional stimulus. The estate agents are selling more properties, but currently lack supply, which may also prompt further price inflation. First time buyers have also increased significantly.

Let's hope these trends continue and that we will begin to see improvements in both business profitability and living standards in the months ahead.

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Property Corner

We have always acted for a large number of property related clients, including developers, investors, general builders and subcontractors and we thought it might be useful to introduce a new regular section to our newsletter containing tips and advice in relation to property.

Rental Property

Tax Relief for Furniture and Furnishings

Although it has never been possible to claim tax relief for the cost of initial furniture and fittings for rental residential property, landlords with unfurnished properties have been allowed by concession to claim for the cost of replacement items. Landlords of furnished properties have been able to claim for either the replacement cost, or a fixed 10% wear and tear allowance, which has tended to be the best option.

From 6 April 2013 only the 10% wear and tear allowance will be available and only in respect of furnished lettings. So owners of unfurnished property will no longer be eligible for any relief for the replacement costs of white goods, etc.

Whilst it may well be tempting to re-classify unfurnished property as furnished, the level of furniture provided must meet a minimum standard and be sufficient for the tenant to occupy the property without providing any additional items. It must therefore include beds, a sofa, wardrobes and a table and chairs. The lease agreement will also specify the property is furnished and will normally include a schedule of the contents.

Furnished properties, except perhaps for flats in London, are far less popular to tenants than unfurnished, so there is little incentive to switch from unfurnished to furnished.

Please remember the cost of repair remains an allowable expense, so it might be better to repair than to replace, provided this is a viable option.



Tax Relief for Fixtures & Fittings

The changes mentioned above do not alter the current rules for relief for either repairing or replacing an old or broken fixture, as long as it is done on a "like for like" basis (i.e. with the closest modern equivalent) and not a superior product. Fixtures and fittings include radiators, light fittings, kitchen units, baths, washbasins and toilets, and it does not matter if the property is let on a furnished or unfurnished basis.

Employment Law Update

National Minimum Wage (NMW)

From 1 October 2013, the new NMW rates will be:

Adult rate	- £6.31 an hour
18-20 year olds	- £5.03 an hour
16-17 year olds	- £3.72 an hour
Apprentice rate	- £2.68 an hour



Driving Licences – Employer Responsibilities

Anyone driving for business purposes must have a valid driving licence and employers have a responsibility to check this. It is estimated that some 2 million drivers currently have expired licences and not only risk a fine of up to £1,000, but may also render their insurance invalid. The problem has arisen as the current photo card licences have to be renewed every 10 years and despite DVLA reminders, many licences have not been renewed.

Employers should therefore check and record the licence expiry date of anyone who drives on their behalf for business purposes.

Employment Particulars

An employer must give an employee a written statement of employment particulars within one month of the employment commencing. These can be generated using an interactive template available via the Government website at www.gov.uk.

We can also assist you to do this if required.

Carrying Forward Holiday When Sick

All workers are entitled to 5.6 weeks annual leave, which is equivalent to 28 days for a full-time employee working five days per week. This consists of 20 days under the European Working Time Directive and an extra 8 days under our own Domestic Working Time Regulations.

Last year the Court of Appeal ruled that where a worker is unable to take holiday leave due to sickness, the 20 day entitlement can be carried forward to the following holiday year.

The question then arose about the additional 8 days and this issue was recently decided by the Employment Appeal Tribunal who have ruled it cannot be carried forward.

Law Changes

25 June 2013

No qualifying period for unfair dismissal relating to an employee's political opinion/affiliation, whistle blowing changes (need for disclosure to be in 'public interest'), and extending the meaning of 'worker'.

29 July 2013

New fee charging system for Employment Tribunal applications.

Compromise agreements will now be known as 'settlement agreements' and new confidentiality rules to prevent the offer of a settlement agreement being used as evidence in any subsequent Tribunal proceedings.

1 October 2013

Removal of the third-party harassment provisions from the Equality Act 2010.

6 April 2014

All claims to tribunals will have to go via the ACAS early conciliation scheme.

Pensions – Automatic Enrolment

Although the compulsory 'staging date' for most SME businesses is still several years away, there is some concern that a lack of suitable providers may cause problems for employers joining a scheme when the time eventually comes, as there may be a 'log-jam' of applications. The advice is therefore to consider taking action earlier than you are legally required to do and to find a suitable provider and to amend your systems well before the deadline in order to avoid the possibility of penalties. We can refer you to a suitably qualified pensions advisor if required.

Post RTI – In Year PAYE Late Payment Penalties

Finally, be warned that as a product of RTI, HMRC know precisely what PAYE is due each month and how much has not been paid and will now be able to issue in year late payment penalties automatically!

This and That

HMRC Investigation Activity

After a trial period, HMRC have now finalised their procedures for a new approach to enquiries, known as the Single Compliance Process (SCP). The aim of the new approach is to improve the quality and consistency of their enquiry work by adopting a more collaborative approach with businesses and their agents. The new process consists of five stages:

- Stage 1 Planning** Cases will be identified internally for enquiry based on risk assessment and behaviours identified.
- Stage 2 Contact** With both the business and agent by issuing formal notices and explaining the initial approach HMRC intend to take.
- Stage 3 Process** Initial fact finding relevant to HMRC concerns. They will no longer request all records be submitted straight away. Decisions will then be made about any further action required.
- Stage 4 Resolve** To follow settlement procedures to bring the correct tax into charge by agreement where possible or by formal assessment where this is not possible.
- Stage 5 Close** To conclude the case and close actions.

Chasing Debt? – New Rules

For contracts made on or after 16 March 2013, the new Late Payment of Commercial Debt Regulations 2013 provide debtors with the right to additional compensation for the late payment of a business debt which may make it more cost effective to employ a solicitor or debt collector to chase the debt.



Cross-Option Agreements

If you run your business jointly with another person, you need to consider what would happen if one of you dies or becomes incapacitated. Cross-option agreements combined with appropriate life assurance or critical illness insurance are designed to ensure the business can continue without financial difficulties arising. However, it is important to take appropriate tax, legal and financial advice prior to entering into such an agreement.

Advisory fuel rates for business mileage

The latest rates available apply from 1 September 2013 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	15p		10p
1401cc – 2000cc	18p		11p
Over 2000cc	26p		16p
1600cc or less		12p	
1601cc – 2000cc		15p	
Over 2000cc		18p	

Tax Return Amnesty

HMRC have recently launched a tax return 'amnesty' for anyone with a tax return outstanding for any year up to 2011/12 and are offering 'the best terms available' to those who come forward and take part in the 'My Tax Return Catch Up'. Taxpayers will have until 15 October 2013 to submit Returns. In return, HMRC will consider spreading any liability due and reducing the penalties payable.