

The war on wages

The National Minimum Wage (NMW) rules have been around for some years. Whilst the rules have not really changed since they were introduced, the Government has become increasingly concerned that many businesses do not pay the required rates:

- Workers aged 22 and over - £5.73 per hour.
- Workers aged 18-21 - £4.77 per hour.
- Workers aged 16-17 - £3.53 per hour.

HMRC are the organisation tasked with policing the rules and the government has made funding available to do this. However, HMRC cannot visit every business in the country, so they have adopted a programme of targeted enforcement. This is designed to work with employers and workers to address issues and concerns about the NMW and to produce guidance in order to assist employers in meeting their obligations. Business sectors chosen under this new programme so far have been hairdressing, childcare providers and the hospitality industry.

From 6 April 2009, a new automatic penalty will be levied on employers where HMRC find NMW arrears. The penalty is 50% of the total underpayment (for periods starting on or after 6 April 2009) but there is a minimum penalty of £100 and a maximum penalty of £5,000. The penalty must be paid in addition to any arrears owed to the workers. The most serious cases of non-compliance may be tried in a Crown Court and subject to an unlimited fine.

The Department for Business Innovation and Skills are providing a decision making tool to enable employers to check whether an individual is eligible for the NMW, and if so at what rate. Where there has been an underpayment of the NMW, the tool will also help employers calculate the arrears that are due to a particular worker in respect of a specified pay reference period.

For further information, please see: www.berr.gov.uk/whatwedoq/employment/pay/index.html or contact Lynn Barnfather in RHK's payroll department and she will be able to assist you.



Want to reduce your personal & company tax bill?

Bradley Thomas, Tax Partner at RHK specialises in providing advice to business owners and private individuals on complex planning issues, tax mitigation and defence opportunities.

Clients benefit from his unique breadth of experience, enjoying strong management of their corporate and private tax affairs, within a clear and specifically tailored legal framework. If you would like to find out how to maximise the opportunities available to you, please contact Michelle Kenny, PA to Bradley Thomas to arrange an appointment. Tel: 0191 478 1513

Starting off on the right foot

RHK have produced a New Business Guide detailing financial, tax and accounting implications which ought to be considered by new business owners before they embark on any venture.

The Guide is available free of charge and can be obtained by contacting David Hall, Managing Partner at RHK on, Tel: 0191 478 1513.

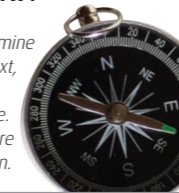


www.rhk.co.uk

INSIDE:

1 WHICH WAY?

You cannot determine what happens next, but you can plan for every outcome. Let us help prepare your business plan.



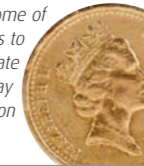
2 BUDGET REMINDER

Rounding up the highlights of the key budget headlines likely to affect you and your business in 2009.



2 CHANGES TO THE STATE PENSION

Outlining some of the changes to the basic state pension. Stay up to date on this issue.



4 REDUCE YOUR TAX BILL

Expert advice from Bradley Thomas to help maximise the opportunities available to you.



Which way?



Our lives are not determined by what happens to us but by how we react to what happens, not by what life brings to us, but by the attitude we bring to life. A positive attitude causes a chain reaction of positive thoughts, events and outcomes. It is a catalyst, a spark that can create extraordinary results. If you want success, you really need to have a written plan to help outline how you are going to get there. We can help you write your business plan.

Plans take many forms however all should include:

- An analysis of where the business is now, what the strengths and weaknesses are and what the opportunities and threats for the future are. (Commonly referred to as a SWOT report).
- What do the owners want the business to achieve over the next 12 to 36 months, from a business and personal perspective?
- Why do you want to do it and do all the owners want to achieve the same objectives?

- How are you going to get there and what actions should the business take to achieve its objectives?
- The financial implications - what will happen if the business achieves its objectives and what will happen if it does not?
- What capital is required to achieve the objectives?

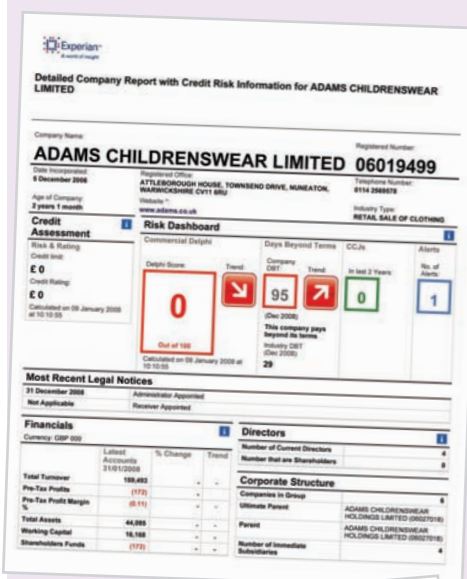
Once the overall strategy has been set, the owners can then focus on making it happen. Call us about helping you set your plans. We can advise on all aspects of business planning and help in your success! Often we can help obtain a grant to assist with the costs associated with this. For further information contact David Hall on Tel: 0191 478 1513

RHK can provide you with risk reports

This is an ideal way of undertaking background checks before dealing with new customers or suppliers and can be used as a guide to help you set credit limits and terms of business. These reports are available within minutes from RHK at a nominal fee of £40 per report.

Contact Moya Goodyear or your usual contact at RHK for further information or to request a report.

Tel: 0191 478 1513 or email: mgoodyear@rhk.co.uk



Budget reminder!

Now that the 2009 Finance Bill has Royal Assent, we thought we should round up our highlights of the key budget headlines likely to affect you and your business.



- From 6 April 2010 there will be a 50% top rate of tax for those with taxable income over £150,000 and in the following tax year the government has also announced its intention to restrict tax relief on pension savings for this group.
- A phased reduction of personal allowances for those with income over £100,000 is also due to impact from 6 April 2010.
- The amount which can be invested in an 'ISA' account the tax free savings vehicle is to increase by £3,000 to £10,200.
- The ability to use trade losses through relief in earlier years by both an unincorporated business and a company has been enhanced.
- There is a temporary additional capital allowance on plant expenditure which may benefit those with higher levels of spending on plant and machinery.
- Extension of the furnished holiday lettings scheme to properties in the European Economic Area is to apply but the scheme is to be abolished completely from April 2010.

Please contact us for further advice on any matter which may affect you.

Changes to the State Pension

The State Pension is still a fundamental part of peoples' retirement plans. Over the last two years a number of changes to the basic State Pension have been announced. These include:

- Increasing the basic State Pension in line with earnings, rather than prices, which means it should rise more quickly each year than it does now. This change will happen from 2012 at the earliest and by 2015 at the latest and will also apply to people currently getting their State Pension or who reach State Pension age before 6 April 2010.
- Both paid and credited National Insurance Contributions (NIC) will count towards the basic State Pension in the same way.
- Reducing the number of qualifying years needed for a full basic State Pension to 30 for people who will reach State retirement age on or after 6 April 2010.
- Any number of qualifying years will give an entitlement to at least some basic State Pension.
- Replacing the system of Home Responsibilities Protection with a weekly NI credit for people caring for children or severely disabled people and converting past years of HRP into years of credits.
- Changing the way the State Second Pension (S2P) builds up, so that it will provide a simple, flat-rate weekly top-up to the basic State Pension.
- Increasing the State Pension age for both men and women from 65 to 68 in stages between 2024 and 2046.

It is not unknown for errors to occur due to difficulties linking national insurance contributions with pension records. However, there is any easy way to check your current pension entitlement - ask for a pension forecast. If you would like to know more about the changes or ask for a forecast, visit www.pensionservice.gov.uk



Relaxing tax benefits

The knowledge that you are getting the most out of your hard earned profits may provide as much of a boost as the prospect of sunshine and warm summer breezes. Whilst a key consideration might be maximising the cash at your disposal for the minimum tax cost - are you optimising your benefits?

Dividend extraction has reigned supreme in recent years for small companies as a means of providing cash to director shareholders and may also now be the most cost efficient for other companies under current tax rules and rates. Its advantage over remuneration generally is that there is no national insurance cost. This fact currently outweighs the other key matter that dividends do not attract corporation tax relief. But what about remuneration which benefits from obtaining tax relief for the business and has no national insurance cost?

The need to extract cash is always going to be an essential component for living requirements but the provision of tax free benefits by a company to directors and employees has certain merit, worthy of fresh consideration. Like dividends tax free benefits are not subject to national insurance for either the employee or the employer. Yet the company should obtain a tax deduction where provided as part of a commercial remuneration package. It also has flexibility as different types of benefit can be provided for different individuals. Furthermore, unincorporated businesses can also participate in respect of their employees. This could be a valuable motivational incentive at a reduced cost.

Even where benefits are not income tax free and so attract employer national insurance there are still favourable reasons for considering their provision. Firstly, there is still no employee national insurance. Secondly, the cost to the employer of providing certain benefits to employees is cheaper than each individual employee buying the benefit out of post tax wages.

Clearly if the overall aim is to minimise tax and NI cost overall then the benefit provided needs to be tax free and some examples of such benefits include:

- A mobile phone for personal and business use (restricted to one per employee from 6 April 2006).
- Free car parking at/near place of work.
- Contributions to registered pension schemes.
- Health checks and eye tests.
- Business mileage paid at HMRC's approved rates.
- Nursery provision up to £55 a week per parent.
- Permanent health insurance.

To obtain tax and national insurance favourable treatment on benefits, it is essential that their provision is structured correctly. If this is an area of interest to you please contact us for further information.

How to avoid being a winner in the HMRC lottery

Many books have been written about how to improve your chances of winning in the National Lottery or how to improve your chances of backing a certain winner in the 2.30 at Chepstow.

This article is about how to avoid winning the HMRC lottery and therefore avoid the prize of having a Tax Inspector crawling all over your business.

HMRC investigations of any kind are costly in time and even more costly in the emotions they engender and the distraction they cause in the running of your business. So is it possible to avoid them?

The honest answer is that no one has absolute immunity from investigation. There is always a small random element in the choice of cases for enquiry but there are a number of basic things that you can do to help improve your position.

HMRC have new powers from April 2009 which will alter the way in which they carry out investigations.

They also have a new penalty regime that will inevitably mean that the level of penalties charged where tax has been lost due to negligence or deliberate action on the part of the taxpayer will increase.

You don't want to be involved in helping an Inspector get practical experience of how the new powers work! Various tax returns will be prepared over the coming months so give some careful thought to what goes in them.

RHK can provide a fee protection insurance policy which will cover any professional fees incurred should you be investigated.

Contact Moya Goodyear at RHK to find out more. Tel: 0191 478 1513 or email: mgoodyear@rhk.co.uk