



Chartered
Management
Accountants

THE BCS PARTNERSHIP Ltd

NEWSLETTER September 2014



~ BUDGET 2014 ~

For a copy of our Budget 2014 Summary, please e-mail us at:-

bcspart@bcspart.co.uk

For a copy of our Tax Focus 2014/15 which shows the key tax rates for the last seven years and the Budget 2014 Key Changes. A *.pdf version is available on our website at:

<http://www.bcspart.co.uk/>

KEY CHANGES

Personal Allowance increased to £10,000 (2013/14 £9,440).

Basic Rate @ 20% up to taxable income of £32,010.

NIC - Employees - 12% on Employees' earnings £153 - £805 p. wk. Thereafter @ 2%.
Employers - 13.8% on Employees' earnings above £153 p.wk.
Self Employed 9% on £7,956 - £41,865 p.a. Thereafter @ 2%.

Capital Gains Allowance £11,000.

Corporation Tax @ 21% (2013/14 23%). Small Companies 20%.

Annual Investment Allowance £500,000. From 31 Dec 2015; £25,000.

VAT 20% Registration Limit £81,000. De-registration £79,000.

Pensions Contributions Limit £40,000 (£50,000).

~ Petrol & Diesel Advisory Fuel Rates ~

The AFRs were reviewed on 1st September 2014. HMRC have reduced the small diesel rates by 1 ppm..

Engine Size	Petrol	LPG	Diesel
1400 cc or less	14p	9p	
1600 cc or less			11p
1401 cc to 2000 cc	16p	11p	
1601 cc to 2000 cc			13p
Over 2000 cc	24p	16p	17p
Fuel Cost	129.3 ppl	70.3 ppl	133.7 ppl

~ Claim your £2,000 NI 'Employment Allowance' ~

From April 6th 2014 employers can claim not to pay the first £2,000 of Employer's Class 1 NIC otherwise payable.

All companies can apply. This includes charities and Community Amateur Sports Clubs.

(Groups of companies are allowed only one £2,000 allowance).

Under Real Time Information now, all payrolls must be run electronically (if that is the right word?) using either proprietary/in-house software or HMRC's facility.

To claim the allowance, tick the appropriate Check-Box once you are satisfied your organisation qualifies.

After you have sent your RTI full payment submission for payrolls run after 5 April (2014) you can file an employer payment summary (EPS) specifically to claim the Employment Allowance (EA). Most payroll software, including HMRC's **Basic PAYE Tools**, will be changed to show a "yes/no" indicator asking if you want to, i.e. are entitled to claim the allowance. If you choose "yes", an EPS will be generated to submit to HMRC.

~ Payroll ~

Employer's will lose SSP Subsidy

From April 2014 the SSP compensation scheme will cease. It provided employers who had a relatively low wages bill with a government contribution towards the cost of paying employees while they are off work due to illness.

For most employers the change shouldn't be a major cost. Up until this year, where an employer paid SSP to employees amounting to more than 13% of the total NI contributions (employees' plus employers') for the same month, the excess could be claimed back. For example, if a company paid SSP of £250 in a month and the total NI bill for the same month was £1,000, it could reclaim £120 ($£250 - (£1,000 \times 13\%)$).

~ VAT Rules - Discounts ~

From 1 April 2015 VAT registered business that offer early settlement discount terms will need to review their VAT procedures.

Up to now, the VAT element on invoices could be reduced by the discount rate - e.g. 5% for 14 days - regardless of whether the account was actually settled within that period. From next April, this can still be done, but where payment is paid later, a supplementary VAT invoice (only) must be issued.

Alternatively, suppliers can invoice the full amount of VAT initially and then issue a VAT credit note if early settlement is given. (This probably the easier method as it matches issuing a discount credit note - with VAT attached).

~ Directors' Loans - Dividend 'Trap' ~

In a personal or family company scenario, the directors often borrow money from the company. Although this can be useful, tax issues arise where the loan remains outstanding nine months and one day after the end of the accounting period.

If the loan is not repaid within this timescale, details of the loan must be included within the company tax return and the company must pay Corporation Tax at 25% of the balance of the loan. The tax is due on the normal due date for Corporation Tax. Interest is charged to the extent that the tax is paid late.

If the loan is repaid before the Corporation Tax due date there is no Corporation Tax to pay on the loan balance.

The tax-free limit increased from £5,000 to £10,000 in April 2014.

~ Tax Efficient Share Buy-backs ~

HMRC have issued new guidance where companies purchase their own shares - i.e. from Directors-manager-shareholders.

It includes useful tax-saving advice for married couples - taking advantage of the principles established in the 'Arctic Ltd' case of using the spouse's free allowances and that transfer of shares between spouses is free of Capital Gains Tax and allows back-dating up to 5 years. Companies can ask HMRC to treat share payments as capital payments rather than as (dividend) distributions.

For further details, if you think this might assist in your specific case, contact the BCS Partnership Ltd.

~ Long Term Sickness ~

How long is long enough of whether the employer should be expected to hold open the employee's job? Ill-health is a potentially fair reason to dismiss an employee. It has been established that in order for an ill-health dismissal to be fair, the employer must usually ascertain the medical prognosis, consult with the employee and consider alternative employment.

The Inner House of the Court of Session in the case of *BS v Dundee City Council* has reviewed the case law applying to long-term ill-health dismissals.

One of the findings indicated that a year might be a reasonable time in which to bring matters to a conclusion - taking all other factors into account.

~ "Company Cars - The Alternatives" ~ Seminars

Companies are saving over £10,000 per driver in adopting the Key Alternative.

BCS are continuing to run their very successful seminars on Company Cars:-

"Company Cars - The Alternatives" ½ Day - 9.30 am - 12.30 Noon

Spend ½ day to make an informed decision.

Manchester - Thursday 25th September - Bewleys Hotel, Outwood Lane, Manchester Airport M90 4HL

Bristol - Thursday 23rd October - Alveston House Hotel, David's Lane, Alveston B35 2LA

Birmingham - Thursday 13th November - Holiday Inn, Chapel Lane, Great Barr, Birmingham B43 7BG

Edinburgh - Thursday 4th December - Houston House, Uphall, Edinburgh, West Lothian EH52 6JS

£149 + VAT for (1) Delegate: +£50 + VAT for additional Delegate per company.

Details and Booking On-line can be found at :- <http://www.bcspart.co.uk/> or telephone **01706 646664**.

For further advice and guidance on any of the above topics, please contact BCS on 01706 646664.

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