



NEWSLETTER—WINTER 2010

Capital allowances: timing the relief

This applies to all businesses

The Annual Investment Allowance (AIA) is a kind of capital allowance which offers tax relief at 100% on qualifying expenditure in the year of purchase. From April 2010 the AIA doubled from £50,000 to £100,000 – a move welcomed by many businesses. However, the Coalition Government has subsequently announced that it intends to reduce the AIA to just £25,000 from April 2012.

Firms planning to spend a significant amount on qualifying items such as plant and machinery may therefore wish to consider the timing of their investment to ensure that it is as tax-efficient as possible.

Immediate write-off for capital expenditure

Capital allowances are the tax equivalent of depreciation, allowing businesses to write off the cost of capital expenditure on items such as plant and machinery against profits. We can help businesses to choose whether to take the relief immediately (up to the AIA limit) or to write off the cost over a number of years by means of writing down allowances (WDAs).

The AIA enables businesses to obtain an immediate deduction for certain capital expenditure on plant and machinery up to the amount of the allowance. The AIA increased from £50,000 to £100,000 for certain expenditure incurred on or after 1 April 2010 for corporation tax purposes and 6 April 2010 for income tax purposes.

This means that a business can have immediate relief for qualifying expenditure, providing that the limit has not been reached. However, relief is not automatic and must be claimed. If the AIA is not claimed, relief is given by means of WDAs, which are currently given at the rate of 20% for main pool assets and 10% for special rate pool assets. The AIA can only be claimed for the accounting period in which the expenditure was incurred. Deferred claims are not permitted and, to the extent that the AIA is not used in an accounting period, it is lost. Unused amounts cannot be carried forward.

The decision as to whether it is beneficial to claim the AIA will depend on the particular circumstances. In many cases, claiming the full allowance will be very worthwhile as it will generate an immediate tax saving. With corporation tax rates for all companies set to fall from 2011, taking relief earlier rather than later will provide greater savings.

However, if the business is only planning to keep an asset for a short while (without replacing it) and sale proceeds are

likely to be high compared to the original cost, a decision not to claim the AIA now may save future balancing charges. The decision will also depend on the tax written down value of the relevant pool. As the claim is not an all or nothing claim, it is however, possible to tailor the claim to suit the situation. For example, by claiming AIA on, say, 40% of the cost (with WDAs being given on the remainder), you can achieve a higher level of immediate relief, but save the pain of a future balancing charge.

Future changes

In the Emergency Budget the Chancellor announced that for expenditure incurred on or after 1 April 2012 (corporation tax) and 6 April 2012 (income tax) the AIA will be significantly reduced to £25,000. Businesses that are planning to incur high levels of capital expenditure on plant and machinery in the next couple of years may therefore wish to accelerate purchases to before 1 April or 6 April 2012 (as appropriate). This would allow immediate write off of capital expenditure of up to the current limit of £100,000. The limit is pro-rated if the accounting period spans these dates.

The rates of WDA are also set to be reduced from April 2012 to 18% for main rate expenditure and 8% for special rate expenditure.

Please talk to us about the timing of any investments that you are planning.

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Increase in the standard rate of VAT to 20 per cent

This applies to any VAT registered individual or business

Standard rate VAT increases to 20% on 4 January 2011.

For any sales of standard-rated goods or services that you make on or after 4 January 2011 you must charge VAT at the 20 per cent rate. If you have a cash business and calculate your VAT using the VAT fraction you must use the VAT fraction of 1/6 on your standard-rated VAT inclusive sales from 4 January 2011.

The change only applies to the standard VAT rate. There are no changes to sales that are zero-rated or reduced-rated for VAT. Similarly, there are no changes to the VAT exemptions. Any sales you make at these rates are unaffected by this change.

How to account for the VAT rate change

The way that you should account for the change in the VAT standard rate depends upon the type of business you have. The special arrangements for businesses trading on 31 December 2009 will not apply to this rate change.

Retailers

If you are a retailer you must use the 20 per cent rate for all takings that you receive on or after 4 January 2011. But if your customer pays on or after 4 January 2011 for something they take away (or you deliver) before 4 January 2011, your sale takes place before 4 January 2011 and you should use the 17.5 per cent rate.

If you are a retailer you must clearly show your prices inclusive of VAT. However, following a VAT rate change you will have up to 28 days to adjust your prices. So, from 4 January 2011 to 1 February 2011, you can put up a notice to let your customers know that an adjustment will be made at the till to account for the VAT rate change.

Businesses that issue VAT invoices

You must use the 20 per cent rate for all VAT invoices that you issue on or after 4 January 2011. But see our section below on special rules for sales that span the change in rate.

Sales that span the change in rate

There are special rules for sales which span the change of rate. If you provide goods or services before 4 January 2011 and raise a VAT invoice after that date you can choose to account for VAT at 17.5 per cent. You don't need to tell HM Revenue & Customs (HMRC) if you do this.

Services you started before 4 January 2011 but finished afterwards

If you start work on a job before 4 January 2011 but finish afterwards you may account for the work done up to 3 January 2011 at 17.5 per cent and the remainder at 20 per cent. If you choose to do this you will have to be able to demonstrate that the apportionment is fair.

Continuous supplies of services

If you provide a continuous supply of services, such as leasing of photocopiers, you should account for the VAT due when you issue a VAT invoice or receive payment, whichever is the earlier. You must charge 20 per cent on invoices issued and payments received on or after 4 January 2011. You may, if you wish, charge 17.5 per cent on the services you've provided in the period up to 3 January 2011 and 20 per cent on the remainder. If you choose to do this you will have to be able to demonstrate that the apportionment is fair.

VAT invoices raised or deposits received before 4 January 2011 for sales you make afterwards

If you issue a VAT invoice or received prepayment before 4 January 2011 for goods or services which you provide on or after that date VAT will normally be due at the 17.5 per cent rate. In certain circumstances VAT is due at a rate of 17.5 per cent on the date of issue of the VAT invoice or receipt of payment before 4 January 2011 and a supplementary charge of 2.5 per cent then becomes due on the 4 January 2011.

Special VAT schemes for small businesses

Cash Accounting Scheme

If you use the Cash Accounting Scheme you will need to be able to identify payments received on or after 4 January 2011 that relate to supplies made before that date. VAT at a rate of 17.5 per cent will be due on these payments.

Annual Accounting Scheme

Your installments will not be affected by the change in the standard VAT rate.

Flat Rate Scheme

The flat rate percentages have been re-calculated to reflect a standard rate of VAT of 20 per cent. The new rates apply from 4 January 2011 until further notice.

You can choose to operate the Flat Rate Scheme if your VAT exclusive turnover does not exceed £150,000. This turnover figure is **VAT exclusive** so it is not affected by the change in the standard rate of VAT.

Currently you must leave the Flat Rate Scheme if your income (**including** VAT) exceeds £225,000. However, if your income exceeds this threshold because of a one off transaction and you expect that your income will fall below £187,500 in the next year you can remain in the Flat Rate Scheme.

These thresholds will be increased with effect from 4 January 2011 to reflect the increase in the standard rate of VAT.

Payments on account

Currently if you have an annual VAT liability of £2 million or more you must make interim payments on account at the end of the second and third months of each VAT quarter. You must include a balancing payment for the quarter (the quarterly liability less the payments on account made) with your VAT return. The level of interim payments that apply for one year is based on your VAT liability in the previous year.

If your annual liability currently falls below £1.6 million you can apply to stop making payments on account.

These thresholds will be increased from £1.6m and £2m to £1.8m and £2.3m to reflect the increase on 4 January 2011 of the standard rate of VAT. As appropriate, the thresholds will be increased on 1 June 2011 for quarterly reviews and on 1 December 2011 for annual reviews.

What VAT you can reclaim

You can claim back the VAT you have been charged by your supplier in the normal way. You will still be receiving invoices on or after 4 January 2011 showing 17.5 per cent VAT relating to purchases you have made before the rate change. In these cases you should claim back VAT at 17.5 per cent.

How to complete your VAT return

After 4 January 2011 you should continue to receive and submit VAT returns in the normal way - monthly, quarterly or annually. The deadlines for submitting your VAT returns and making payments are unchanged. For return periods that cover both before and after 4 January 2011, you will need to add together the VAT on sales charged at 17.5 per cent and the VAT on sales charged at 20 per cent to work out the total VAT on sales to be included in box 1 of your VAT return.

How to correct an error on your VAT return

If you discover that you have made an error you can correct it in the normal way by making a voluntary disclosure or correcting it on your next return (subject to the normal limit).

If you do make mistakes accounting for the change of rate on your first VAT Return after the change, HMRC will only seek an adjustment if there is likely to be an overall revenue loss.

Managing an ageing workforce

This applies to all employers

As life expectancy increases, many people are choosing to work for longer. Add to this the withdrawal of the default retirement age (DRA), and it is clear that businesses will need to adapt to the changing demographic of the UK workforce. Here we consider the proposed changes to the rules on retirement, and include advice on managing an ageing workforce.

The default retirement age

The Government has announced that the DRA will be abolished from 1 October 2011.

The proposals allow for a six month transition from the existing regulations, meaning that the changes could begin to take effect from April 2011. Consequently, the majority of people may soon be able to work beyond age 65 if they wish.

Currently, an employer can force a member of staff to retire at the default age of 65, irrespective of their circumstances. Although staff can request to work beyond the DRA, it is entirely at the company's discretion. More information on the removal of the DRA is expected to be released before the end of 2010. At the time of going to print further details on the change had not been published.

Employing an older workforce

Official statistics suggest that by 2020, almost a third of the workforce will be over the age of 50. Yet despite changing demographic trends, a recent study has found that just

14% of UK managers consider their organisation to be prepared to deal with ageing employees. To help ensure that your firm is well-equipped to manage an older workforce, consider the following points.

Health and safety

While there is a common assumption that speed and agility decline with age, short-term absence is often lower amongst older employees and research suggests that the health and fitness of older workers is in fact improving.

However, employers will still need to consider health and safety issues and should carry out a risk assessment for all employees, regardless of their age. This may involve: assessing whether heavy lifting is needed in a particular job or whether it can be removed; adapting workstations to minimise repetitive movements; and adjusting lighting, temperature and working conditions.

Flexible working

Flexible working can take many forms, including: part-time or reduced hours; job sharing; seasonal work; home working; flexi-time; term-time only; temporary contracts and unpaid leave. Research suggests that many older people would have continued to work if they had been offered the option of

flexible working. Flexible employment may therefore allow businesses to retain valued employees who may have otherwise retired.

You should also ensure that members of staff, managers and supervisors are made aware of the flexible working options that are available, how decisions are made and what criteria are used.

Training and development

Providing training opportunities can help to keep staff motivated, regardless of their age or level of experience. While training is often offered to less experienced team members, such openings should also be made available to older workers, who may in fact welcome the change.

You might want to consider retraining older team members to fill any vacancies or skills shortages – this may prove to be a cheaper alternative to external recruitment. It will also allow the business to utilise the experience and skills of older employees.

With the default retirement age set to be phased out, employers will need to review their policies on retirement. Further advice can be found at: www.businesslink.gov.uk.

We can help with all aspects of running a business – please contact us for advice tailored to your requirements.

New scheme to expose rogue employers

This applies to all employers and employees

A Government scheme is being launched to publicly expose employers who deliberately pay their staff less than the National Minimum Wage (NMW).

The scheme comes into effect on 1 January 2011 and defaulting employers will have their breaches publicised by the Department for Business, Innovation and Skills (BIS).

It follows recommendations from the Low Pay Commission, which called for a 'name and shame' policy to be put in place to expose those employers who show a wilful disregard for the NMW regulations.

A number of changes to the NMW came into effect in October 2010, including an increase in the main adult rate – for further information visit: www.lowpay.gov.uk

Is your PAYE code correct?

This applies to all employers and employees

The Pay As You Earn (PAYE) system has come under the spotlight in recent months, after it emerged that coding errors had resulted in millions of people over and underpaying tax. The problems have highlighted the need for individuals to regularly check their PAYE code, as detecting errors at an early stage could avoid a substantial tax bill later on.

The PAYE system aims to collect, over the course of a tax year, approximately the right amount of tax from your earnings. This is done by the issue of one, or sometimes a series, of tax codes which are used by your employer to calculate the tax to be deducted from your earnings.

However, many people can go for years paying the wrong amount of tax – either too much or, perhaps more worryingly, too little – because they have an incorrect tax code. In particular, they may not have notified the tax office of changes in their circumstances that would affect their tax position, such as changing jobs and losing the benefit of a company car, or they may have started investing in a personal pension plan.

It is important that we check your PAYE code now, because it is much easier to rectify mistakes before the tax year ends. As a first step though, look at your salary slip and see which code is currently being applied. The letter in the code tells us whether your code includes one of the standard allowances, and you can see if this is right for your circumstances:

L includes the basic personal allowance

P includes the full higher rate personal allowance for age 65 - 74 (assumes income less than £22,901)

Y includes the full personal allowance for age 75 or over (assumes income less than £22,901)

T means that the code is to be changed only if a specific notification is received from the tax office. There is usually an adjustment in your code which requires manual checking by HM Revenue and Customs (HMRC) each year – for example, you might be over 65 with income over the limit for the full higher rate of personal allowance and therefore your allowance has to be re-calculated every time the rates and limits change.

K HMRC may try to increase the tax you pay on one source of income to cover the tax due on another source which cannot be taxed directly – for example, the tax due on your taxable employment benefits might be collected through increasing the tax you would otherwise pay on your company salary. A K code applies when the 'other income' adjustment reduces your allowances to less than zero – in effect, it means that the payer has to add notional income to your real income for PAYE purposes. The maximum tax which can be deducted using a K code is 50% of the source income.

HMRC will often try to collect tax on other income through your PAYE code but you may prefer to pay the tax through self assessment – we can arrange for the adjustment to be removed.

We can help you check your PAYE code to ensure that you are paying the correct amount of tax. Please contact us for assistance.

Employer NICs Holiday

This applies to all employers

The Regional Employer NICs Holiday, which was unveiled in the Emergency Budget, has now come into effect.

The scheme provides new businesses in certain areas of the country with a break from paying employer NICs in respect of the first 10 employees that they take on in the first year of business. It was launched on 6 September 2010 and ends on 5 September 2013.

The scheme is only open to businesses that meet certain conditions. To be eligible:

a sole trader, partnership or company must start a **new business** in the period 22 June 2010 to 5 September 2013 inclusive;

the principal place at which the new business is carried on when it is started is **not in an excluded region** (Greater London, the East and South East); and

qualifying employees are engaged for the purposes of the new business.

Possible savings

The scheme offers new businesses the opportunity to save up to £50,000 in employer NICs. There is no limit on the amount that can be paid to a qualifying employee under the scheme, although the relief available in respect of any one employee is capped at £5,000. For 2010/11 this means that an employer can obtain relief in full for the employer contributions that they pay in respect of qualifying employees earning £44,778 or less.

Further information on the scheme, including an application form and postcode checker, can be found at www.businesslink.gov.uk.

Changes to National Insurance

This applies to all taxpayers

In June the Chancellor confirmed that National Insurance Contribution (NIC) rates will rise from next April. Here we consider the forthcoming increase and include tips for saving employer and/or employee NICs.

NICs increase

From April 2011, a further 1% will apply to the NIC rates applicable to employers, employees and the self-employed, as shown in the table below.

	2010/11 rates		2011/12 rates	
	main	additional	main	additional
Class 1 (employee)	11%	1%	12%	2%
Class 1 (employer)	12.8%	no upper limit	13.8%	no upper limit
Class 1 A/B (employer)	12.8%	no upper limit	13.8%	no upper limit
Class 4 (self-employed)	8%	1%	9%	2%

The level at which people start to pay NICs will increase by £570 above the level previously announced. Those paying the standard employee rate and earning below £20,000 will pay less NICs overall as a result. The 1% rise in NIC rates will represent a significant increase in costs, especially for employers. If you have any questions or concerns about the forthcoming changes, please contact us.

Minimising NICs

Clearly there is more need than ever to mitigate NICs. While strategies are limited, we can work with you on ideas for saving employer and/or employee NICs.

Dividends instead of salary/bonus

For limited companies you should consider paying dividends rather than a salary/bonus (this may not suit all businesses, so please talk to us for advice). Where directors are in receipt of a salary/bonus from a company, the NIC cost may be such that part of the payment could be more cost effectively made as a dividend. There are special rules for some companies providing personal services.

The decision on whether to pay a dividend is complex because doing so may influence the value of the company's shares and therefore increase the liability to capital gains tax and inheritance tax. There is also a maximum amount that may be paid, based on the company's results.

Further strategies

You may also want to consider:

- increasing the amount the employer contracts to contribute to company pension schemes
- share incentive plans (shares bought out of pre-tax and pre-NIC income)
- salary sacrifice arrangements in respect of tax-free benefits in kind, such as the provision of childcare
- giving employees other non-cash benefits in kind may reduce their NICs.

Actions unlikely to save NICs:

- Round sum allowances – any profit element will attract NIC
- Employees' contributions to pension schemes.

For further advice on minimising your tax liability, please contact us.

Corporation tax: what's changing?

This applies to all businesses

The June 2010 Emergency Budget delivered some welcome news to companies and others affected by corporation tax. The news took the form of rate cuts, both to the main rate of corporation tax and to the small profits rate. Here we look ahead to the forthcoming changes and consider the planning opportunities that may be available for businesses.

What's changing?

As far as larger companies are concerned, the main rate of corporation tax will fall from 28% to 27% for the financial year 2011, which starts on 1 April 2011. Further cuts will follow in each of the next three successive years, reducing the main rate to 26% from 1 April 2012, to 25% from 1 April 2013 and to 24% from 1 April 2014. The main rate of corporation tax currently applies to companies with profits in excess of £1,500,000.

Small companies (profits up to £300,000, with marginal relief available on profits between £300,000 and £1,500,000) also benefit from a reduction in the small profits rate from 21% to 20% from 1 April 2011.

Planning opportunities

The reduction in the rate of corporation tax offers a number of planning opportunities. Delaying profits to a later accounting period will allow them to benefit from a lower rate, as well as delaying the date by which the tax must be paid. Likewise, accelerating expenses will give relief for those expenses at higher rates of tax.

If the company has unrelieved losses, relieving them earlier rather than later will provide relief at a higher rate. Generally, a trading loss for a 12 month period can be carried back and set against the profits of the preceding 12 months. However, as a temporary measure, losses incurred in accounting periods ending after 23 November 2008 and before 24 November 2010 (inclusive), can be carried back for up to three years rather than 12 months (up to a maximum of £50,000). In a climate of falling corporation tax rates, carrying losses back will give a higher rate of relief for the losses than carrying them forward.

The rate reductions, together with the increases in the rates of Class 1 and Class 4 National Insurance Contributions (NICs) scheduled for April 2011, swing the pendulum back in favour of incorporating a business and extracting profits by way of a dividend. However, this may not suit all businesses so please talk to us for advice tailored to your particular circumstances. Dividends must be paid out of retained profits and do not benefit from a corporation tax deduction. However, they do not attract NICs. Thus a reduction in corporation tax rates, combined with increasing NICs, favours profit extraction in this way.

Other corporation tax changes

In addition to the forthcoming rates changes, HM Revenue and Customs (HMRC) is changing the way in which corporation tax returns must be filed. From 1 April 2011, company tax returns and accounts for accounting periods ending after 31 March 2010 must be filed online using the inline Extensible Business Reporting Language (iXBRL) format, the new standard designed for business financial reporting. Updated guidance on iXBRL tagging is available on the HMRC website.

We can help you plan to minimise your tax liability and provide advice on all aspects of running a business. Please contact us for assistance.

Web Watch

Essential sites for business owners

www.legislation.gov.uk

New website launched by The National Archives which gives clearer, faster and simpler access to legislation.

www.thepensionsregulator.gov.uk

The UK's regulator of work-based pension schemes, which aims to promote high standards and protect the benefits of members.

www.ibe.org.uk

The website of the Institute of Business Ethics, which is aimed at encouraging high standards of business behaviour based on ethical values.

www.efa.org.uk

The website of the Employers Forum on Age, which promotes the importance of age diversity in the workplace.

Find the right marketing strategy for your firm

This applies to all businesses

Whatever your line of business, finding a marketing strategy that works for your firm is essential. There are many ways to market your business, from mass mailings and advertising, to telemarketing and social networking. Here we consider some of the most popular marketing tactics, as well as the pros and cons of each strategy.

Social media

The surge in social media has opened up new marketing and promotional opportunities for businesses. Social and business networking sites, for example, provide an inexpensive method of engaging with customers and promoting the firm's goods or services. Corporate blogs and web services such as Twitter and LinkedIn can also be an effective way of sharing information and expertise with customers, prospects and employees.

- ✓ Blogs can help to drive additional traffic to the firm's website whilst projecting the brand into the public domain
- ✓ Social media is inexpensive and ideal for those on a tight budget
- ✗ Negative feedback or ill-considered 'Tweets' can damage a firm's brand and reputation – and beware of leaking confidential information
- ✗ Blogs and Tweets do require an on-going time commitment to keeping them up to date

Direct mailings

While email marketing is now the preferred option for many businesses, direct mail can still be very effective. However, for new companies, a little planning and patience is required. You have to begin by investing in good quality data because you need the right levels of information to target your best prospects.

- ✓ Targeting a specific group will give you complete control over who receives your advertising message
- ✓ You can develop a distinctive personality for your business and communicate your brand values
- ✗ Without proper targeting, direct mail can be dismissed as junk mail
- ✗ ... and without careful planning, it is easy to waste a lot of money

Telemarketing

Telemarketing has grown in popularity in recent years. It is most effective when used in conjunction with a direct mail campaign (see above). Your mailer will have introduced your prospects to your business, and gives you a legitimate reason for calling them.

Remember to encourage the use of open questions as these will engage the recipient in conversation, and ensure that any follow-up information or calls are provided promptly.

Telemarketing (cont)

- ✓ Allows direct personal contact with your prospects for a more personal form of interaction
- ✓ The results can be easily monitored

✗ Telephone calls can be intrusive and people may not always be open to receiving them

Advertising

There are many different ways of advertising your business, from local and national newspapers, trade magazines and journals, to radio advertising, the internet, and television. However, for smaller businesses placing a series of promotions in the classified section of a printed publication is one of the most popular means of advertising.

✓ Enables you to relay a particular message to a wide group of potential customers and build recognition in the marketplace

- ✗ It is one of the more expensive methods of marketing
- ✗ The results can sometimes be difficult to track

Public Relations

Public Relations is about maintaining the reputation of your business, which often involves using the media. Issuing a press release can be a good way of getting your business on the media 'radar'.

Natural opportunities for issuing press releases might include a new product launch or new premises, but you can also create opportunities by commissioning unusual surveys or giving an expert opinion on a current topic.

✓ Cost is one area where PR has a key advantage. Sending a press release is free, whereas placing an ad can be costly

✗ It is more difficult to measure results when dealing with something as intangible as reputation

Increase in the state pension age

The state pension age will now rise to 66 by 2020 for both men and women, six years ahead of the plan put in place by the previous Labour Government.

In the Comprehensive Spending Review, Chancellor George Osborne announced that the retirement ages of men and women would be equalised at 65 by November 2018, with both ages rising to 66 by 2020.

In 2007, the Labour Government followed the recommendations of Lord Turner's Pensions Commission and decided that the state pension age should rise: to 66 by 2026, to 67 by 2036 and to 68 by 2046. The Coalition has brought forward the plan on the grounds that people are living longer and state pension costs have become unsustainable at current levels. The timescale for raising the pension age to 67 and 68 is now also likely to be accelerated.

The new rules on company car replacements

This applies to

Previously, when employers started to provide cars to employees or when they changed or stopped providing company cars, Form P46 (Car) had to be submitted by the employer to HMRC. This enabled HMRC to keep tax codes up to date, which in turn ensured that the employee did not end up with an unexpected tax bill.

From April 2009 employers were informed that they no longer had to submit Form P46 (Car) for replacement company car changes. This was then followed by a statement that, from April 2010, Forms P46 (Car) relating to replacement company car changes would not be accepted.

However, following discussions about the impact of this on employers and employees, HMRC has confirmed that changes have been agreed.

Consequently, from April 2011 employers will be able to notify HMRC electronically of any replacement car changes. The paper form P46 (Car) will not be changed, so only electronic notifications of replacement company cars will be accepted.

Proposed extension to flexible working

The Government recently announced plans to extend the right to request flexible working to parents of children under the age of 18 from April 2011.

The right to request flexible working currently applies to parents of children under the age of 17 (under 18 if the child is disabled) or individuals who have caring responsibilities for certain adults. This right will be extended from April so that parents of all children under the age of 18 will have the right to request flexible working, subject to meeting the existing qualification criteria.

To be eligible, the individual must:

- Be an employee
- Have at least 26 weeks' continuous service; and
- Have not made an application within the previous 12 months.

The Government estimates that the new rules will benefit a further 300,000 employees, in addition to the 10.5 million employees who are currently eligible to apply for flexible working.

A consultation is taking place to consider how the extension will be implemented and to examine a new system of flexible leave in accordance with the Coalition's pledge to 'encourage shared parenting from the earliest stages of pregnancy'.

However, the Additional Paternity Leave regulations, which came into force in 2010 and apply to parents of children due on or after 3 April 2011, will remain in force 'as an interim measure'.

For more information on flexible working and advice on how to manage requests, visit

www.businesslink.gov.uk.

Increase in savers' compensation limit

The deposit protection limit for savings is increasing from 1 January 2011. Under the new regulations, the compensation limit for savers who lose money when a bank or building society goes under is rising to the equivalent of the first €100,000 (around £84,450).

It follows new European legislation aimed at 'harmonising' the amount of money that is paid out to savers throughout Europe. The new rules also stipulate that compensation claims should be made within 20 days of an institution being declared in default.

The compensation limit was last raised in 2008 to fully protect the first £50,000 of savings – up from the previous limit of £35,000.

Cap on pensions tax relief to be reduced

The Government has announced that the annual tax-free amount that individuals can invest into a pension will be significantly reduced from April 2011.

The Treasury has confirmed that the annual allowance for tax-privileged pension saving is being cut from £255,000 to £50,000. The Government claims that an annual allowance of £50,000 will affect 100,000 pension savers – 80% of which it said will have incomes over £100,000. It was originally thought that the cap on tax relief would fall to a figure between £30,000 and £45,000.

In addition, the lifetime allowance on money that can be accrued in a pension fund and still receive tax relief, is set to fall from £1.8 million to £1.5 million. The new annual allowance will come into force in April 2011. However, the cut in the lifetime allowance is not expected to take effect until April 2012.

Reminders for your Winter Diary

This applies to

December 2010

- 30 Last day to file your 2010 Tax Return electronically if you wish to have a 2009/10 balancing payment of less than £2,000 collected through your 2011/12 PAYE code.
- 31 Last day for non-EC traders to reclaim recoverable UK VAT suffered in the year to 30 June 2010.
- End of relevant year for taxable distance supplies to UK for VAT registration purposes.
- End of relevant year for cross-border acquisitions of taxable goods in the UK for VAT registration purposes.
- End of CT61 quarterly period.
- Filing date for Corporation Tax Return Form CT600 for period ended 31 December 2009.

January 2011

- 1 Due date for payment of Corporation Tax for period ended 31 March 2010.
- 4 Standard rate VAT increases to 20%.
- 14 Due date for income tax for the CT61 quarter to 31 December 2010.
- 19/21 Quarter 3 2010/11 PAYE remittance due.
- 31 First self assessment payment on account for 2010/11. Capital gains tax payment for 2009/10.
- Balancing payment – 2009/10 income tax/ Class 4 NICs.
- Last day to renew 2010/11 tax credits.
- Deadline for amending 2008/09 Tax Return.
- Last day to file the 2010 Tax Return online.

February 2011

- 1 £100 penalty if 2010 Tax Return not yet filed. Additional penalties may apply for further delay. Interest starts to accrue on 2009/10 tax not yet paid.
- 2 Quarterly submission date of P46 (Car) for quarter to 5 January.
- 14 Last date (for practical purposes) to request NIC deferment for 2010/11.
- 28 Last day to pay any balance of 2009/10 tax and Class 4 NICs to avoid an automatic 5% surcharge.

Self assessment reminder...

Don't forget, 31 January 2011 is the last day for filing your 2010 Tax Return online. We can help you prepare your Tax Return for submission to HMRC – please contact us for more information. Returns filed after 31 January may attract a penalty, so please collate all the relevant documentation as soon as possible to ensure that you meet the deadline



Coates and Partners Limited

Chartered Accountants

The Old Vicarage, 51 St. John Street
Ashbourne, Derbyshire, DE6 1GP

At Coates and Partners Limited we are more than your traditional Chartered Accountants. Our five director firm, based in Ashbourne, Derbyshire has a pro-active and forward-thinking attitude.

As well as the typical compliance work you would expect from a leading accountancy practice such as accounts preparation, book-keeping and taxation, we pride ourselves in going beyond the realms of a traditional accountant by offering much more help and advice and ensure we work with an individual or business to attain their personal goals. This could be assisting with individual retirement planning or providing a business with ancillary services such as payroll or training or installing accounts packages, for example Sage. We frequently work with clients 'on their business' to formulate strategies that will ultimately enhance their business development, focus and performance.

Although our firm is based in Ashbourne, we have clients from across Derbyshire and Staffordshire as well as much further afield, with a strong international section of overseas clients and businesses. We can help anyone in business, whether they're just launching and need business start-up help, or they are sole traders, partnerships or limited companies. We can also assist individuals who need help with their tax returns or need to plan their finances for the future.

Our primary aim is simple: to deliver exceptional client service. This has been fundamental over the past 60 years that we have been in business and has seen us develop long-lasting relationships with clients.



Please contact us for a free initial consultation.

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This newsletter deals with a number of topics which, it is hoped, will be of general interest to clients. However, in the space available it is impossible to mention all the points which may be relevant in individual cases. It is recommended you seek professional advice before taking any action. No liability can be accepted by Coates and Partners Limited for any action taken or not taken as a result of this information.