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New year, new look? Claiming tax relief on refurbishment

If you are considering refurbishing your business, you may be able to claim tax relief on the costs incurred in doing so. However, it is important to bear in mind that different tax rules apply to expenditure on fixtures, alterations and repairs to your business premises. Here we outline some of the effects and the potential implications for your business.

Claiming relief

You can claim a full tax deduction for all expenditure on repairs to your building that are incurred in an accounting period.

Alterations to a building will be treated as 'capital expenditure'. This means that the expenditure does not qualify for a tax deduction against profits but may eventually get tax relief for capital gains tax as an 'improvement' to the property.

Some capital expenditure will qualify for relief. Expenditure on fixtures may qualify for relief under the capital allowances system. This may mean that your expenditure on fixtures gets immediate tax relief due to the Annual Investment Allowance (AIA) but this will depend on how much other expenditure qualifying for plant capital allowances you have incurred in the accounting period. The current limit for expenditure relieved by the AIA is £500,000 but this figure is scheduled to fall to only £25,000 on 1 January 2016. If your accounting period straddles 1 January 2016, the AIA limit will not be £500,000 – further calculations are required. Please contact us if you are planning significant expenditure on fixtures and other plant and machinery.

Not all fixtures qualify for capital allowances but many do. Expenditure on fixtures covers a wide variety of

items, from lights and boilers, to toilets and other sanitary ware. Different types of business will require different fixtures and you should check whether your chosen items qualify for capital allowances. Contact us for more information and to find out how this can impact your business.

Potential pitfalls

It may seem that both repair expenditure and expenditure on fixtures are equally valid ways of receiving a 100% tax break on your investment.

However, note the tax treatment for fixtures if you should decide to sell your business premises. Someone acquiring a property may be able to claim capital allowances on the fixtures which were put in place by the previous owner. When the transaction takes place both parties should agree on a price for the fixtures. The price can be any amount between the original costs of the fixtures when they were installed in the building down to £1. If the price is the original cost of the fixtures the capital allowances claimed by the previous owner are effectively clawed back (but the purchaser can claim on this amount). If the price is £1 the capital allowances claimed by the previous owner are effectively retained (but the purchaser can only claim on £1).

The dividing line between what is a repair rather than an alteration, and what does or does not qualify for capital allowances, can be difficult to ascertain. In addition, the rules that apply on the sale of a building which has fixtures which have qualified for capital allowances can be complex.

Careful planning can help you to maximise the relief available, and help your new-look business to succeed.

Please contact us for further advice for your business.

Shared Parental Leave and Pay:

What employers need to know



New legislation significantly changes the rules about family leave – here's what you need to know as an employer.

The new Shared Parental Leave regulations greatly increase the flexibility for parents when taking leave to care for children – with inevitable consequences for employers when it comes to dealing with the admin issues. Eligible mothers, fathers, partners and adopters will be able to choose how to share a 'pot' of time off work to look after new children, so they can both be off at the same time, or take turns to have 'blocks' of leave over a total 52 week period.

How does Shared Parental Leave work?

The new rules apply to **babies due or adopted on or after 5 April 2015**. Employers could start to receive notice of the intention to take Shared Parental Leave from employees from February 2015.

Employed mothers will continue to be entitled to 52 weeks of Maternity Leave and 39 weeks of statutory maternity pay. However, under the new rules a mother can opt to end her maternity leave early and, with her partner or the child's father, opt for Shared Parental Leave instead of Maternity Leave.

Shared Parental Leave may be taken at any time following the initial two weeks of compulsory maternity leave (four weeks in the case of manual workers) within the period which begins on the date the child is born (or placed for adoption) and ends **52 weeks** after that date.

Each eligible parent can give their employer up to three separate notices to book or vary leave. A notice can be for a block of leave or for a pattern of 'discontinuous' leave involving different periods of time. Employers cannot refuse requests for a continuous block of leave but can turn down requests for discontinuous blocks. It is recommended that employer and employee discuss a solution that works best for both parties.

During discussions, employers may wish to consider:

- important company events
- upcoming busy periods
- covering the role
- impact on customers.

Employees must provide their employer with a notice of booking at least eight weeks before the leave is due to start, detailing how much leave they are entitled to and how much they intend to take.

Who can qualify?

To qualify, the mother or adopter must be eligible for statutory maternity or adoption entitlements and must share the main responsibility for caring for the child with the child's father or their partner.

For a parent to qualify for Shared Parental Leave they must be an employee and they must pass the **continuity of employment test**, whereby they must have worked for the same employer for at least 26 weeks at the end of the 15th week before the due/matching date and still be employed in the first week that Shared Parental Leave is to be taken.

In turn, the other parent in the family must meet the **employment and earnings test**, whereby they must have worked for at least 26 weeks in the 66 weeks leading up to the due date and have earned above the maternity allowance threshold of £30 week in 13 of the 66 weeks.

Shared Parental Pay

From April 2015 Statutory Shared Parental Pay is paid at £139.58 or 90% of average weekly earnings (whichever is lower). If the mother or adopter curtails their entitlement to maternity/adoption pay or maternity allowance before they have used their full entitlement then Shared Parental Pay can be claimed for any remaining weeks.

To qualify for Shared Parental Pay a parent must pass the continuity of employment test and also have earned an average salary of the lower earnings limit of £111 for the 8 weeks prior to the 15th week before the expected due date or matching date. The other parent in the family must meet the employment and earnings test.

More information and advice for employers and employees can be found at the ACAS website www.acas.org.uk and at www.gov.uk (search for shared parental leave).



2014 Autumn Statement: at-a-glance summary

Chancellor George Osborne presented the 2014 Autumn Statement on 3 December. Here we summarise some of the main announcements that could affect you and your business.

Stamp Duty Land Tax (SDLT)

Reform of SDLT on residential property immediately replaced the existing system with a new set of graduated rates. SDLT is payable at each rate on the portion of the purchase price which falls within each band, rather than at a single rate on the whole transaction value.

Business rates

The doubling of Small Business Rate Relief will be extended for a further year from 1 April 2015.

In addition, the business rates discount for retail and food and drink premises with a rateable value of £50,000 and below (the 'high street discount') will be increased from £1,000 to £1,500 up to the State aids limit for one year from 1 April 2015.

Employer NICs for apprentices

In a move designed to further encourage employers to take on apprentices, from April 2016 employer national insurance contributions up to the upper earnings limit will be abolished for apprentices aged under 25.

Access to business finance

The Government will provide £400 million to extend the British Business Bank's Enterprise Capital Funds programme, to be committed over the next three years, and will enable the Enterprise Finance Guarantee to support up to £500 million of new lending in 2015/16.

Research & Development (R&D)

The rate of the above the line credit will increase from 10% to 11% and the rate of the small and medium-sized enterprise (SME) scheme will increase from 225% to 230%. These will take effect from 1 April 2015.

Long term plans for UK infrastructure

Prior to the Autumn Statement, the Government announced that it will provide funding for a specific set of infrastructure projects under the

'National Infrastructure Plan 2014'. These include:

Roads – A total of £15 billion has been designated for road improvements, which the Government describes as 'the biggest package of improvements undertaken in the modern age'.

Houses – Bicester has been confirmed as the second 'garden city' with Government support for the construction of up to 13,000 homes.

Flood defences – £2.3 billion has been allocated as part of a major project to improve some 1,400 flood defence systems.

Science and innovation

The Government has allocated £5.9 billion of science capital funding over the next Parliament. The funding will support a range of projects and institutions, including £95 million for the UK to take the operational lead in the next European mission to Mars.

Loans for postgraduate masters

The Government will introduce income-contingent loans of up to £10,000 for under-30s to undertake a postgraduate taught Masters course in any subject. The loans are planned to be available from 2016/17.

Anti-avoidance measures

A range of measures were announced aimed at tackling tax avoidance.

Incorporation – Individuals are to be prevented from claiming entrepreneurs' relief on disposals of the reputation and customer relationships associated with a business ('goodwill') when they transfer the business to a related close company.

Loss relief – Effective from 3 December 2014, legislation will deny loss relief where a miscellaneous loss, or miscellaneous income, arises from relevant tax avoidance arrangements. Legislation is also to be introduced, with effect from tax year 2015/16, to limit relief to miscellaneous income of the same type as the loss.

New rules on overtime and holiday pay

Employers are being advised to review their employee holiday pay arrangements, following a recent landmark Employment Appeal Tribunal ruling that overtime should be taken into account when calculating holiday pay.

The ruling

Until recently, it was generally considered that only basic pay and overtime that was guaranteed to be paid counted for the purposes of calculating holiday pay. However, the Tribunal found that under the UK Working Time Regulations (WTR) holiday pay must also include pay for non-guaranteed overtime.

The ruling applies only to non-guaranteed, compulsory overtime – ie, overtime which an employee is contractually required to work but which the employer does not promise to offer, as opposed to overtime that is undertaken voluntarily. The ruling applies to the first four weeks of holiday in a given holiday year, as provided under the EU Working Time Directive, and does not take into account any additional holiday provided under the WTR or an employee's contract of employment.

The likely impact

Up to five million people currently work overtime in the UK and the ruling could potentially impact on many businesses. While it may yet be referred to the Court of Appeal, experts believe that the underlying principle is unlikely to change.

Furthermore, following the ruling businesses could also be vulnerable to claims for additional holiday pay to cover previous periods of compulsory overtime, although the Government has since announced new rules meaning that from 1 July, holiday pay claims can only be backdated for a period of two years. Until that date, workers will be able to make claims under the existing arrangements.

This is not the only case on holiday pay that has found its way to the courts. A recent European Court decision held that commission payments constituted an intrinsic link to an employee's tasks he was required to perform. The payments therefore should also be included when calculating holiday pay.

Protecting your business

In the light of these recent rulings, business owners are advised to review their holiday pay arrangements with a view to minimising the potential financial impact of the changes. Some of the steps you may wish to consider taking could include:

- making appropriate adjustments to ensure that compulsory overtime is included in calculations for holiday pay
- considering the potential impact of any potential claims for past unpaid holiday
- reviewing employment contracts to allow for voluntary overtime, as opposed to non-guaranteed overtime
- employing alternative staff resources, such as agency staff, to cover overtime needs.

This article is for general information only and you are advised to seek professional guidance before taking any action. Acas also offer a free support helpline: 0300 123 1100.

Business Round-up

New VAT rules come into effect

1 January 2015 saw the introduction of the new place of supply rules for VAT, affecting those businesses supplying digital services to consumers within the EU.

Under the new system, VAT on digital services (including broadcasting, telecommunications and e-services) is now payable in the country where products are bought, rather than the country in which the seller is located.

A new VAT Mini One-Stop Shop (VAT MOSS) also came into effect on 1 January, with the aim of minimising the additional administrative burdens, by removing the need for suppliers to register in each Member State in which digital services are provided.

However, following concerns over the impact of the rules on small businesses, HMRC recently announced a transitional period for the smallest firms, stating that 'until 30 June 2015, micro-businesses that are below the current UK VAT registration

threshold, and which register for the VAT MOSS online service, may base their 'customer location' VAT taxation and accounting decisions on information provided to them by their payment-service provider'.

Government publishes new guidance on 'Fit for Work' service

The Government has published new guidance on its Fit for Work service, which aims to help tackle the problem of long-term sickness absence.

The service offers advice and support to facilitate the return to work of employees who have been off sick or are likely to be off sick for a period of four weeks or more.

Free work-related health advice has already been made available to employers via a website and telephone line, and 2015

sees the phased roll-out of new occupational health assessments.

Aimed principally at small and medium-sized businesses, the service will allow employers to refer their employees – with their consent – for an occupational health assessment. This may take the form of a telephone call.

Following the assessment, a return-to-work plan will be created, including recommendations for employers on how to assist the employee with their return to work.

A tax exemption of up to £500 per year per employer will be available for spending on medical treatments which help employees to resume their duties.

The service was originally named the Health and Work Service, but was subsequently rebranded as 'Fit for Work' (in England and Wales) and 'Fit for Work Scotland'.

Further information can be found at www.fitforwork.org and www.fitforworkscotland.scot.



Web Watch

Essential sites for business owners

www.hse.gov.uk/simple-health-safety/index.htm

A simple guide to Health & Safety for your business

www.financial-ombudsman.org.uk/faq/smaller_businesses.html

Handy tips regarding complaints about your small business

www.gov.uk/measuring-and-reporting-environmental-impacts-guidance-for-businesses

Measuring and reporting the environmental impact of your business



Reminders for your Spring Diary

March

- 2 Last day to pay any balance of 2013/14 tax and Class 4 NICs to avoid an automatic 5% late payment penalty.
- 31 End of Corporation Tax financial year.
End of CT61 quarterly period.
Filing date for Company Tax Return Form CT600 for period ended 31 March 2014.

April

- 5 Last day of 2014/15 tax year.
Deadline for 2014/15 NISA investments.
Last day to make disposals using the 2014/15 CGT exemption.

- 14 Due date for income tax for the CT61 period to 31 March 2015.
- 17/22 Quarter 4 2014/15 PAYE remittance due.
- 20 Interest will begin to accrue on unpaid PAYE/NI for 2014/15.
- 30 Normal annual adjustment for VAT partial exemption calculations (monthly returns).

May

- 1 Start of daily penalties for 2014 online Tax Return not yet filed. Additional penalties may apply for further delay.
- 3 Submission date of P46 (Car) for quarter to 5 April.
- 31 Last day to issue 2014/15 P60s to employees.