Business Matters

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Implementing the new National Living Wage

The National Living Wage (NLW) comes into effect in April 2016, and is set to have a significant impact on both employers and employees. Here we explore the NLW in greater detail.

What is the National Living Wage?

The new compulsory NLW was announced in the 2015 Summer Budget by Chancellor George Osborne. Starting from 1 April 2016, the rate will be set at £7.20 an hour for those employees aged 25 and over. The NLW will give eligible employees a premium of 50 pence an hour on top of the National Minimum Wage (NMW). The new wage is expected to rise to £9 an hour by 2020. This is significantly higher than the NMW rate of £6.70 an hour, which currently applies to employees aged 21 and over.

The NLW is being introduced to help 'lift the wages of the lowest paid' and forms part of the Government's plan to 'move to a higher wage, lower tax and lower welfare society'. It is estimated that 2.7 million people stand to benefit from the introduction of the NLW. However, for those employees under 25, the appropriate rate of the NMW will continue to apply.

The NLW should not be confused with the Living Wage, which is a voluntary wage rate that some employers choose to pay.

Advice for employers

The NLW is likely to have a significant effect on many businesses, and employers are being urged to take steps now to ensure that they are ready. To help businesses prepare ahead of the introduction of the NLW in April 2016, the Government is advising that firms should:

- know the correct rate of pay – £7.20 per hour for staff aged 25 and over
- determine which staff are eligible for the new rate
- update the company payroll in time for 1 April 2016
- communicate the changes to staff as soon as possible.

National Living Wage	From 1 April 2016
Aged 25 and over	£7.20

National Minimum Wage	From 1 October 2015
21 and over*	£6.70
18 – 20	£5.30
16 and 17	£3.87
Apprentices**	£3.30

** 21 – 24 from 1 April 2016. ** Rate applies to apprentices under 19, or those 19 and over in the first year of apprenticeship.*

In recognition that the new NLW will increase costs for some businesses, the Government is raising the amount employers can claim through the Employment Allowance. From April 2016 the Employment Allowance will enable employers to reduce the amount of Class 1 national insurance contributions (NICs) they pay for their employees by up to £3,000. This is up from the previous allowance of £2,000. Small businesses and charities particularly stand to gain from this change.

We can advise on a variety of employment-related issues – please contact us for further information.

The 2015 Autumn Statement: some key measures

When Chancellor George Osborne delivered his combined Autumn Statement and Spending Review to the House of Commons, it contained a number of surprises, not least of which was the announcement of a U-turn on the planned changes to the taper and threshold rates for tax credits, which will now remain unchanged. The Chancellor also unveiled key announcements of significance to businesses and individuals, some of which are outlined below.

Business measures

Business rates

The Government will extend the doubling of Small Business Rate Relief for a further year from 1 April 2016. The Chancellor also confirmed that the Government's review of business rates is ongoing and will be reported at Budget 2016. In addition, the Government will legislate to allow local government to keep the rates they collect from business, give councils the power to cut business rates to boost growth, and grant elected city-wide mayors the power to levy a business rates premium for certain local infrastructure projects.

Apprenticeship levy

The new apprenticeship levy, effective from April 2017, will be set at a rate of 0.5% of an employer's wage bill and will be paid through PAYE. Each employer will receive an allowance of £15,000 to offset against their levy payment. This means that the levy will only be paid on any wage bill in excess of £3 million.

Diesel company cars

The three percentage point differential between diesel cars and petrol cars was set to be removed in April 2016. However, it will now be retained until April 2021, when EU-wide testing procedures will ensure new diesel cars meet air quality standards, even under strict 'real world' driving conditions.

Employment intermediaries

The Government will legislate to restrict tax relief for travel and subsistence expenses for workers engaged through an employment intermediary, such as an umbrella or personal service company. Following consultation, from April 2016 relief will be restricted for individuals working through personal service companies where the intermediaries legislation applies.

Personal measures

State Pension

The Chancellor confirmed that the starting rate for a full new State Pension will be set at £155.65 per week, to take effect in April 2016. The basic State Pension will be increased by the 'triple lock' for 2016/17, meaning a full basic State Pension will rise to £119.30 a week – an increase of £3.35.

Pensions auto-enrolment

The Government will delay the next two scheduled increases in automatic enrolment minimum contribution rates by six months each, to align these changes with the start of the tax year.

Inheritance tax

Legislation will be introduced in Finance Bill 2016 to ensure that a charge to inheritance tax will not arise when a pension scheme member designates funds for drawdown but does not draw all of the funds before death. This will be backdated to apply to deaths on or after 6 April 2011.

Tax-free childcare

The upper income limit per parent will be lowered from £150,000 to £100,000 and the minimum income level per parent will be increased from the equivalent of eight hours to 16 hours at the National Living Wage.

Help to Buy

As part of the Government's 'five point plan' for housing, the Chancellor announced the extension of the Help to Buy: Equity Loan scheme to 2021 and the creation of a special London Help to Buy scheme which offers a 40% equity loan.

Stamp duty and second properties

The Chancellor announced additional measures affecting owners of second properties. From 1 April 2016, higher rates of Stamp Duty Land Tax (SDLT) will be charged on purchases of additional residential properties (above £40,000), such as buy-to-let properties and second homes. In its draft Budget in December, the Scottish Government confirmed that similar changes will be applied to the Land and Buildings Transaction Tax (LBTT) in Scotland. These higher rates will be three percentage points above the current rates of duty.

The higher SDLT rates will not apply to purchases of caravans, mobile homes or houseboats, or to corporates or funds making 'significant investments in residential property'.

Meanwhile, the Government intends to consult on changes to the SDLT filing and payment process to come into effect in 2017/18, including a reduction in the filing and payment window from 30 days to 14 days.

For more information on how the measures could affect you and your business, please contact us.

Under control? The new requirements for companies

Recent changes to company law have imposed new obligations on UK companies, as well as those holding interests in UK companies.

By the expected date of 6 April 2016, all UK companies that are not already subject to similar requirements must produce a register of 'persons with significant control' – or PSC register – containing details of the ultimate beneficial owners of the company.

This information must be filed with Companies House, where it will be held in a public register, with the stated aim of improving the level of transparency of UK companies. The expected date by which the information must be provided to Companies House is 30 June 2016.

What is significant control?

The definition of a person with significant control is any person to whom one or more of the following points applies:

- ☑ **the individual either directly or indirectly holds more than 25% of the shares in a company**
- ☑ **the individual either directly or indirectly holds more than 25% of the voting rights in a company**
- ☑ **the individual has the right to appoint or remove a majority of a company's board of directors**
- ☑ **the individual exercises, or has the right to exercise, significant influence or control over the company**
- ☑ **the individual exercises, or has the right to exercise, significant influence or control over the activities of a trust or firm which is not a legal entity, and which itself meets one of the above conditions.**

Companies with simple ownership structures should find the new requirements relatively straightforward, although for those with more complex arrangements, or where the issue of ownership is unclear, the situation may be more challenging.

Identifying PSCs

Under the new rules, companies will be required to take reasonable steps to identify whether a person or legal entity has significant control and to include relevant details relating to them in the PSC register. This means that companies will need to look beyond the individuals who immediately own their shares, to identify those individuals or entities which ultimately have significant control of the company. Notice must be given by the company to any people or entities that it believes to be registrable for the PSC, allowing one month for the recipient to provide confirmation of their position.

Additionally, if an individual knows, or ought reasonably to know that they should be registered as a significant controller, a proactive disclosure obligation will apply to that individual, requiring them to notify the company of their interest.

Failure to comply with the new rules could potentially result in financial penalties and a criminal conviction.

Additional changes

Other changes to company law include amendments to the filing requirements of companies with Companies House. The annual return will be replaced by the new 'check and confirm' process, in which companies will supply a confirmation statement stating whether the information remains up-to-date. Where applicable, companies will be obliged to notify Companies House of any changes at least every 12 months. The expected date of the new process is June 2016. These obligations remain separate to the existing duty to notify the Registrar of Companies of changes in information, on an ongoing basis. Regulations are also expected to bring LLPs into the PSC regime alongside companies.

This article is for general information only and you are always advised to consult an expert for further advice.

Grandparents set to share parental leave and pay

The role that grandparents play in providing care for their grandchildren is being officially recognised, as new proposals are set to allow working grandparents to benefit from Shared Parental Leave and Pay.

Currently, the Shared Parental Leave (SPL) rules only allow eligible mothers, fathers, partners and those adopting to take SPL and Shared Parental Pay (ShPP) following the arrival of their baby.

Introduced in April 2015, SPL allows working mothers to end their Statutory Maternity Leave (SML) and Statutory Maternity Pay (SMP) early. They can then share the equivalent of the untaken leave and pay with their partner instead, in the form of SPL and ShPP. If introduced, the option to share the available SPL and ShPP with the child's grandparents will allow some parents to return to work more quickly. It is also hoped that by making Shared Parental Leave and Pay available to grandparents, many older workers will opt to remain in employment, rather than leaving their jobs to help look after their grandchildren.

However, ShPP and SPL are only available where the child is under the age of one, so those who care for toddlers and school-age children will not benefit.

The Government aims to introduce this change in 2018, with consultation regarding the details expected in 2016.

SPL: At a glance

- To qualify for this shared leave, employees must satisfy the 'continuity of employment' test, whereby the parent taking the leave must have been employed before the start of the pregnancy.
- Employers must generally be given at least eight weeks' notice before any period of SPL begins.
- Eligible parents are able to share up to 37 weeks' pay and 50 weeks' leave. The amount available is determined by the mother's unused SML and SMP entitlements.
- ShPP is currently paid at £139.58 a week or 90% of average weekly earnings, whichever is lower.
- Employers can recover the majority of the costs of ShPP on the same basis as Statutory Maternity and Paternity Pay is recoverable.
- Any SPL that is available to new parents must be taken in the first year of the child's life.

Business Round-Up

New Scottish rate of income tax to take effect

The Scottish rate of income tax (SRIT) comes into effect on 6 April 2016. Under the new regime, taxpayers who are resident in Scotland will pay two types of income tax on their non-savings income.

The main UK rates of income tax will be reduced by 10p for Scottish taxpayers, and the Scottish Parliament will levy the SRIT in its place. The Scottish Parliament has the choice of whether to reduce or increase the SRIT beyond 10p and there are no lower or upper limits.

In its draft Budget in December, the Scottish Government confirmed that the SRIT would be set at 10p in the pound for 2016/17. However, the changes will have an impact on many employers and employees, as any employer in the UK will see a change to PAYE procedures if an employee is classed as a Scottish taxpayer.

The Scotland Bill 2015 proposes further devolution of additional tax and spending powers to the Scottish Parliament, paving the way for future changes.

Abolition of employer NICs for apprentices

From April 2016 employer national insurance contributions (NICs) up to the upper earnings secondary threshold (UESC) will effectively be abolished for apprentices aged under 25.

Prior to 6 April 2016, employers have been required to pay Class 1 secondary (employer) NICs at 13.8% on earnings paid to employees above the lower secondary threshold, which is set at £156 per week for 2015/16. This will be set at a zero-rate for 'relevant' apprentices on weekly earnings up to £827 for 2016/17.

A technical consultation with draft regulations defining a 'relevant' apprenticeship was issued in July 2015. The key points are as follows:

- It will include government-recognised apprenticeships in the UK. This includes frameworks or standards recognised by the Skills Funding Agency in England as well as apprenticeship frameworks approved by the Welsh, Scottish and Northern Ireland governments
- There will be a requirement for a relevant apprentice to have a written agreement, specifying the government-recognised apprentice framework/standard, with a start and expected completion date
- It is intended that, where an employee is considered an apprentice for National Minimum Wage purposes, they will also be considered a 'relevant apprentice' for the zero-rate of employer Class 1 NICs for apprentices under 25, except where the apprentice is not following a government-approved framework/ standard
- Common law apprenticeships which do not follow government-approved frameworks will be excluded.

This change is the latest in a series of reforms to national insurance during recent years.

If you have any questions relating to national insurance, please do not hesitate to contact us.

Web Watch

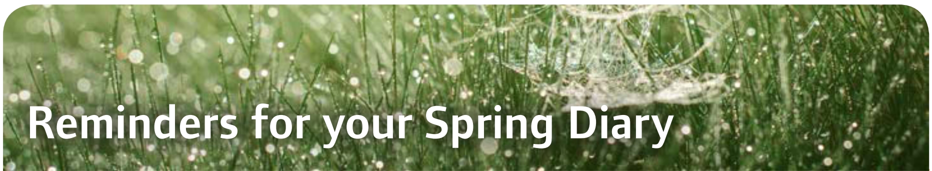
Essential sites for business owners

rework.withgoogle.com
Advice and information on health and wellbeing in the workplace, as well as data and tips to 'help make work better'.

ibtimes.co.uk/business
Up-to-date business, political and economic news stories from around the world.

businessblogshub.com
Handy tips and suggestions covering the areas of finance, marketing, legal and sales.

mashable.com/business
Business news stories and information on a range of topical issues and talking points.



Reminders for your Spring Diary

March

2 Last day to pay any balance of 2014/15 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 2015.

April

5 Last day of 2015/16 tax year.

Deadline for 2015/16 ISA investments.

Last day to make disposals using the 2015/16 CGT exemption.

14 Due date for income tax for the CT61 period to 31 March 2016.

19/22 Quarter 4 2015/16 PAYE remittance due.

30 Normal annual adjustment for VAT partial exemption calculations (monthly returns).

May

1 Start of daily penalties for 2015 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 2015/16 P60s to employees.