# Compass Accountants

## Newsletter February - March 2015

*Helping you to shape your future… not just accounting for your past…*

## TaxAngles - For proactive tax planning

***In this month's edition…***

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- Home based businesses and business rates
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- Work place pensions are here - are you an employer?
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- ….And here's someone you may want to meet!
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### Self-Assessment late filing penalties

The deadline for submitting your Self Assessment tax return for 2013-14 has passed. The online filing date, after which penalties apply, was midnight, 31 January 2015.

**Penalties for individuals:**

If you failed to make the filing deadline a range of penalties becomes payable, or potentially payable, how much will depend on how quickly you bring your affairs up-to-date.

Penalties are progressive: they apply from 1 day, 3 months, 6 months and 12 months after 31 January 2015 for the 2013-14 return.

1. One day late: an automatic penalty of £100 applies.
2. 3 months late: a daily penalty of £10 per day for a maximum of 90 days applies (£900).
3. 6 months late: a further £300 or 5% of any tax outstanding, whichever is the greater.
4. 12 months late: a further £300 or 5% of any tax outstanding, whichever is the greater. In serious cases you may be asked to pay 100% of the tax due instead.

The above penalties are in addition to any penalties and interest for paying tax late.

**Penalties for partners:**

There is a nasty sting in the tail for partners who fail to submit their partnership Self Assessment return on time.

Even though a partnership tax return is one document, each partner will be charged a penalty for late filing. If a partner is also late in filing their own tax return then separate penalties will apply.

The penalties listed in points 1 and 2 above will be payable by each partner. The penalties in points 3 and 4 will be limited to £300 per partner.

Opportunities to appeal against a penalty charge are considered in the next article.

### Snugglebundl wins VAT appeal

In a recent case considered by the courts a company that sold a baby lifting blanket appealed a ruling by HMRC that the supply was standard rated for VAT purposes.

For the company this placed them at a competitive disadvantage as retail outlets selling the item were required to charge VAT at 20%.

At issue was whether a Snugglebundl qualified as an article designed as clothing or footwear for young children and should therefore be zero rated for VAT when sold.

The First-tier Tribunal disagreed with HMRC's judgement and the appeal was upheld.

The case is of interest as it helps to clarify that an item of clothing can have other uses and still qualify as clothing for VAT purposes; although the decision in this case is "fact sensitive".

***Quote of the month…***

*""The only limit to our realisation of tomorrow will be our doubts of today.  Let us move forward with strong and active faith".*

*– Franklin D. Roosevelt - President of the USA.*

## Home based businesses and business rates

The local property tax you pay, in England and Wales, will be either Council Tax or Non-domestic (business) Rates depending on the type of property. Some properties are part business and part domestic, so you may pay both taxes. Good examples are public houses where the publican lives on the premises or shops where the shopkeeper lives in a flat over the shop.

Generally, you should not have to pay business rates for minor business use of the home. The Government does not normally expect home-based businesses to have to pay business rates if:

- You use a small part of your home for your business (for example you use a bedroom part of the day as an office), and
- You do not use it to sell goods or services to visiting clients or members of the public (as opposed to selling by post), and
- You do not employ other people to work at the premises, and
- You have not made alterations of a sort that would not usually be associated with a home (such as converting a garage to a hairdressers or installing a hydraulic car lift).

These are general guidelines currently set out on the GOV.UK website. Some situations might need the facts of each case to be considered.

## What is a reasonable excuse for late filing?

You may feel aggrieved that you were unable to file your return on time for a perfectly valid reason. If you want to appeal against any penalties charged there is a formal appeals procedure you should follow. In order to convince HMRC to withdraw their penalty notice you will have to convince them that you had a reasonable excuse. The following examples, of what constitutes a reasonable excuse, are copied from HMRC's website:

- HMRC Online Services would not accept the tax return – you'll need to provide the error message you received and the date you tried to send it.
- You did not receive the tax return or letter telling you to complete a tax return – HMRC usually know if you did not because it is sent back undelivered.
- Bereavement – the death of a close relative or domestic partner shortly before the deadline.
- Serious or life-threatening illness, for example, a major heart attack or a serious mental illness that prevents you dealing with your tax affairs.
- You did not receive your online Activation Code, User ID or password in time to send your tax return by the deadline – as long as you tried to get them before the deadline and once you received them you sent your tax return as soon as you could.
- Your tax return or cheque was lost or delayed in the post. You must have posted it in good time to meet the deadline.
- Loss of tax records, through theft, fire or flood that cannot be replaced in time to meet the deadline.
- Your cheque was dishonoured because of an error by your bank.

What HMRC will not accept as a reasonable excuse includes:

- The tax return was too difficult to complete.
- Pressure of work.
- It was your agent's or tax adviser's fault that you missed the deadline.
- Lack of information available.
- We did not remind you about the tax return and payment deadlines.
- You want to replace the paper tax return you have already sent with an online tax return to reduce your penalties.
- Unable to send a certain tax return or supplementary pages online as there was no free HMRC software.
- Your cheque was dishonoured due to a shortage of funds or made out incorrectly.

The best possible strategy to avoid penalties is to file your tax return before the statutory deadline. If you are prevented from doing so by circumstances that you feel constitute a reasonable excuse, then you should appeal against the penalty.

## Workplace pensions are here - are you an employer?

Even if you employ just one person, you must provide a workplace pension.

The law requires all employers to provide a workplace pension for certain staff.

The law on workplace pensions has changed. Every employer with at least one member of staff now has new duties, including putting those who meet certain criteria into a workplace pension scheme and contributing towards it.

This is called automatic enrolment. It's called this because it's automatic for your staff – they don't have to do anything to be enrolled into your pension scheme. But it's not automatic for you. You need to take steps to make sure they're enrolled.

**Does the change in law affect me?**

Yes, if you employ at least one member of staff, you'll need to automatically enrol them into a pension scheme if they meet certain criteria.

**When will the change in law affect me?**

Each employer has a date by which they need to comply with the law. This is called your staging date. Find out yours now www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx

*Continued on page 3*

## Workplace pensions are here - are you an employer? (continued)

**What do I need to do and by when?**

There are a number of tasks that will need to be completed by your staging date, including assessing your workforce to see who's eligible, choosing a pension scheme, and communicating to staff. To help you prepare use http://www.thepensionsregulator.gov.uk/employers/planning-for-automatic-enrolment.aspx to find out what you need to do and by when.

**How do I nominate a contact?**

You need to tell the Pensions Regulator who'll be responsible for managing the automatic enrolment process by nominating a contact. Over the coming months, The Pensions Regulator will send help and guidance to this person.

**If you fail to comply with your duties, The Pensions Regulator may take enforcement action and issue you with notice and/or a penalty.**

Should you wish to discuss this further or require assistance with your company's auto enrolment please do not hesitate to contact us.

## Do you regret employing the wrong person?

After many years of depressed activity, the economy is moving upwards. Surveys report companies recruiting more staff. One survey has 43% of employers increasing new hires, with overall 447,000 new jobs in the private sector.

However, hiring the wrong person can lead to a wide range of problems and costs for an employer. Some simple hiring smart steps can go a long way to ensure you avoid this and get the right people.

The average cost of recruiting an individual ranges from £3,000 to £8,500, not accounting for the cost of training (Source; The Chartered Institute of Personnel & Development). Hiring the wrong person can be expensive.

**Recruitment – making it work for you?**

Attracting good employees remains one of the key objectives for organisation. For SMEs, getting it right is crucial.

**What can you do: improving the effectiveness of recruitment?**

There are four key steps:

- The key thing and an area SME's – and some bigger companies – commonly fail to do is to identify exactly what type of person is needed for the job or, to put it another way, what type of contribution they expect a recruit to make. This includes knowledge, skills and experience but also personal characteristics (e.g. initiative) and personal motivation. Sounds simple, but have you ever recruited someone you wish you hadn't? Skills without motivation results in low morale and commitment; motivation without skills can lead to disaster.

- The second important step is to be professional in finding them. This requires going to the appropriate sources of likely recruits and communicating in the right way to attract them. We now live in the online recruitment world where it is easy to advertise jobs and attract applicants. However, there are many other sources which are as, if not more, effective depending on what type of person is required. If agencies are used, ensure you manage them rather than being driven by them.

- The third step is interviewing effectively. Various techniques and approaches increase significantly the interviewers understanding of the candidate's personal qualities, motivation and skills and how they will perform a job.

- The fourth step is to employee them properly. There are three parts to this:

-a bespoke contract of employment covering the key aspects of the employment and managing the key risks to the business;

-an effective induction process, covering all the basic factual information but also important relationships and cultural aspects of working for the organisation;

-concrete performance goals or targets with review periods during the first year so you know whether they are performing on not.

One engineering company with a 30% staff turnover asked for their recruitment process to be reviewed to identify how to reduce this. It became apparent that the company did not really follow the steps above and did not approach recruitment systematically.

Their recruitment processes were revamped, including sourcing recruits through broader methods, raising their recruitment profile locally, training managers in skill based interviewing, new documentation and reducing the number of people involved in the process to five. Turnover fell, the cost of recruitment was halved and most importantly, the quality of recruits improved.

To summarise, with the right process, hiring smart and improving the quality of your recruits is definitely achievable.

For further information on how to avoid costly mistakes and improve the effectiveness of your recruitment, contact Jim Gilhooley, Morlan Gil Human Resources Ltd on jim.gilhooley@morlangilhr.co.uk or 01329 519919/07709 352813. MGHR also run recruitment workshops.

## …..And here's someone you may want to meet!

At Operational Synergy we fully understand the ups and downs of day-to-day business and the time and financial constraints that you have to manage.

So whether you are looking to start a business or develop your existing business, we can work with you to increase profit and reduce costs.

As approved coaches and advisors for the Growth Vouchers and Growth Accelerator match funded government grant schemes, a large percentage of the costs, if approved can also be paid for by the government.

**Support Areas including**:
Raising finance and managing cash flow
Recruiting and developing your staff
Improving management and leadership skills
Marketing, attracting and keeping customers
Making the most of digital technology

**Including the manufacturing advisory service, with support areas including:**
Business Development Coaching
Access to Finance
Growth Through Innovation
Leadership and Management Skills

Through our wealth of experience we are able to provide a number of services, detailed below that will help you develop your business.

- Business Plan and Strategy
- Marketing plans.
- Social Media coverage
- Public Relations
- Staff Training
- Redesign or Improvement in your processes
- Funding
- Employing and strengthening key staff
- Human Resource and Recruitment
- Health and Safety
- Product Development
- Cost Reduction
- Time Management
- People Management
- Importing and Exporting

To discuss your specific needs in more detail, please call Paul Booth on 02380 001202 or email paulbooth@operationalsynergy.co.uk.

## Tax Diary
## February 2015/March 2015


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| **1 February 2015** | - | Due date for Corporation Tax payable for the year ended 30 April 2014. |
| **19 February 2015** | - | PAYE and NIC deductions due for month ended 5 February 2015. (If you pay your tax electronically the due date is 22 February 2015.) |
| **19 February 2015** | - | Filing deadline for the CIS300 monthly return for the month ended 5 February 2015. |
| **19 February 2015** | - | CIS tax deducted for the month ended 5 February 2015 is payable by today. |


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| **1 March 2015** | - | Due date for Corporation Tax due for the year ended 31 May 2014. |
| **2 March 2015** | - | Self Assessment tax for 2013/14 paid after this date will incur a 5% surcharge. |
| **19 March 2015** | - | PAYE and NIC deductions due for month ended 5 March 2015. (If you pay your tax electronically the due date is 22 March 2015.) |
| **19 March 2015** | - | Filing deadline for the CIS300 monthly return for the month ended 5 March 2015. |
| **19 March 2015** | - | CIS tax deducted for the month ended 5 March 2015 is payable by today. |

## Contact us

For further information on any of the stories in this month's newsletter, or for any other matter that Compass Accountants can assist you with, please contact Jeff Walton on 01329 844145.

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