



Compass Accountants

Newsletter September/October 2014

Helping you to shape your future, not just accounting for your past...

TaxAngles - For proactive tax planning

SMASH AND GRAB!

The Government is considering the response to its consultation document on proposals to introduce powers allowing HMRC to dip into a tax payer's bank account in order to recover arrears of tax. There will be safeguards:

- The debt recovered would have to be £1,000 or more.
- A minimum of £5,000 has to be left in an account after the debt has been recovered.

Needless to say this proposal has created quite a stir. The British Banking Association wants the Chancellor to take legal advice on the matter as they believe the legislation would contravene the Human Rights Act. Others believe that HMRC has proved itself incompetent in the past to accurately calculate the amount of tax arrears owed by an individual. HMRC would, in effect, become judge and jury, assessing and collecting tax without any initial remedy or intervention available to the tax payer.

Let's hope that the firestorm this proposal has provoked will temper any future change in the law. At present it is likely that HMRC will be given these new powers as part of the Finance Act 2015.

On Your Bike

The cycle to work scheme encourages employees to cycle to work and allows employers to reap the benefits of a healthier workforce. Employers of all sizes can set up a tax exempt scheme. Basically, employers can loan a cycle and associated safety equipment to an employee without the employee suffering a taxable benefit-in-kind charge.

In order to qualify for tax exempt status, a cycle loan scheme has to satisfy a number of criteria including:

- Ownership of the equipment is not transferred to the employee during the loan period;
- Employees use the equipment mainly for qualifying journeys; i.e. for journeys made between the employee's home and workplace, or part of those journeys (for example, to the station), or for journeys between one workplace and another;
- The offer of the use of a loaned or provided cycle (i.e. one for which ownership is not transferred to the employee) is available across the whole workforce, with no groups of employees being excluded. This does not necessarily have to be through a Cycle to Work salary sacrifice arrangement.



Employers' expenditure on purchasing cycles and associated equipment is treated as capital expenditure and the usual tax and capital allowances are available including the Annual Investment Allowance. In theory there are no limits to the amount that can be invested although there may be limits set by the OFT consumer credit license that regulates the loan of cycles under this scheme. The current OFT limit per loan is £1,000.

At the end of the agreed cycle loan period the employee can continue to use the cycle equipment for qualifying journeys with no tax consequences, or, the employer can sell the equipment to the employee. To avoid any tax charge the sale must be made at current market value.

Quote of the month...



"The past is always tense, the future is perfect" – Zadie Smith.

New support for home based businesses

It is estimated that seven out of ten small businesses are managed in the first instance from home. Home based entrepreneurs contribute £300 billion to the UK economy. It is not surprising, therefore, that the Government have woken up and realised that they should be supporting this sector.



Recently, the Business Minister, Matthew Hancock, announced a package of additional support for home based business owners. They include:

- The law will be changed so that landlords can be assured that agreeing to home working by tenants will not undermine their residential tenancy

agreement. A new model tenancy agreement will also be made available shortly;

- Updated planning guidance will make it clear that planning permission should not normally be needed to run a business from your home; and
- New business rates guidance will clarify that in the majority of circumstances home based businesses will not attract business rates.

This is welcome news. It is a pity that the announcement did not include a relaxation in the complicated Capital Gains Tax rules that can affect individuals who claim for the use of a room at home to run their business.

Readers may be interested to know that there are already 2.9 million businesses being run from entrepreneurs' homes. As mentioned above, these businesses contribute £300 billion in annual turnover to the UK economy. They also have a marked affect on employment.

If 1 in 10 home businesses took on just 1 extra employee it would create 300,000 jobs. Unemployment fell in June 2014 to just over two million so the 300,000 reduction would represent a significant 15% fall.

Treat you as honest

Readers will be interested, and gratified to hear that HMRC will always treat you as honest. The following is an extract from HMRC's "Your Charter" which states:

Your rights - What you can expect from us:

1. Respect you
2. Help and support you to get things right
3. Treat you as honest
4. Treat you even-handedly
5. Be professional and act with integrity
6. Tackle people who deliberately break the rules and challenge those who bend the rules
7. Protect your information and respect your privacy
8. Accept that someone else can represent you

9. Do all we can to keep the cost of dealing with us as low as possible

Your obligations - What we expect from you:

1. Be honest
2. Respect our staff
3. Take care to get things right.

Considering that we have one of the most complex tax systems, HMRC seems to have set itself and the nation's tax payers a high bar to clear. Compliance with a known legal obligation is one thing, compliance with an unknown legal obligation is quite another.

Are you ready for Auto Enrolment?

We are nearly two years into auto enrolment and have seen the UK's largest employers set up a qualifying work place pension scheme. Now it is time to start looking at small and medium sized enterprises with staging dates starting this year.

This is likely to have a significant effect for employers, increasing both their responsibilities and their costs. Employers need to be considering the issues they face now!

- What is your staging date?
- How much is auto enrolment going to cost you?
- Who will be your pension provider?
- How and what will you communicate with your employees?
- Who will administer the scheme and arrange for pension payments to be made into the scheme?

Be warned there are penalties for non-compliance. Compass Accountants can assist you in finding out your staging date and supporting you in the process so please get in touch if you have any queries or need any assistance.

Tax Diary September - October 2014



- **1 September 2014** - Due date for Corporation Tax due for the year ended 30 November 2013.
- **19 September 2014** - PAYE and NIC deductions due for month ended 5 September 2014. (If you pay your tax electronically the due date is 22 September 2014.)
- **19 September 2014** - Filing deadline for the CIS300 monthly return for the month ended 5 September 2014.
- **19 September 2014** - CIS tax deducted for the month ended 5 September 2014 is payable by today.



- **1 October 2014** - Due date for Corporation Tax due for the year ended 31 December 2013.
- **19 October 2014** - PAYE and NIC deductions due for month ended 5 October 2014. (If you pay your tax electronically the due date is 22 October 2014.)
- **19 October 2014** - Filing deadline for the CIS300 monthly return for the month ended 5 October 2014.
- **19 October 2014** - CIS tax deducted for the month ended 5 October 2014 is payable by today.
- **31 October 2014** – Latest date you can file a paper version of your 2014 Self Assessment tax return.

Compass Accountants Team Saddle Up for Charity Cycle

Members of the Compass team embarked on a cycling challenge recently, by participating in 'The Big Bike Ride' - a sponsored local cycle to raise money for the NSPCC.

Compass' staff members, Linda Hopwood, Ashley James and Andrew Bushell were part of a team of 23 that cycled from Fareham to The Hurdles pub in Droxford along the disused railway line- and then back again, to raise money for the national children's charity.

A reporter from 'The News' met the team half way to take pictures of the cyclists on their trip of around 22 miles, before they finally finished their journey at The Hurdles pub. Linda Hopwood explains, "The Big Bike Ride has been a great success- and a pleasure for all to take part in. Collectively as a team we have raised over £600.00 for NSPCC, which we are all very proud of!"



Client Focus – Key Health Partnership

'The most valuable asset any company has is its people' 'My staff are fantastic – I don't know what I'd do without them' 'I can't take time off for holidays and I certainly can't afford to be off sick'

Ring any bells? A company's owner and senior staff are arguably a company's most valuable asset and yet it's normally the asset least protected by the business. We don't think twice about insuring plant and machinery, stock, tools, equipment, buildings, contents and even pets but not so often ourselves, or the people who make our businesses tick. Yet if an owner or key employee is off sick for a protracted period of time the effect on the business can be profound both financially and sometimes even for the viability of the business itself.

None of us know when or if we are going to be unwell and it's certainly something we have little control over however what we do know is that the older we become the more likely it is to happen. On an almost daily basis we are told that the NHS is struggling to deliver a service that we can rely on, one of the many reasons why Private Medical Insurance is continuing to grow so rapidly in small to medium size businesses.

According to David Plummer, MD of Key Health - a specialist medical insurance intermediary and one of our client companies, 'anyone who owns and runs a business today and doesn't have cover in place for at least themselves is taking a massive gamble with their business. Imagine the impact of a sales manager who needs to be on the road not being able to drive for several months because they are waiting to see a consultant or are on a waiting list for an operation or an MD being told they need to go in for a long awaited procedure just at the company's busiest time of the year.'

Private medical insurance was once seen as an expensive perk – not any more. With the advent of greater flexibility and more competition, costs can be surprisingly low. It can even help reduce costs as it gets staff back to work faster, reduces sick pay and temporary staff costs and allows people to schedule non-critical treatment at a time that's best for both them and the company.

Key Health have a team of friendly, experienced advisors who have excellent relationships with all the major insurers and often secure rates that are not generally available even to other brokers – just contact them and they will give you an indication of costs, benefits etc. without any obligation.

For those companies who already have a Private health insurance programme in place, David's advice is simple – 'have it professionally reviewed on a regular basis. Businesses change, people come and go and your health programme needs to keep pace with those changes. If your programme hasn't been professionally reviewed in the last couple of years there is a good chance that it either doesn't meet your current needs or you are paying too much for your cover. A review doesn't necessarily mean changing insurer, in many cases it's just a case of us using our knowledge and expertise to secure better cover, a better price and in some cases both for you and your business.' Again all without any cost or obligation to the company.

At Compass we can vouch for the effectiveness of this review process as we have been able to achieve excellent cost savings with no reduction in cover and because they conduct a full market review every year we always know we are getting the best value for money.

David can be contacted through his office on 0844 809 4897 or by emailing him at david@keyhealthpartnership.com.

Get Connected

If you are a partner, associate, client or simply a business that would like to make contact, don't forget to visit our Twitter account and LinkedIn company page. We are hoping to enlighten, update and inform our followers and contacts with news, announcements, tips and guidance on how to plan for better profits and create a more valuable business.

Our Twitter feed is @CompassAcc and our LinkedIn company page can be found by clicking [here](#).



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