WORKPLACE PENSIONS – IT'S THE LAW!

[Issue 30]

Thursfields
CHARTERED ACCOUNTANTS

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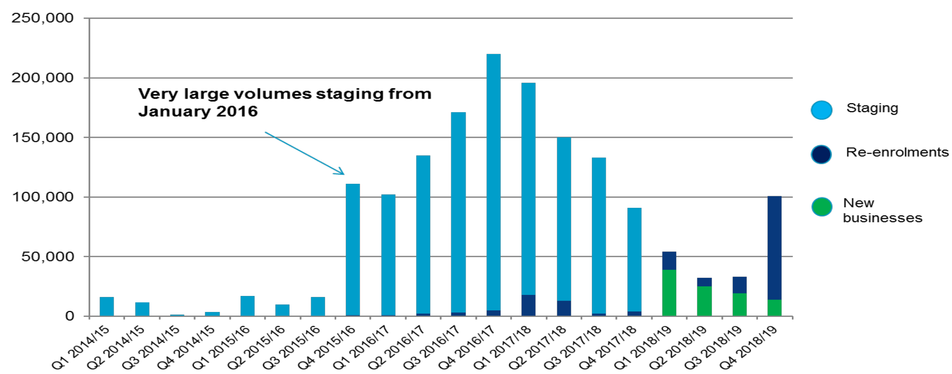
Contents

'The law on workplace pensions has changed. Under the Pensions Act 2008, every employer in the UK has a duty to put certain staff into a pension scheme and contribute towards it. This is called '**Automatic Enrolment**'. The chart below shows that nearly half a million small businesses will need to arrange their pension scheme this year!



You may be a hairdresser, an architect or employ a personal care assistant, but if you employ at least one person you are an employer and you have certain legal duties. The Pension Regulator has issued 6,746 compliance, unpaid contributions notices and fines to date and 3,732 in the period October to December 2015! Don't be one of them - fines start at £400 and can be £50 daily for non- compliance! So small business owners need to:

- establish a qualifying work place pension scheme,
- ensure the scheme has an appropriate default fund,
- issue statutory communications to all employees and
- enrol all eligible jobholders into the scheme.

Do you have the time to do all this and run your business?
Ask yourself "How do I choose the right pension scheme, is my payroll Auto Enrolment compliant, how are you going to tell your pension scheme what to collect and where to allocate contributions?" If you've not done anything about preparing for Automatic Enrolment, talk to us we can help you with our fully compliant payroll, workforce assessment and pension selection processes and help you avoid the wrath of the Regulator and get on with what matters most - **Making your business a success!**"

WILL PENSION TAX RELIEF CHANGE AGAIN ON BUDGET DAY?

There has been a lot of speculation that the Chancellor may announce further major changes to tax relief on pension contributions in his March Budget, based on consultations with the pensions industry. Under the current rules an individual's contributions can save them tax at their highest marginal rate and also help them avoid losing their personal allowance (see above). So a £8,000 pension contribution by a higher rate taxpayer results in £2,000 (20%) being added to their fund by HMRC = £10,000 gross. The £10,000 gross contribution would then save a further £2,000 in tax, so the net cost would be just £6,000 if they are a higher rate tax payer.

It is understood that the Government is considering introducing a flat rate of pension tax relief of between 25% and 33%, which would be good news for basic rate taxpayers, but higher rate taxpayers would lose out. If say a 30% rate of relief was to be introduced, a £7,000 contribution would be topped up to £10,000 with no further relief. It has also been suggested that it may not be possible in future to agree with your employer to sacrifice part of your salary in exchange for an additional tax free employer pension contribution. The starting date of these possible changes is uncertain but they may be effective from Budget Day!

TAX DIARY OF MAIN EVENTS

Date	What's Due
01 April	Corporation tax for year to 30/6/15
05 April	End of 2015/16 tax year, many tax actions need to be taken by this date.
19 April	Final submission to be made to HMRC under RTI for the year to 5 April 2016. PAYE & NIC deductions, and CIS return and tax, for month to 5/4/16 (due 22 April if you pay electronically)
30 April	Corporation tax return due for year ended 30 April 2015. Deadline to submit ATED returns (Annual Tax on Enveloped Dwellings) and pay tax in respect of the year 1 April 2016 to 31 March 2017. (Applies to residential property valued in excess of £500,000 at 1 April 2012).
01 May	Corporation tax for year to 31/7/15
19 May	PAYE & NIC deductions, and CIS return and tax, for month to 5/5/16 (due 22 May if you pay electronically);
31 May	Corporation tax return due for year ended 31 May 2015.
01 June	Corporation tax for year to 31/8/15
19 June	PAYE & NIC deductions, and CIS return and tax, for month to 5/6/16 (due 22 June if you pay electronically).
30 June	Corporation tax return due for year ended 30 June 2015.

RENEWALS BASIS IS BACK FOR BUY TO LET LANDLORDS

Following the restriction of tax relief for mortgage interest and the 3% increase in Stamp Duty Land Tax, all is not doom and gloom for buy to let landlords.

Following on from the consultation this summer, the draft Finance Bill 2016 includes the legislation to reintroduce tax relief for the replacement of furnishings in buy to let properties from 6 April 2016.

This will apply to both furnished and unfurnished lettings and will mean that the cost of replacing items such as cookers and washing machines will again qualify for relief following the withdrawal of a concession from 6 April 2013.

Note that the alternative, and simpler, 10% wear and tear allowance will be withdrawn from 6 April 2016 for those letting properties fully furnished.

Those letting properties under the more stringent furnished holiday letting rules will continue to be able to claim the Annual Investment Allowance which provides 100% tax relief for the initial furnishing as well as renewal of furniture in holiday properties.

CONTRACTING OUT OF ADDITIONAL STATE PENSION ENDS 5 APRIL 2016

From 6 April 2016 employees of contracted-out defined benefit (DB) schemes will automatically be brought back into the State Pension scheme and will no longer be able to use a Contracted-Out Salary Related (COSR) occupational pension scheme to contract out of the State Scheme.

Employees will, depending on their level of earnings, start to accrue entitlement to the new State Pension instead.

Eligibility for the contracted-out National Insurance contributions (NICs) rebate of 3.4% for employers and 1.4% for employees will also cease from this date. This will bring with it some changes in what and how you report to HMRC:

- from 6 April 2016: You will not be able to use your Contracted-out Salary Related (COSR) occupational pension scheme to contract employees out of the new State Pension scheme
- there will no longer be a requirement to report the Employers Contracting-out Number (ECON) and Scheme Contracted-out Number (SCON) details on Full Payment Submission (FPS) for tax years commencing 6 April 2016 and onwards
- there will no longer be a requirement to separate the National Insurance (NI) earnings between the Primary Threshold (PT) and Upper Accrual Point (UAP) & UAP to Upper Earnings Limit (UEL)
- there will be a requirement to report NI earnings between the PT to UEL as there was prior to 2009
- there will be one less column to complete on forms P11 and P60. These forms will be updated in due course and available on the Basic PAYE Tools or can be ordered from the Employer order-line. All HMRC systems will be amended to reflect these changes and the UAP data field will be removed from the FPS and Earlier Year Update (EYU).

All payroll software will need to be amended.

National Insurance Categories from 6 April 2016. Contracted-out National Insurance tables/ categories D, E, I, K, L, N, O and V will be replaced by Standard National Insurance tables/categories A, B, J, M, P, Q, R, T, Y and Z.

SETTING STAFF GOALS / OBJECTIVES FOR 2016

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Motivating and retaining talented employees is important in any business. Setting goals, standards and objectives for employees and putting an appropriate appraisal process in place allows your team of people the opportunity to have their hard work recognised by the business.

The best way to do this is to clearly set out and agree expectations (by both parties) at the beginning of the year. Progress against expectations can then be discussed throughout the year, and a final assessment can be delivered at the end of the year.

Key considerations

The job description is essential so the employee understands exactly what job is expected of them.

Make sure you set goals for your staff. Goals should be for the whole company and cascade down all levels of staff. Your employees will appreciate seeing how their performance directly contributes to the overall performance of the firm.

Set time frames. If your product development department's goal is to launch a new product, be sure to set a date by when the product should be launched.

Identify dependencies. In the above example, if the product launch is planned for October, make sure to document that your marketing department's goal is dependent on the launch date of the new product.

Stretch targets are objectives that are set slightly beyond the existing goal. Stretch goals work most effectively when they are utilised in a system that is tied directly to bonus or compensation increases.

Agree and diarise quarterly progress meetings. Track your employee’s progress against set goals and have them support their progress with evidence. Listen, evaluate, and make recommendations to aid progress. If your company's priorities have changed, revise the goals. Ensure that you and the employee have an open dialogue about why, what next and agree on the decision. The aim is for your employee to leave these meetings motivated and involved. Finally, diarise year end appraisal meetings with each team member. The aim is to discuss their progress against their objectives, recognise any successes and set out the objectives for the following year.