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SMEssentials

Your spring edition of SMEssentials

This is your spring edition of SMEssentials, a newsflash designed to provide you with a brief summary of the latest tax, payroll, HR and general business news affecting SMEs.

TAX NEWS

UK Patent Box – savings on UK Corporation Tax

The new Patent Box rules came into force on 1 April 2013. These rules give an effective 10% Corporation Tax rate for companies on profits attributable to UK patents and certain other intellectual property. Unusually the 10% rate is applied not only to profits attributed to the patented part of the product but to profits from the entire product, making it one of the most competitive reliefs in Europe.

HM Treasury have indicated that the objective of the Patent Box is "to encourage companies to locate the high-value jobs and activity associated with the development, manufacture and exploitation of patents in the UK...and… enhance the competitiveness of the UK tax system for high-tech companies that obtain profits from patents." These rules are applicable to companies of all sizes, with particular encouragement to SMEs to consider their application.

The saving is given by means of a deduction from trading profits, phased in over a five year period, for accounting periods beginning on or after 1 April 2013.

In order to qualify, the product (or part of the product) from which income is obtained must be covered by a UK Patent, a European Patent covering the UK, or certain EEA countries with patent examinations equivalent to the UK. However, worldwide income derived from the patented item is eligible even if you only hold a UK patent.

There is a formula to apply to your relevant profits to arrive at the tax charge and eventually the effective 10% tax rate, but the main area of issue is calculating the relevant profits arising from the exploitation of the patent, leaving other profits to be charged at the normal rate. If your company has patents issued by the UK or European patent office and you would like to know how this affects you then please contact your usual UHY partner.

Tax relief on research & development

Research and development (R&D) tax relief is an incentive from the Government to encourage companies to invest in R&D activities. However, there is a common misconception that these incentives are aimed only at the technology sector, which is certainly not the case.

These tax advantages can be utilised by both SMEs and large companies who are undertaking qualifying activities. To qualify, your company's activity either has to be:

- seeking to resolve technological uncertainties; or
- seeking to make technological advancements, as long as there is an element of uncertainty that is resolved by the R&D.

We have helped submit claims for clients across a broad range of business sectors, from manufacturing optical instruments to stationery and bakeries to nightware.

The relief is available for SME companies, but not for unincorporated businesses, on an amount up to 225% of the total spend. Where there is insufficient taxable income to obtain the tax relief it is possible to claim a cash rebate of 11%. Allowable costs include staffing, software, consumables and externally-provided workers. Subcontractors who carry out the work on behalf of someone else may not claim. Subsidised projects or those eligible for certain grants may have their claims limited to 13%.

If you are interested in finding out more about how we could help you please get in touch with your usual UHY partner.

HR NEWS

A summary of the most recent HR-related aspects of George Osborne's 2013 Budget

Sickness absence - The Government is abolishing the Percentage Threshold Scheme and instead plans to create the health and work assessment and advisory service in 2014, to support those returning to work from illness and preventing long-term absence. To assist with this programme, the Government is also introducing a targeted tax relief which will prevent amounts of up to £500, paid by employers on health-related interventions, from being treated as a taxable benefit in kind.

Childcare - The current childcare voucher scheme is to be replaced by a new tax-free childcare scheme starting in Autumn 2015. The scheme will offer 20% off childcare costs up to £1,200pa for each child under five. To qualify, both parents living in the same household must be working, not receiving tax credits or Universal Credit and neither earning over £150,000.

Employee ownership - The Government will provide £50million annual funding from 2014-15 to support employee ownership as a business model. This will include the introduction of a Capital Gains Tax exemption, from 2014, on the scale of controlling interest in business into an employee ownership structure.

NICs and the Employment Allowance - From April 2014 the Government will introduce an allowance of £2,000 per year for all businesses and charities to be offset against their employer National Insurance Contributions bill. This change will be of most benefit to small businesses, 450,000 of whom will not be required to pay NICs at all as a result.

Employment-related loans - The tax exempt threshold for employer-related loans will be increased from £5,000 to £10,000 from 6 April 2014. Employers will no longer be required to report details of small loans where the outstanding balance does not exceed £10,000 at any time during the year.

Personal allowances - The Government will increase the income tax personal allowance to £10,000 in 2014-15, a year earlier than anticipated.

If you or your business will be affected by any of these changes and would like advice, please contact your usual UHY adviser.

FUNDRAISING

£22million fund to help early-stage businesses in London

Focusing particularly on early-stage mobile and tech businesses, Boris Johnson has announced a £22million fund to aid start-ups and encourage tech companies to choose to HQ themselves in London. MMC Ventures won the competitive tender to deliver £11million to the MMC London Fund and is being matched by further investors and angels taking the total to £22million. The fund, which is also partly financed by a grant from the European Regional Development Fund and is managed in London by the Mayor of London, typically invests between £500,000 and £2million in sectors that will 'provide economic growth and create jobs', such as finance, education, healthcare, leisure and the digital economy. To date five investments have already been completed. Another of the funds objectives is to create jobs in the most deprived parts of East London. SMEs with an interest in or looking to expand into 'Tech City' have the potential to benefit from investment.

Across other parts of the country, Regional Growth Fund (RGF) monies are having a significant impact on the funding landscape. A total of 309 applications were made for a share of £350million available in the fourth round of the RGF. Whilst individual bids at a minimum of £1million attract larger companies, many SMEs are benefiting from umbrella bids, particularly from Local Enterprise Partnerships (LEPs). In these situations, the lack of grants elsewhere have made the funding very sought after. It therefore pays to understand the local situation and to act quickly to obtain funding. UHY are ideally placed to know details of what is available and your normal contact should be able to assist with any questions.

Funding increased for UKTI's Passport to Export service

If you are considering expanding into international trade, the matched funding available towards the cost of implementing your action plan through the UKTI's Passport to Export programme has increased to £3,000. The programme has been developed using training, planning and ongoing support to facilitate businesses looking to trade internationally. It will look to assess and develop their capability to export and assist in saving time and money in achieving international trade. To be eligible your company must have been trading for at least one year, but not for more than five years, with exports of no more than 25% of turnover and proactive exports not exceeding 10%. Your company must also meet the EU definition of an SME.

As part of the UHY International network, we have global experience and can support your action plan to ensure that you attain the highest amount of funding available. We also have London based international business desks with regional contacts well versed in their home markets that would be happy to discuss your export plans. For more information please visit www.uhy-uk.com/international or contact your usual UHY partner for a copy of our 'Checklist for international trade' and 'Internationalisation services' publications.

PAYROLL NEWS

HMRC ease Real Time Information (RTI) reporting deadlines for SMEs

HMRC have recently announced a relaxation in the PAYE RTI rules for small businesses. SMEs with fewer than 50 employees who find it difficult to report every payment to HMRC will benefit from new rules allowing them to report by the date of their regular payroll run, no later than the 5th of each month. RTI has been introduced to save employers £300million a year in administration costs by reducing the risk of fraud, eliminating tax code errors and supporting the introduction of universal credits. Despite this, many SMEs feel that with additional reporting requirements involving weekly, and possibly daily, submission of data that RTI will be costly and time consuming. Many tax experts are warning that the cost of small company payroll could increase by up to 400%. RTI is also thought to hit SMEs that have historically eased cash flow problems using PAYE as a cheap source of finance for delaying payments.

If you would like more information about RTI and its effect on your business please contact your usual UHY partner.

For more information on any of the above, please contact your usual UHY partner.

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