



December 2012

# SMEssentials

## Your winter edition of SMEssentials

This is your winter 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

#### The SME Enterprise Scheme

If you are an SME that is liable for Corporation Tax you may be able to apply for Research and Development (R&D) relief on qualifying projects using the SME Enterprise Scheme. To meet the scheme requirements your R&D project must "seek to achieve an advance in overall knowledge or capability in a field of science or technology through the resolution of scientific or technological uncertainty – and not simply an advance in its own state of knowledge or capability". It is worth considering that "an advance in technology does not necessarily mean ground-breaking, innovative or novel work. If you have made something cheaper, faster, smaller, larger or longer then it could count as R&D if the right conditions prevail". For a full list of qualifying features visit HMRC's website: [www.hmrc.gov.uk](http://www.hmrc.gov.uk).

The SME Enterprise Scheme offers tax relief of 200% on allowable R&D costs meaning that for each £100 of qualifying costs, you could reduce the income on which corporation tax is paid by £100, in addition to the £100 spent. Many issues can affect the amount you are able to claim, including whether or not you have received R&D subsidies or grants and your expenditure on R&D before 1 April 2012 being below £10,000 per year. To find out if your R&D projects qualify and the best way to apply for relief, get in touch with your usual UHY contact.

#### Save tax by recycling your waste

At present two thirds of the UK's industrial and commercial waste to landfill is from SMEs who, by the end of 2012, will spend an estimated £470million on sending waste to dumps. In preparation for the Government's aim for achieving zero waste to landfill, the tax burden relating to waste disposal is set to increase from £64 to £80 for every tonne dispatched in the next two years. In order to reduce this tax you will need to reassess the way in which you manage your waste. For more information about how to segregate your waste, reduce the amount sent to landfill and recycle visit [www.lets-recycle.com](http://www.lets-recycle.com).

### HR NEWS

#### Apprenticeship boost for SMEs

The Government has reacted to a review that found the apprenticeship system out of date and cost ineffective for many SMEs. It is proposing changes that will simplify the process and aim to better address skills shortages, offering more opportunity for vocational training for 16-24 year olds. As well as increasing the number of apprentices each company can employ, from 3 to 10, the Government has also announced various incentives, such as vouchers and discounts on National Insurance Contributions, to partly cover the cost of training new employees.

If you are considering hiring an apprentice, the Government is now offering 40,000 grants of £1,500 for up to 10 apprentices per company, with the scheme open to those who have not hired an apprentice in the last year.

### AUDIT NEWS

#### Audit exemption threshold lowered

SMEs with accounting years ending on or after 1 October 2012, and whose accounts have historically been subject to statutory audit, may find that an audit is no longer required under new changes. If you are below two of the three small company criteria regarding balance sheet total, turnover and number of employees you will now be exempt, whereas before not meeting the criteria on either balance sheet total or turnover would have made an audit mandatory. This new legislation has the potential to save up to 36,000 companies, 83,000 subsidiary companies and 67,000 dormant subsidiaries thousands of pounds in audit fees, though many SMEs who will no longer qualify will still opt to undertake an audit to ensure good corporate governance. If you would like to discuss your circumstances and the benefit of an audit to your business, please contact your usual UHY adviser.

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## PAYROLL NEWS

### The seven steps to compliant auto-enrolment

The introduction of auto-enrolment means that, as an employer, you must automatically enrol your workers into a pension scheme; this is a complex process and can create a range of additional responsibilities for you. The total number of employees in your PAYE scheme on 1 April 2012 will determine your staging date, to find out more visit: [www.thepensionsregulator.gov.uk/employers/staging-date-timeline.aspx](http://www.thepensionsregulator.gov.uk/employers/staging-date-timeline.aspx). A seven stage process to ensure that you remain compliant whilst implementing the correct process is outlined below:

1. **Worker assessment** – You must choose the correct worker status for each individual employee.
2. **Contributions** – You must correctly map contributions within the prescribed timescale.
3. **Communication** – You must comply with the communication requirements for a variety of staff.
4. **Monitoring** – You must keep up to date with employees in each pay reference period to meet any circumstantial changes.
5. **Membership** – You need to manage and action the membership changes within the prescribed timescale.
6. **Compliance** – You must be able to prove that you are compliant or risk fines from the Pension Regulator.
7. **Records** – You must ensure that all documentation is kept and managed in a logical and efficient manner.

If you would like more information about auto-enrolment please contact your usual UHY partner.

## GENERAL BUSINESS NEWS

### Alternative funding for SMEs

Away from the traditional bank loan funding that many SMEs struggle with attaining, crowd funding has become an alternative way of securing investment. Crowd funding works through selling small amounts of equity to a number of investors, largely online, and can often offer investors better interest rates and returns than banks. In the USA the industry is valued at around \$1.7billion and it is also growing rapidly in the UK. It has proven most successful with small start-up projects with quick turnaround times. Contact us for more information on this form of funding.

### HMRC's Business Records Check targeting SMEs

In April 2011 HMRC launched their original Business Records Check program and found that 36% of businesses had some issue with their record keeping. In response to this, HMRC have announced the re-launch of the program which is intended to focus on SMEs.

HMRC propose to contact businesses directly to arrange for a 10-15 minute telephone call to go through a questionnaire. HMRC have indicated they will consider the replies you give and, where appropriate, assess whether you are likely to be able to submit an accurate tax return; in which case there should be little or no further consequence. If HMRC feel you are at risk of having inadequate records they are likely to instigate a face to face visit. These will be all embracing visits which will cover VAT and PAYE as well as business tax and the construction industry scheme. We strongly recommend that you do not accept such calls blindly and that you contact your usual UHY tax adviser as soon as you receive a call and/or the questionnaire.

### FTSE 350 late payers named and shamed

It has been estimated by BACS that this year SMEs are owed over £36billion in overdue payments from late paying FTSE 350 companies. Uncertainty around getting paid is adversely affecting many SMEs by causing cashflow problems and making future growth planning challenging. Business minister Michael Fallon has written to the chief executives of the FTSE 350 urging them to sign up to the UK's Prompt Payment Code or face being named and shamed.

The scheme hopes to help SMEs by highlighting reliable suppliers and implementing an official process for dealing with any payment issues that may arise.

### £1billion Business Bank to help SMEs

The Government has announced a new initiative to kick-start lending to SMEs who have historically found it hard to secure loans from the mainstream banks. The project will combine private investors capital and the Government will deploy £1billion of 'underspends' with the aim of co-investing at least £300million over the next two years. The Business Bank will operate as a wholesale institution and anticipates making loans to SMEs in a variety of non-traditional ways, such as peer-to-peer lending. The institution aims to be fully operational by autumn 2014 with many features launching in spring 2013. Further details of the proposed plans will be released by the Secretary of State for Business, Innovation and Skills in late December 2012.

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

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