UHY Hacker Young
Chartered Accountants

January 2012

SME news

Your winter edition of SME news

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

TAX NEWS

Additional Land Remediation Tax Credit relief to end

The enhanced Land Remediation Tax Credit relief of 150% for companies will cease from April 2012. This could affect companies that acquire or have acquired land as a fixed asset or trading stock, where its condition could cause harm to the environment or is in derelict condition, and they are undertaking remedial expenditure. Relevant expenditure will still receive 100% relief against profits from 1 April 2012, but the extra 50% deduction will be abolished. If you meet all of the other criteria for qualifying expenditure, then consider bringing forward expenditure to prior to that date to benefit from the additional 50% deduction.

Research and Development Tax Credits for companies

The minimum qualifying spend of £10,000 on qualifying research and development costs within an accounting period is removed for expenditure on or after April 2012. If your anticipated spend will be less than £10,000 in an accounting period ending prior to 1 April 2012, you may wish to consider deferring expenditure until after that date in order to receive relief later. Note that for SMEs, relief was doubled to 200% of their research and development spend after 1 April 2011 and looks set to rise further to 225% from 1 April 2012 (subject to Parliamentary approval).

Tax on company cars

Company cars are taxed on the individual as a benefit in kind, which is calculated by reference to the CO2 emissions of the car and its list price. If you want to have a company car and enjoy the flexibility and peace of mind that brings, therefore, the best option is to choose a car with as low emissions as possible There are now well over 400 makes of car, from numerous manufacturers, that meet the qualifying emissions level.

As well as the attractiveness in terms of reduced tax and national insurance, choosing the right company car can also save you corporation tax. First Year Allowances of 100% are still available on all new cars with CO2 emissions of less than 110g/km, so whether it is one vehicle or a whole fleet there may now be a tax reason to think again about company cars.

PAYROLL NEWS

HMRC urged to assist SMEs with RTI

The Public Accounts Committee has urged the taxman to help SMEs understand the impact of real time information (RTI) rules, which are being developed to support a new universal credit system.

HMRC have not yet established how RTI will affect parties that do not currently use electronic payroll systems. Due to the complexity of the benefits system, the committee said that the taxman must develop an effective approach for businesses and claimants unable to leverage RTI to prevent problems arising during the initial introductory period.

The committee is now calling for a single unified body to gain responsibility for organising the interaction between different benefits-related entities, to both ensure consistency and value for money.

HR NEWS

Change to unfair dismissal qualification period

The Government has announced that the qualification period for the right to claim unfair dismissal will be extended from one to two years. This important change in the law, which could save British business almost £6 million a year, will come into force on 6 April 2012 and is the latest development in the Government's workplace reforms, which aim to increase business confidence to take on more workers.

The change to the unfair dismissal rules follows the 'Resolving Workplace Disputes' consultation, published in January 2011, which also proposed measures to encourage early resolution of disputes, the speeding up of the employment tribunal process and measures to tackle weak and vexatious claims. For example, the introduction of an upfront fee of £250 for claimants to lodge an employment tribunal claim.

The Government hopes these combined proposals will see the number of unfair dismissal employment tribunal claims drop by around 2,000 a year.

Government confirms consultation on 'protected conversations'

The Government has confirmed that it will publish a consultation on so-called 'protected conversations' later this year. The proposed measure would allow open and frank discussions between employers and employees about retirement or poor performance issues, with those conversations being inadmissible in any subsequent employment tribunal proceedings.

The proposal is seen as a compromise after the Government decided not to implement the 'no-fault dismissal' proposals initially suggested as part of plans to overhaul the unfair dismissal system.

GENERAL BUSINESS NEWS

SMEs 'owed £33.6bn in late payments'

New research has shown that SMEs are owed a record £33.6bn in late payments, a rise of 10% over the last year and the highest since records began in 2007. The average owed is £39,000 and companies are having to wait for up to two months to receive payment.

The worst offenders are large private sector companies, who make up 48% of late payment debt. Government and not-for-profit organisations are rated as the most prompt payers, as only 9% of SMEs reported experiencing overdue payments from this sector.

NICs holiday for new businesses

HMRC have issued a reminder that, under a three-year scheme, start-ups outside London, the south east and the east of England are exempt from paying employers' National Insurance Contributions (NICs) for the first ten recruits they hire, up to a maximum of £5,000 per employee.

The regional employer NICs holiday for new businesses, which was announced in the emergency Budget last year, is aimed at encouraging enterprise growth in the parts of the UK which were worst hit by the public sector spending cuts. More than 6,000 businesses have applied to the scheme to date, HMRC said.

Renewable energy businesses at risk from changes in solar subsidies

Generous government incentives for the solar industry (known as Feed-In Tariffs), have brought a well needed boost and dramatic growth to the sector. Despite the troubled economic times, more than two thirds of solar panel businesses are new, having started in the last three years. Yet, as the Government reduced the unit price for Feed-In Tariffs from 43.3p to 21p per kilowatt hour in December 2011 (subject to the current appeal), there are fears that this boom may collapse as quickly as it started.

However, while the rate of increase in the adoption of solr panels is expected to slow, the conditions for growth remain. The key factor is the time taken to recover the upfront cost of buying and installing the equipment (the payback period). The reduction in government incentives is counterbalanced by other factors. For example, much cheaper solar panels are now becoming available and price of fossil fuels will continue to rise in the long term. When these issues are considered, the investment in solar power starts looking much more attractive again.

Government proposes reduced financial reporting requirements for SMEs

New Government plans could save over £600 million in accountancy and administration costs for more than 100,000 UK businesses every year under proposals to reduce financial reporting requirements. This is aimed at removing regulatory burdens on businesses and improving corporate governance.

The consultation on Audit Exemptions and Change of Accounting Framework sets out plans to allow more small companies and subsidiaries to decide whether or not to have an audit.

Current EU rules mean that to classify as 'small' for accounting purposes, a company must comply with two out of three criteria relating to their turnover, balance sheet total and number of employees. However, to obtain an audit exemption in the UK, small companies must fulfil both the balance sheet and turnover criteria. Under the new proposals, UK SMEs would be eligible for audit exemption by meeting any two of the three criteria, saving them an estimated £206m per year.

The Government is also proposing to introduce legislation later in the year to exempt most subsidiary companies from mandatory audit, provided their parent is prepared to guarantee their debts. Savings are estimated at £406m per year.

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

www.uhy-uk.com