



March 2014

SMEssentials

Your spring edition of SMEssentials

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

TAX NEWS

Capital allowance changes

With effect from 1 April 2014, if you are considering any commercial property acquisition you will require an additional level of tax due diligence to ensure you secure your capital allowances tax relief for future years.

Whereas previously a property purchaser could make a claim for historical unclaimed capital allowances many years after acquisition, HMRC have changed the rules such that key important steps must now be taken at the date of sale. The new legislation requires that where it is established that a seller was entitled to claim capital allowances but has not done so, the seller must 'pool' the value of the qualifying fixtures in its tax return before the sale of the relevant property. Once 'pooled', you and the seller must agree on a value for the fixtures within two years of sale, and make a mandatory Capital Allowances Act 2001 (s198) election to this effect. This value should be agreed at the time of sale as part of the negotiations on the property.

In addition, your solicitors will need to ensure they receive a properly completed section 19 of the standard form of commercial property standard enquiries (known as a CPSE form) to determine the capital allowances history for the property being sold. This is something that has been ignored or incorrectly completed in the majority of cases in the past.

Overlooking the s198 election agreement as part of the sale process could have far reaching consequences for all subsequent owners of that property. As these important new requirements will not have been met, no capital allowances will ever be available to you, or any future owner of the property.

For further information please contact your usual UHY adviser.

Research and development tax relief

According to HMRC's report 'Research and development Tax Credits Statistics', released in August 2013, only 9,920 SMEs claimed research and development (R&D) relief in 2011/12. Our experience of working with many SMEs suggests that most do not realise they are eligible or that undertaking R&D activities could in fact reduce their tax bill.

R&D credits are a tax relief incentive from the government to encourage greater spending on R&D activities, leading in turn to greater investment in overall innovation. There is a common misconception that these incentives are aimed only at the technology sector, however that is certainly not the case; these tax advantages can be utilised by any SME or large company, which is undertaking qualifying activities.

To qualify, your company's activity must either 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 are holding a seminar on R&D and the Patent Box relief at our London office on 26 March to provide further information for our clients. The event will be hosted by UHY partner, Roy Maugham, and will feature guest speaker Ian Tollett from Williams Powell. For more information or to register for your free place at our seminar, please see our events page on our website at www.uhy-uk.com/events.

HR NEWS

National Minimum Wage increase

The National Minimum Wage (NMW) was increased by 12p on 1 October 2013 to £6.31 an hour for over 21s. The Low Pay Commission has since recommended that this rate should increase further on 1 October 2014 to £6.50 an hour. The NMW rate is compulsory for all employers; regardless of size it is illegal to pay anything less.

If you break the NMW law you will currently be required to pay the backdated unpaid wages plus a penalty of 50% of the total underpayment for all underpaid workers. In addition to the financial penalty, companies will be publicly 'named and shamed' if they do not pay the minimum wage in the hope that the bad publicity will act as a deterrent to those who would otherwise be tempted to evade the law.

However, in an attempt to increase compliance, the Government announced that this penalty will increase to 100% with the maximum fine increasing from £5,000 to £20,000. This increase is expected to take effect during March 2014. The Government also wants to bring in further legislation that sees the maximum fine apply to *each* underpaid worker, but has yet to do so.

While small companies may think they can get away with paying less than the minimum wage and that it will go unnoticed because there are only a few workers on the books, this rate is compulsory for every UK employer and with the Government increasing efforts to toughen up on enforcement of the NMW, SMEs are now more likely than ever to be penalised. For large companies, the fine may seem like a drop in the ocean and their reputation may be recovered through expensive marketing campaigns, but to SMEs it may not be that simple; a fine of £20,000 and a public shaming could have a devastating effect on your growing business.

Other current rates are as follows:

- for workers aged 18 to 20 you must pay £5.03 an hour;
- for under-18s you must pay £3.72 an hour; and
- for apprentices under 19 or in the first year of their apprenticeship you must pay £2.68 an hour.

For further information on the recent increase in NMW and the new penalties, see the Government website at www.gov.uk.

IT NEWS

Cyber security and data protection for SMEs

Having become such an important part of our economy, the internet-related market in the UK is now estimated to be worth £82 billion a year, while British businesses earn £1 in every £5 from the internet. In recognition, the Government has launched a 'Cyber Streetwise' campaign, funded by the National Cyber Security Programme, which aims to measurably and significantly improve the online safety behaviour and confidence of consumers and SMEs. They hope to change the way people view online safety and provide the skills and knowledge they need to take control of their cyber security.

Cyber criminals are exploiting our reliance on technologies and our lack of technical knowledge to infiltrate our systems and steal personal information and data, often without us even realising. As a business, if the data that is compromised is that of your customers, you could face greater indirect consequences than you may realise. UK regulations protecting customers' personal data are strictly enforced and organisations responsible for breaches may face a financial penalty, which can amount to £500,000 for the most major of incidents. In addition to the fine, your business' reputation could be damaged by the distress caused. It is therefore important that you ensure you take as much precaution as possible and practice safe security techniques to minimise and avoid the threat of attack.

For the steps the Government recommend taking in order to make your business safer and more secure, visit the dedicated campaign website at www.cyberstreetwise.com.

We will be hosting a seminar on the topic of Cyber Security, as part of our regular FD Forum series, which will take place at our London office on 13 March from 5pm – 7pm. The event will be hosted by UHY partner, Colin Jones, and will feature guest speaker Nigel Miller from Fox Williams who will discuss data protection and data security. For further information or to register for your free place, see our events page on our website at www.uhy-uk.com/events.

INTERNATIONAL NEWS

UK SME exports

If you are considering expanding your company's reach overseas, now is the time to seek advice and make the move.

In November 2012, the Prime Minister declared his plans to improve the UK's position in the 'global race' by increasing international relations with the high growth and emerging parts of the world, placing emphasis on an 'export-led recovery'.

It seems, however, that a large proportion of UK businesses, particularly SMEs, are not currently exporting their goods and services, with only one in five UK SMEs engaged in exporting compared with the EU average of one in four.

It has been recognised that in order for this to change, more support is needed from both the Government and business organisations.

Consequently, the Government announced a pilot campaign that intended to increase overseas roles of business groups such as chambers of commerce, enhancing their support for SMEs. The initiative will offer a powerful new global support network for British businesses providing the support, advice and practical help that is needed for an export-led growth of our economy. British Business Centres will be launched in fast-growing countries that are of increasing importance in terms of their growth potential and global influence. Already, centres are open in India, Mexico and Poland, while further centres are confirmed in Budapest, Nigeria, China and Vietnam.

In addition, the Government's Export Credit Guarantee Department (ECGD) rebranded to UK Export Finance (UKEF) last year in a bid to improve awareness of how it can help SMEs. This sister company to UK Trade & Investment (UKTI) is the UK's export credit agency, supporting exporters and investors by providing credit insurance policies, political risk insurance and guarantees on bank loans; essentially, insurance against the risk of your overseas customers failing to pay.

As a member of UHY International, a network with over 270 offices in 86 countries, we are able to support clients looking to expand into any overseas jurisdiction by providing access to local knowledge combined with international expertise.

For more information on any of the above, please contact your usual UHY partner or one of our central marketing team on 020 7216 4600 who can put you in touch with the relevant person.

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