

# Insider

## April 2011

## Warning over cost of new business record checking regime

Plans by HMRC to scrutinise the record keeping of smaller firms could prove costly for many enterprises, it has been claimed. In its response to HMRC's consultation on the proposals, the Institute of Chartered Accountants of Scotland (ICAS) said that the plans are flawed.

Under the new regime, as many as 50,000 small businesses could come under HMRC scrutiny as a way of making sure their business records meet minimum reporting standards. If not, a fine of up to £3,000 could be imposed. However, ICAS argued that HMRC's assumptions about the spread of poor record keeping among smaller firms are unsubstantiated and that the estimated costs of the scheme are being massively understated.

HMRC has calculated that each visit, on average lasting half a day, would cost a business £54. ICAS, on the other hand, believes that, given the level of disruption that a visit will entail, the actual cost will be ten times as great, approaching somewhere nearer £560.

Ian Dewar, convenor of the ICAS small business tax sub-committee, said that the attitude of the tax authorities that SMEs with poor records have chosen to have poor records is a misconception. He continued: "Those with the courage and tenacity to embark on new business ventures are forced to battle from the outset against a mass of Government regulation and red tape. Typically they don't go into business because of their record keeping skills." HMRC should be looking for positive ways of encouraging taxpayers to maintain adequate

records, rather than adopting a big-stick approach that we believe will cost owner managers a lot of resource that could have been better directed towards growing their businesses."

Please don't forget that we are here to help you and your business cope with the pressures of good, accurate and up-to-date record keeping. Outsourcing the work can free you up to focus on developing your enterprise.

## Guidance on the new pension saving rules

HMRC has issued new guidelines on the recent changes to the tax relief available on pensions. As part of the changes, the annual allowance for tax relief on pensions has been cut from £255,000 to £50,000 for 2011/12. The annual allowance covers how much can be paid into a pension pot while attracting tax breaks.

Now HMRC has published its latest, updated guidance on what the new limit means for pension savers. In some circumstances, HMRC said, savings added to a pension fund between 14 October and 5 April may come under the remit of the new rules.

The new guidance can be found on the HMRC website.

If you would like any help or advice as to the effect that the rules may have on you or your pension investment, please don't hesitate to call us.

## Delay to new time to train rules gets a welcome

One of the continuing complaints of British firms is the level of red tape they face, and the time and resources that complying with the rules take up.

There has, however, been some good news on the employment law front. The Government has decided to delay the introduction of new rules on the right of employees to request time off work to train. The right for employees to request time for training to improve their skills has been available to workers in large firms (those with 250 or more staff) since April 2010. But following a recent consultation, the



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Government is to take further time to examine the potential impact of the regulation on smaller firms. As a consequence, moves to extend the right to employees of smaller firms, due to be introduced in April 2011, have been postponed.

John Hayes, the Skills Minister, said: "It is vital that the right balance is struck between support for training and the need to minimise the burden of regulation for smaller companies. We have delayed implementation to allow further, thorough discussion, scrutiny and evaluation." David Frost, director general of the British Chambers of Commerce, (BCC) applauded the decision: "The Government's move to delay the Time off to Train regulations for small- and medium-sized firms is a good start, but we must go further if we are to get companies recruiting and growing their businesses."

## Sickness absence system to undergo a health check

The Government has announced that the current employee sickness absence system is to be the subject of a comprehensive review.

The main remit of the review will be to examine how the system can be reformed so that more people can be helped to stay in work and costs for employers can be reduced. Due to report later this year, the review will also examine whether the balance of the costs of sick leave is appropriately shared between individuals, employers and the state.

Employment Relations Minister, Edward Davey said: "Managing sickness absence more effectively will be a win-win situation for all - businesses, individuals, the taxpayer and, crucially, the economy."

The EEF, manufacturing employers' group, argued that, despite the recent introduction of the fit note, many barriers still remain to getting people back to work. And that while large firms often have access to occupational health support, the same is often not true for SMEs. In particular, EEF wants the review to ensure that private treatment to speed up rehabilitation is not treated as a taxable benefit as it is now; and that GPs continue to assess work-related needs when issuing fit notes.

The EEF's chief medical adviser, Professor Sayeed Khan said: "The replacement of the sick note with a 'fit note' has been positive by improving communication between GPs and employers. We now need to maintain this momentum by helping medical professionals take into account the part work plays in good health as well as providing smaller employers with ready-access to appropriate treatments such as physiotherapy."

## Help for small firms chasing public contracts

Government spending might be on the slide, but public sector contracts still represent a huge amount of potential business

each year. The only problem is that many smaller firms simply get snowed under (or put off applying completely) by the number of hoops through which they must jump in order to tender for government work. To answer this, the Government has launched a series of measures aimed at making it easier for smaller firms to secure public sector contracts.

The need for businesses to complete pre-qualification questionnaires, some of which can run to over 50 pages, is to be dropped in cases where bidding is for contracts worth less than £100,000. Large public sector contracts are to be broken up into smaller elements so that SMEs can more viably pitch for them. And an online tool is to be set up called 'Contracts Finder', the purpose of which will be to help smaller enterprises track down government projects.

Recent research into small firms' access to public procurement markets across the EU places the UK 24th out of the 27 member states, with only 24 per cent of contracts going to small firms, compared with 44 per cent in France.

John Walker, the national chairman of the Federation of Small Businesses (FSB), said: "The good thing is that the Government is going to publish figures on the amount of contracts going to SMEs so we will be able to measure its success and hold the Government to account if it is not working."

When putting together a pitch for a major piece of work, it can help if there is someone on hand to offer an objective view of the finances involved. We are only a phone call away if you would like advice on the finances of business growth.

## Corporation tax still too high

The CBI has welcomed the Government's pledge to introduce a phased reduction in corporation tax to just 24 per cent but wants to see more done to ease the tax burden on businesses, large and small.

In its submission to the Government's consultation document – Corporate Tax Reform – the employers' group said that the reduction in the main corporate tax rate was a good move. However, the CBI also insisted that the Government should eventually go further, once the public finances have been stabilised. To make the UK truly competitive, the rate should fall below 24 per cent at some future stage.

The CBI gave its backing to the proposed introduction of the Patent Box which will complement the existing R&D tax credit scheme by making the UK a more attractive home for holding and exploiting intellectual property.

Remember that we are here to provide expertise on all aspects of business tax.