

## Tax reliefs under the spotlight

The Government is looking at cutting down on the number of reliefs and allowances available under the current tax system. The Office of Tax Simplification (OTS), which was set up to investigate creating a more streamlined tax system, has identified an incredible 1,042 reliefs and allowances.

The list will be submitted to the Government in order to see which can be amended or dropped altogether in next March's Budget. According to the review, there are 87 different reliefs offered to those paying inheritance tax. There are also over 200 different income tax allowances.

With the Government tidying up the tax system, now may be a good time to look at your own tax planning. We would be more than happy to help make sure you aren't paying more tax than you need to be.

### Drop in time-to-pay agreements

There has been a noted fall in the numbers of agreements made between HM Revenue and Customs (HMRC) and firms under the Business Payment Support Service scheme.

The time-to-pay scheme was set up at the height of the recession to enable businesses that were struggling to

meet corporation tax, income tax and VAT demands. Firms that reach an agreement with HMRC are granted additional time in which to make payments.

The latest figures, however, show a fall in applications for tax deferrals. In the first three quarters of 2009, there were 196,200 agreements made as part of the scheme. The same period in 2010 saw 114,600 similar arrangements. The agreements for 2010 amounted to £1.9 billion in delayed tax payments; in 2009 that figure was £3.4 billion.

But there has been an increase in the proportion of applications that has been refused by HMRC. In the first three quarters of 2009, 2.6 per cent of applications were turned down. In the first three quarters of 2010, the refusal rate stood at 5.2 per cent.

If your business would like some help and advice when it comes to balancing cashflow and meeting the taxman's demands, please don't hesitate to give us a call.

### We're backing small businesses, says Coalition

After all the cuts, now comes the Government's drive to help stimulate business growth. There are going to be a minimum of 500,000 job losses in the public sector, so the Government is banking on private firms to pick up the slack.

It has duly published a document, entitled Backing Small Business, which details its plans for encouraging entrepreneurship. These include improving access to finance and making it easier to do business with the public sector.

Among other measures, the Enterprise Finance Guarantee (EFG) is to continue for the next four years, making around £2 billion available to viable small companies without a credit history or collateral. A further £200 million is to be made available to Enterprise Capital Funds supporting equity investments in the highest growth potential businesses. That is on top of the £1.5 billion Business Growth Fund which is being run by the banks.

When it comes to tendering for public sector contracts (a pot of business worth some £236 billion), the Government has pledged itself to a target of awarding



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a quarter of all government projects to SMEs.

Hopefully, these actions will make a difference, but, even so, it is likely to remain tough for smaller firms that are looking for growth capital. If you would like any expert assistance in putting together a funding request, be it from your bank or an alternative source of investment, we would be more than willing to lend our help.

## Pensions for all workers – but what of the cost?

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All British businesses, whatever their size, will be expected to offer employees the chance to join a workplace pension scheme. The new scheme will start, as expected, in 2012, and all employers will need to play a part by September 2016. It will mean the automatic enrolment of all workers, not already members of a qualifying pensions scheme, into a savings fund.

Employers with fewer than 50 members of staff can, if they wish, use a state-sponsored scheme – the National Employment Savings Trust (Nest) – rather than establish a workplace pension scheme of their own.

Under the new rules, all employers will be expected to provide a pension scheme for employees aged 22 or more and currently earning more than £7,475 a year. The new pension programme will begin next year, with automatic enrolment starting in October 2012. Initially, the largest employers will have to sign up first; the smallest firms won't join until September 2016.

Employer and employee contributions will also be introduced on a phased basis. Until October 2016, the minimum overall level of contributions will be 2 per cent, with 1 per cent being made by employers. From October 2016 to September 2017, the total contributions will be 5 per cent, with 2 per cent being made by employers. From October 2017, the total minimum contribution level will be 8 per cent, with employers paying in a minimum of 3 per cent of annual earnings, employees 4 per cent and 1 per cent coming in tax relief from the government.

However, one business group has voiced concerns about the cost to small employers. The Federation of Small Businesses (FSB) has said that the changes could end up costing the average small firm - one with four employees earning an average salary of £25,000 - an extra £2,550 per year in administration and pension costs. The government has calculated that the administrative cost to very small employers will be just £46 per each of four employees.

Running a payroll can be a complicated, time-consuming affair. Many employers find it simpler and more cost-

effective to outsource instead of investing valuable effort in administration. If you would like to discuss how we can ease the burden, why not get in touch?

## All change on VAT again

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There is now barely a month remaining before the standard rate of VAT climbs from 17.5 per cent to 20 per cent. The increase means that any sales of standard-rated goods or services made on or after 4 January 2011 must carry a VAT charge of 20 per cent. The increase only covers standard-rated goods and services. Zero-rated (0 per cent) and reduced-rated sales (5 per cent) will see no change, nor will exempt goods.

There will, inevitably, be concerns among firms about the rules that apply to sales made before 4 January but payments made after that date. If you are not sure about charging the correct amount of VAT, do check with us.

## Tips on preparing for the change

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It is important to make sure that books are kept in good order, particularly for sales that span the transition period. And to ensure that any accounting software is updated to accommodate the new rate.

Retailers need to adapt their till systems so that the VAT increase is made automatic on or after 4 January.

If a business is planning the purchase of a major item, then it might be advisable to buy before 4 January.

## New cap for tax relief on pensions

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The amount that people can add to their pension funds on which they can receive tax relief is to be reduced, the Treasury has confirmed.

The annual limit is to come down from £255,000 to £50,000. Also to be reduced is the lifetime allowance on money that can be saved in a pension fund for which tax relief is allowed. This will come down from £1.8 million to £1.5 million. The new annual allowance takes effect as from April 2011; the new lifetime allowance from April 2012.

We may not all be in the happy position of having quite such large sums to add to our retirement pots, but, whatever our age or circumstances, it is ever more important to plan for the day when we stop working. If you have any questions about your pension savings, we may be able to guide you towards a comfortable retirement?