

## Turbulence everywhere

The ongoing concern with regard to the national debt crisis in Europe and America continues to reverberate. The escalation of debt during the past twenty or more years finally appears to be coming home to roost. With markets in freefall at the beginning of August, the possibility of a double dip recession has again been highlighted. We know many clients that feel we never actually exited the last recession as some businesses have stagnated and sadly, others have not been able to survive.

On the positive side we have seen a number of new business owners in the past few months and we are pleased to see the optimism displayed by these new entrepreneurs.

This Government continues to introduce new initiatives and make changes to existing practices. We include a few of the more recent announcements. If you see anything that you wish to discuss, do please contact us.

### How to go about integrating income tax and NI

Many businesses regard the management of tax issues as a major commitment of their administrative resources. To help ease the burden, the Government is looking at possible ways of merging the two tax systems – income tax and national insurance – with which employers must work. To that end, it has asked for the thoughts of businesses on the matter.

The Treasury has insisted that the 'call for evidence' is just a first step. Responses to the ideas that are gathered will inform the Government's proposals for reform, on which it will consult in the autumn.

At the moment, the income tax and national insurance systems work separately from each other, but the Government believes that greater integration of the two has the potential to reduce business admin. The 'call for evidence' document asks 14 questions, the majority of which focuses on the burdens employers face in managing income tax and NIC payments through the Pay As You Earn system. For example, how much staff time and other resources are required, which aspects of the process currently work well and how often problems are encountered when calculating payments.

We appreciate that operating a payroll can be onerous for some smaller firms. You can, of course, save valuable business time by outsourcing some of your admin work. We'd be more than happy to talk to you about how we could help.

### Government aims to boost small business investment

Encouraging business investment is central to Government efforts to re-balance the economy, which is why the Treasury is holding a consultation on ways and means of increasing the level of funds that are put into smaller enterprises with good growth potential.

The consultation will look at how Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCTs) can be simplified and changed. Also under consideration is a plan to support seed investment through offering tax reliefs to business angels. Many smaller firms experience difficulties in attracting equity finance because the modest size of the investment can put off investors who would rather invest larger sums in larger companies.

### Making tax simpler for smaller firms

The Office of Tax Simplification (OTS), the independent body set up by the Government to streamline business tax, has put forward two new proposals to help smaller firms cope with their taxation obligations.



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The first focuses on disincorporation for small companies. The second consultation document looks at the way that small firms calculate their profits. It suggests a cash accounting system might be useful whereby a year's profit is measured by the money collected from customers minus the cash that is spent on wages and supplier costs. The present system demands that other calculations, such as opening and closing stock, debts owed to and by the business, and accrued expenses still to be billed, be taken into account.

John Whiting, tax director of the OTS, said: "We have been told in no uncertain terms that tax administration can be a problem for small businesses. So we want to stimulate debate and allow those in business, and their advisers, to give us their views on the various possible ways forward.

"Would a cash basis be a better way of taxing the smallest businesses? How about flat rate expense allowances? What of the more radical alternatives some other countries use – could any of them work here? Do we need a disincorporation relief?"

The documents, the OTS said, are not firm recommendations but are intended to generate debate ahead of final proposals which will be submitted to the Treasury before the 2012 Budget. The consultations run until 7 October.

**We are here to help with any element of your business tax. Please do not hesitate to contact us to discuss how we can assist.**

## Employers to get online help with new pension rules

The Pensions Regulator has issued guidelines for employers on how to deal with the upcoming new mandatory workplace pension scheme. Under the scheme, which rolls out between October 2012 and September 2016, all employers will eventually be required to automatically enroll their employees into a pension scheme (except where workers are already part of a fund).

The online guidance allows employers to find out more details about when the changes to pensions law will affect them, which staff need to be automatically enrolled into a pension scheme, how to automatically enrol staff and how much they will need to contribute to their staff's pension.

Steve Webb, the pensions minister, said: "We know that easing burdens on small employers will be key to making automatic enrolment a success. That is why I'm very pleased that the regulator's new tools will be a simple and practical way for small businesses to learn about their duties."

The guidance can be found at [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

**If you feel you need any extra assistance in getting ready for what will be a major workplace change for many employers, do give us a call.**

## New rules may give SMEs easier access to equity funding

The Government has brought forward two changes in the law to help smaller firms gain access to equity finance. The changes mean that fewer small firms will be caught up in the prospectus regime.

SMEs can now raise equity finance of up to 5 million euros rather than the previous limit of 2.5 million euros before a prospectus needs to be drawn up. They can also target a larger number of potential investors, up from 100 individuals to 150.

The changes are a result of the Government's decision to introduce amendments to the EU Prospectus Directive, agreed by the European Commission, a year earlier than originally planned. The new rules apply from 1 August 2011.

John Walker, national chairman of the Federation of Small Businesses, added: "We welcome the fact that the Government is leading the way in Europe by making it easier for small business to access finance. More small firms should look at equity finance as an alternative route to accessing credit, and these simple changes will help firms who are looking to grow and invest.

"Extending the number of investors and increasing the prospectus value will help more small businesses access equity finance and show there are more options than just going to the bank for credit. What's important is that small businesses are aware of the alternative routes to finance."

**If your business is looking to grow but is finding it tough to secure the finance, we would be more than happy to offer you our expertise on the best sources of funding.**