White Hart House Silwood Road
Ascot SL5 0PY
01344 623 330 info@wentworths.co.uk

Wentworths & Associates
Accountants & Business Advisors

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www.wentworths.co.uk

Welcome to your May newsletter. With the new tax year well under way, this issue brings you some of the new tax rates and allowances which you may want to take advantage of. Meanwhile, the Government has confirmed that employee earning thresholds for the upcoming pension auto-enrolment will be aligned with tax and national insurance thresholds – we take a look.

Elsewhere, small businesses may stand to benefit from a new mobile app which allows them to access business records on-the-go. Plus, are you aware that different business accounting dates may offer various advantages, or disadvantages for your business?

Auto-enrolment and employee earning thresholds

Starting from October this year, and depending on the size of your business, employers will have to automatically enrol all eligible workers into a qualifying pension scheme. The Government has now confirmed that automatic enrolment rates for the next tax year will be aligned alongside tax and national insurance thresholds, in the hope that it will make it easier for firms to work out which staff are eligible.

The following rates will now apply:

- £8,105 will be the trigger in which an employee must be automatically enrolled – this is in line with the personal allowance.
- An employee earning between £5,564 up to the £8,105 trigger can choose whether or not to opt in.
- Qualifying earnings – in which an employer must contribute towards an employee's pension - will sit between the lower limit of £5,564 and the higher threshold of £42,475. Employees within this threshold who choose to remain opted in must get an employer contribution.
- Those earning less than £5,564 are entitled to join a pension scheme, although employers will not be required to contribute on their behalf.

Businesses will need to offer their employees auto-enrolment at different commencement dates from October 2012 and 1 January 2016. We can help your business implement an auto-enrolment programme.

Mobile record-keeping

New mobile apps designed to help small businesses keep tab on their record keeping accounts, have been launched by various software companies and are now available on smartphones such as Android, iPhones and Windows phones.

The free apps are aimed at small businesses, sub-contractors and the self-employed who have an annual turnover below the VAT registration threshold of £77,000 - allowing users access to simple record keeping accounts, to track income, expense and profit, and provide estimations on what their basic tax liability may be.

Whilst the apps meet HMRC specification requirements, HMRC has emphasised that their use has been designed to complement existing tools and programmes. It also encourages users to ask suppliers about any security concerns prior to use.

We can help you keep up to date with your business records. Please get in touch to find out more.

The tax year and choosing your accounting date

Whatever business model you are in, you must prepare annual accounts which report on business performance and activities during the financial year. What many may be unaware of, is that businesses are allowed a free choice of when to end an accounting year.

So, for 2012/13 tax, accounting dates can vary between 6 April 2012 and 5 April 2013. The date that you choose may be dictated by commercial reasons, but also by external factors such as interest rate movements, inflation, changes in rates of tax and changes to the tax system.

As a general rule, using a date towards the end of the tax year leads to the simplest application of a current year basis of assessment, although this leaves very little time before tax is payable.

Alternatively, businesses expecting an upward trend in profits may benefit from cashflow advantages if their accounting date is set on or shortly after the beginning of the tax year, although this also has its disadvantages including increased liability should the business cease.

Do you need to review your accounting date?

We can advise on the best year end date for your new business, and help change existing dates to make your business more efficient.

YOUR MONEY

Increased ISA allowances

New allowances for Individual Savings Accounts (ISAs) - which offer tax-free returns on investments – have now come into force.

For the 2012/13 tax year, the total amount that can be invested into an ISA has increased to £11,280 (previously £10,680), of which a maximum £5,640 can be invested in cash. The remaining £5,640 can be invested into a stocks and shares ISA with either the same or a different provider.

Junior ISAs are also now available, and have been in force since 1 November 2011, as alternative to child trust funds (CTFs) which have since been disbanded (although CTF vouchers may still be cashed in). Like their adult counterparts, Junior ISAs are tax-free, although the annual allowance limit is £3,600 which can be invested in either cash or stocks and shares.

Inheritance tax planning and donating to charity

Currently, HMRC taxes any assets or estates passed on through inheritance at 40 per cent once they reach the inheritance tax threshold of £325,000. It is planned that this threshold will remain in place until 2014/15.

However, there are various ways to make sure you make the most tax reliefs and exemptions when planning how your estate can be passed on.

Since 6 April this year, HMRC has introduced a new way of reducing your inheritance tax bill; by donating to a qualifying charity. Any estate over £325,000 leaving 10 per cent of the net value of the estate to charity may pay a reduced inheritance tax rate of 36 per cent.

The net value of an estate is the sum of all assets after any debts, liabilities, reliefs, exceptions, and the nil rate band have been deducted. It also states that the chosen charity must be registered with HMRC.

The way an estate's value is calculated may also be complex, as HMRC view estates as comprising of different components, each of which may be liable for different rates and allowances. For instance, assets that are owned jointly through 'survivorship', assets in trust, and those which are owned outright, may all be treated differently. Furthermore, you may be able to merge these components in order to gain the maximum benefit.

Inheritance tax planning and how you pass on your estate can be complex. Please contact us for more details.

May's Money Facts

Current bank rate	0.5%
Quantitative Easing Scheme	£325 billion
Current inflation	3.5%