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## Business Matters

### Summer 2016 inside this issue...

- ▶ Highlights from the 2016 Budget
- ▶ All change for ISAs – new tax-free ways to save
- ▶ The rules governing holiday and pay
- ▶ Business Round-Up
- ▶ Web Watch
- ▶ Reminders for your Summer Diary



## Six simple steps to saving business costs

These days, most of us are comfortable with shopping around to get the best deal, but there are many other ways that profits could be draining out of your business without you necessarily noticing. Here are six areas where making small changes to the way you do things could result in significant cost savings.

### 1. Marketing

One of the simplest ways to save cash when marketing is to join forces with complementary businesses operating in the same market as you. That could mean splitting advertising and promotion costs for events, or including others' materials in a direct mailshot to help cover postage and printing. Trade shows and publications, or even LinkedIn, can help you identify non-competing businesses who might be willing to collaborate with you. If you use direct mailshots regularly, spending time periodically cleaning your lists could also save hundreds or even thousands of pounds in production and postage costs over the course of the year.

### 2. Post and delivery

On the subject of postage, there are some elementary ways to save money that can be easily overlooked. Making it a company policy to fold correspondence into A5 envelopes rather than A4, and having two post trays: one for first and one for second class, can lead to significant savings. Franking machines can also save money – although you'll need to ensure the volume of your post covers the lease costs.

### 3. Meetings

Offsite meetings carry a number of costs in the form of travel, expenses and venue hire,

as well as taking key staff out of the office for extended periods. Although face-to-face time is sometimes essential, there will be other occasions when free video call facilities will do just as well. You should still ensure that onsite and virtual meetings remain concise and only involve the appropriate staff members.

### 4. Staff

Staff usually represent the single biggest cost for a business – but you can often save money without laying people off. It's critical for any business, large or small, to keep hold of its best employees, as recruiting skilled staff is much more expensive than retaining them.

If you do need to trim your staffing budget, you might consider offering reduced hours. Employees may be reluctant to bring up the subject themselves, but there may well be some who would like to work part-time. If you make it generally known that you are open to discussing this, you may find you can reduce your wage bill without having to lose a good team member.

Meanwhile, if you need to recruit, there are plenty of options for hiring low-cost labour even with the new National Living Wage rules, such as using apprenticeship schemes and interns, or outsourcing tasks to freelancers.

### 5. Cashflow

Poor cashflow management can cripple your business at worst, while at best it means incurring unnecessary costs. There are numerous ways to improve your cashflow, such as invoicing quickly, offering early payment discounts, making payments easy for clients, and agreeing clear payment terms.

### 6. Taxes

Taking advantage of the reliefs and tax incentives available to businesses, such as capital allowances and Research and Development (R&D) tax credits, can help to save you money. Contact us for a review of your business tax arrangements to ensure you are making the most of any tax-saving opportunities.

**In the day-to-day running of a business, it's all too easy to get into set routines and not notice areas where your business is leaking cash. Taking the time to review your processes and make adjustments to the way you do things could result in significant improvements to your bottom line. We can help you with this process.**



## Highlights from the 2016 Budget

The 2016 Budget contained a number of measures affecting businesses and individuals. Here we look at some of the key announcements from the Chancellor's latest Statement.

### Business measures

#### Business rates

Following the business rates review, the Government has announced that from 1 April 2017 it will permanently double Small Business Rate Relief in England from 50% to 100%. It will also increase the thresholds so that business properties with a rateable value of £12,000 and below will receive 100% relief, while business properties with a rateable value between £12,000 and £15,000 will receive tapered relief.

#### Corporation tax

The Chancellor announced that corporation tax will be reduced by an additional 1% from 2020. As a result, the corporation tax rate will fall from its current rate of 20% to 19% for the financial years beginning 1 April 2017, 1 April 2018 and 1 April 2019, and 17% for the financial year beginning 1 April 2020.

#### Micro-entrepreneurs

Two new £1,000 allowances are to be introduced for property and trading income, with effect from April 2017. Individuals with property income or trading income below the level of the allowance will no longer need to declare or pay tax on that income.

Those with relevant incomes above £1,000 can benefit by simply deducting the allowance instead of calculating their exact expenses.

#### Stamp Duty Land Tax (SDLT) for non-residential property

Following on from recent changes to SDLT and residential properties, the 2016 Budget outlined further reforms to SDLT and non-residential property. With effect from 17 March 2016, SDLT on purchases of non-residential property will be charged at each rate on the portion of the purchase price which falls within each rate band. The new rates are now: 0% for the portion of the transaction value between £0 and £150,000; 2% between £150,001 and £250,000; and 5% above £250,000.

For leasehold rent transactions, SDLT is already charged at each rate on the portion of the net present value (NPV) of the rent which falls within each band. However, with effect from 17 March 2016 a new 2% rate for rent paid under a non-residential lease has been introduced where the NPV of the rent is above £5 million. The new rates and thresholds for leasehold rent transactions are: 0% for the portion between £0 and £150,000; 1% between £150,001 and £5,000,000; and 2% above £5,000,000.

Please note that these measures do not apply in Scotland, where the Land and Buildings Transaction Tax has effect.

### Personal measures

#### Personal allowances

The Chancellor announced that the income tax personal allowance will rise to £11,500 from April 2017, at which time the threshold for higher rate tax will also rise to £45,000 for those entitled to the full personal allowance.

#### ISAs

In addition to the introduction of a new Lifetime ISA (see page three), the Chancellor announced that with effect from 6 April 2017, the ISA annual allowance is set to increase from £15,240 to £20,000.

#### Capital gains tax (CGT)

With effect from 6 April 2016, the higher rate of CGT has been reduced from 28% to 20%, and the basic rate from 18% to 10%.

There is an 8% surcharge on these new rates for gains on residential property. Private Residence Relief will continue to ensure that an individual's main home is not subject to CGT.

**Please contact us to discuss how the Budget announcements may affect you and your business.**

# All change for ISAs – new tax-free ways to save

Despite ongoing low interest rates and the recent introduction of the Personal Savings Allowance, ISAs still form a valuable part of the savings portfolio for many individuals. Here we outline some recent changes to the ISA regime.

## Increased flexibility

From 6 April 2016, new measures allow savers to replace cash they have withdrawn from their ISA account earlier in a tax year, without this replacement counting towards the annual ISA subscription limit. This can also be done for cash that is held within stocks and shares ISAs if the provider offers the facility through a cash trading account.

Under the ISA Regulations, the new flexibility is available in relation to both current year and earlier year ISA savings. However, the ISA provider needs to have changed the terms and conditions to allow a 'flexible ISA'.

## Help to Buy ISA

First-time buyers can save up to £200 a month in this tax-free savings account, which the Government will top up in the form of a 25% bonus, up to a maximum of £3,000. Users can also open a Help to Buy ISA account with a lump sum of £1,000, in addition to the monthly maximum.

From 1 February 2016, where a saver has closed their Help to Buy ISA and withdrawn their savings, but their intended home purchase does not proceed, they can also replace their savings in an ISA or Help to

Buy ISA without this impacting on their ISA subscription limit.

## The Innovative Finance ISA

The new Innovative Finance ISA is designed to encourage peer-to-peer lending. It can be offered by qualifying peer to peer lending platforms in accordance with the ISA Regulations.

Loan repayments, interest and gains from peer-to-peer loans will be eligible to be held within an Innovative Finance ISA, without being subject to tax.

An ISA investor will normally be entitled to subscribe new money each year to a maximum of one Innovative Finance ISA, one cash ISA and one stocks and shares ISA. The amount of new money paid into all of the ISAs held by an investor must not exceed the overall ISA subscription limit for the year – which for 2016/17 is £15,240, rising to £20,000 from 2017/18.

Returns on Innovative Finance ISAs have the potential to be significantly greater than on cash ISAs, but they will carry a greater degree of risk.

## Lifetime ISA

From 6 April 2017 any adult under 40 will be able to open a Lifetime ISA.

They can save up to £4,000 each year and will receive a 25% bonus from the Government for every pound they put in, up to the age of 50.

Funds can be used to save for a first home or for retirement. Features include:

- both the savings and Government bonus can be used towards a deposit on a first home, worth up to £450,000
- accounts are limited to one per person rather than one per home – so two first-time buyers can both receive a bonus when buying together
- during the 2017/18 tax year, those that have a Help to Buy ISA can transfer the savings into a Lifetime ISA, or continue saving into both, but will only be able to use the bonus from one to buy a house
- after their 60th birthday individuals can withdraw the savings, tax-free
- savers can withdraw money at any time before their 60th birthday for any purpose, but the Government bonus, together with any interest or growth thereon, will be lost. A 5% charge will also be payable.

*This article is for general information only and professional advice should be taken before making any investment decision.*

## The rules governing holiday and pay

With the holiday season upon us, many employees will be looking to take some well-earned time off. However, for employers the rules governing holiday and pay can be something of a headache. Here we outline some of the basic principles.

### What are the basic holiday pay guidelines?

Most workers have the right to a minimum amount of statutory holiday and pay, including casual workers and those who work part-time. However, self-employed workers are not entitled to statutory paid holiday.

At least 5.6 weeks of annual paid holiday should be provided to the majority of workers. However, employment contracts may allow employees to take additional holiday, on top of the statutory minimum. Any amounts of contractual holiday are decided by the employer. Employers can also decide whether to include

bank holidays as part of an employee's statutory holiday entitlement.

The amount of statutory holiday that employees can take is generally calculated by multiplying 5.6 by the number of days they work per week. Those who work a five-day week, for example, are entitled to 28 days' paid holiday per year.

### How is holiday pay calculated?

Pay rates for any holiday that an employee takes are generally the same as their normal rate of pay. However, some employees could be entitled to a higher rate of holiday pay.

Employers calculate employees' holiday pay based on their working hours. For workers with conventional working hours whose pay does not alter with the amount of work undertaken, this will be the same as a normal week's remuneration. For workers whose pay levels vary, the holiday pay will be the same as a normal

week's pay, but this is calculated by working out the average pay over the last 12 weeks in which they were paid. Employers must also take commission into account when calculating holiday pay for the four weeks of statutory annual leave required under European law.

### Recent developments

Following a legal ruling in the case of Bear Scotland Ltd v Fulton, from 1 July 2015 claims for backdated holiday pay are limited to a maximum of two years. The Employment Appeal Tribunal also ruled that non-guaranteed, compulsory overtime should be taken into account when calculating an employee's holiday pay. This is subject to a 20-day restriction required by the Working Time Directive, which differs from the 28 days usually allowed under UK law.

*This article is for general information only and you are advised to seek professional assistance if you are unsure of your legal obligations.*



## Business Round-Up

### National Minimum Wage rates to increase from October

The National Minimum Wage (NMW) rates are set to rise from October 2016.

The rate for 21 to 24-year-olds will increase to £6.95 an hour, up from the current amount of £6.70. Meanwhile, the NMW for 18 to 20-year-olds will rise from £5.30 to £5.55, and for those aged 16 or 17, the rate will increase from £3.87 an hour to £4 an hour.

Apprentices will also benefit from a 10p increase, bringing the current rate of £3.30 an hour up to £3.40. These increases will come into force from 1 October 2016.

Additionally, workers aged 25 and over potentially stand to gain from the introduction of the Government's new National Living Wage (NLW), which came into effect in April 2016 and has initially been set at £7.20.

The NMW and NLW cycles will be aligned with effect from April 2017 so that both rates are amended in April every year.

### New 'flat rate' State Pension takes effect

The new 'flat rate', or single tier, State Pension has now come into effect for those who reached State Pension age on or after 6 April 2016. The rate has been set at £155.65 per week.

The new system has been introduced with the stated aim of reducing previous complexity and providing a simpler and fairer system that makes it easier for savers to plan for their retirement.

Government research has suggested that many pensioners could receive a boost from the new State Pension during the next fifteen years, although the Work and Pensions Select Committee has raised concerns that the details sent out to individuals regarding when they will receive their State Pension and its expected value were insufficiently clear and could be misunderstood.

Under current plans, the State Pension age is due to rise to 66 by October 2020. Parliament legislated in 2014 that a review of the State Pension age should be

conducted at least once every six years. The first one is to be chaired by Sir John Cridland, former Director-General of the CBI.

### New rules will require UK businesses to reveal gender pay gap

Large businesses and banks will be required to disclose the differences in male and female employees' pay, under new rules set to come into force in 2018.

The Government plans to implement a league table which will rank large firms by the size of their gender pay gap. Only those businesses with more than 250 employees will be made to reveal exactly how much they pay male and female employees in salaries and bonuses.

Companies will need to begin calculating their gap from April 2017. The first league tables will then be published during 2018. Employers will also be required to publish their gender pay gap on their website.

The new rules will affect an estimated 8,000 employers across the UK.

## Web Watch

[www.startupbritain.org](http://www.startupbritain.org)

Advice and support for individuals seeking to start up in business.

[www.ifb.org.uk](http://www.ifb.org.uk)

Provides information and advice for UK family-owned businesses.

<http://uk.reuters.com/business>

The latest business and economic news.

<http://realbusiness.co.uk>

News and features on a range of business, taxation and marketing issues.



## Reminders for your Summer Diary

### June 2016

- 1 New advisory fuel rates for users of company cars effective from today.
- 30 End of CT61 quarterly period.  
Annual adjustment for VAT partial exemption calculations (March VAT year end).

### July 2016

- 6 Deadline for submission of Form 42 (transactions in shares and securities).  
File Taxed Award Scheme Returns, file P11Ds and P11D(b)s. Issue copies of P11Ds to employees.  
Deadline for entering into a PAYE Settlement Agreement for 2015/16.
- 14 Due date for income tax for the CT61 period to 30 June 2016.

19/22 Quarter 1 2016/17 PAYE remittance due.

Final date for payment of 2015/16 Class 1A NICs.

- 31 Second self assessment payment on account for 2015/16.

Annual adjustment for VAT partial exemption calculations (April VAT year end).

Deadline for tax credit Annual Declaration (if estimated, final figures required by 31/01/17).

### August 2016

- 2 Submission date of P46 (Car) for quarter to 5 July.
- 31 Annual adjustment for VAT partial exemption calculations (May VAT year end).