

the knowledge

Money. How to get it, keep it and make it work harder.

No shocks no surprises

At the time of writing, the Chancellor had just sat down after delivering a Budget that had more to do with politics than the financial state of the nation. Mr Darling stated his Budget was designed to "secure the recovery, tackle borrowing and invest in our industrial future."

Certainly there were few shocks or surprises and few overall clear winners from this Budget - although there were some clear losers; cider drinkers and the cider industry perhaps feeling a little unfairly treated with the 10% increase in duty.

Amongst the soundbites, jeers, cheers and even a joke, there were some announcements and non-announcements that are worth mentioning.

Little change is good news in some respects, as there had been wide speculation of increases to VAT and Capital Gains Tax rates which did not materialise. The other significant non-announcement was that the changes to the rises in Income Tax and National Insurance will be implemented as previously announced.

There were several measures announced for small and medium sized businesses

(SMEs), ie doubling of the annual investment allowance for businesses, doubling of Entrepreneurs' Relief, a continuation of the Time To Pay arrangements, more awards of public sector contracts to SMEs, a reduction in business rates for very small businesses and better access to finance, both through government controlled banks and through UK Finance for Growth, a specific fund of £200m.

To continue to promote the UK as a place for innovation, the Budget announced a £35m University Enterprise Capital Fund to help academics and graduates capitalise on their innovations.

A new tax relief for the video game industry similar to that already in place for the film industry was also announced. The "patent box" regime, whereby income from UK patents will be subject to lower rates of tax (announced in the Pre Budget Report) was mentioned in the Chancellor's speech indicating that it is still on the agenda, although no details have been announced.

For individuals, whilst the removal of stamp duty for first time buyers on residential properties less than £250,000 was far from a surprise (having been pre-announced on Budget morning), the fact that it was only for two years and would be funded by a new (non-temporary) rate of 5% for properties over £1m certainly was a surprise.



Chancellor of
the Exchequer,
Alistair Darling

The green theme continued with a few tweaks to tax on low emission cars, further 100% allowances for green equipment acquired by businesses and a new Green Investment Bank to provide £2bn of investment into low carbon economy.

Overall, this, the first Budget of 2010, lived up to the general expectation of this Budget with few surprises and a fair amount of politics. Whether the highly anticipated second Budget will bring as few surprises is less likely, whoever delivers it.



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Plan now to avoid a nightmare Christmas 2010



As reported in a previous edition of *The Knowledge*, one of the effects of the Companies Act 2006 has been to shorten the deadlines for filing accounts at Companies House by one month. At the same time, the cost of missing a deadline in the form of late filing penalties has been increased quite significantly.

Previous deadlines	
Private company	10 months
PLC	7 months

New deadlines	
Private company	9 months
PLC	6 months

The new deadlines and penalties apply to all accounting periods commencing after

1 April 2008. Most accounting periods are 12 months long and so 30 April 2009 year ends were the first to be affected. Accounts to 31 December 2009 and 31 March 2010 will also fall under the new regime for the first time.

Late filing penalties for accounts of private companies:

How late are accounts delivered:	Penalty (£)
Not more than 1 month	150
More than 1, but less than 3 months	375
More than 3, but less than 6 months	750
More than 6 months	1,500

Note:
If accounts are filed late two years running, the penalties are doubled in the second year.

If the year end is 31 March, you will notice that, for a private company, the new deadline is 31 December. This is much less convenient than the previous deadline of 31 January because it has the potential to spoil your Christmas!

If your company has a tendency to run close to the deadline, it would be worthwhile reviewing the accounts completion process to see how it can be improved. For example, if the accounts have usually been approved at a board meeting in November or December, it would now be preferable to aim for the October board meeting. This would allow some time for slippage if difficult issues arise.



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Penalties introduced for late payments of PAYE, National Insurance and CIS

From 6 April 2010, new penalties will be charged on late payments to HMRC. In the first year, they will not be issued until after the tax year end, after that they will be charged during the tax year.

Penalties will range from between 1% and 5% of the total amount paid late, depending on the number and duration of late payments in the tax year.

Penalties will apply to PAYE, NIC, CIS and class 1A and 1B NIC.

HMRC will not be issuing reminders to employers or contractors.



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Introducing a nation of savers

The pension industry is due to see more changes in 2012 with the implementation of the current pension reform proposals, including auto-enrolment for company pensions and the launch of the National Employment Savings Trust (NEST).

Understanding and preparing for these events is critical as they will have far reaching consequences for both the employer and employee.

The intention is to phase these proposals in from 1 October 2012 until 1 September 2016, starting with large employers and gradually working towards employers with less than 50 staff.

What it means

For the first time in the history of UK pensions, employers will be required to automatically enrol eligible employees into a workplace pension scheme. If the employee stays in the scheme, the employer will be required to pay contributions.

NEST

NEST has been designed to be a simple, low cost pension plan aimed primarily at low-to-moderate income earners aged between 22 and state-pensionable age. It will offer a small range of simplified investment options (including a default fund for those who cannot choose) and will be operated centrally as a National Pensions Savings Scheme. The Government has confirmed that NEST will charge 2% on all contributions plus an anticipated annual management charge of 0.3%.

Every employee earning more than £5,035 a year* needs to be automatically enrolled in the scheme unless they either actively opt out or there is a suitable workplace equivalent scheme into which they will be



enrolled instead. As an incentive, contributions will come from three different sources:

- 4% is contributed by the employee*
- 3% is then added in by the employer and
- A final 1% is added by the Government (in the form of tax relief).

In other words, for every £1 the employee contributes, an additional £1 is received, doubling the amount they actually then have invested on their behalf.

Our understanding is that the scheme will need a minimum contribution of 2% until October 2016, increasing to 5% up to October 2017 and then 8% thereafter.

** Contributions are a percentage of eligible earnings, ie: those between £5,035 and £33,540, initially quoted as at 2007 and subject to indexation (in line with earnings) through to 2012.*

Thoughts for businesses

Not every business will currently have a workplace scheme in place and some existing schemes may simply not meet the NEST minimum criteria. Hence, to cover the additional contributions which may be

required - or simply to extend existing arrangements to cover employees who do not currently participate - it is likely that costs will rise.

Businesses, therefore, have some decisions to make.

Meeting the minimum criteria

To meet the minimum criteria necessary to offer an alternative to the Government scheme, workplace pensions will need to offer:

- Auto-enrolment - within 90 days of joining
- Minimum accrual rates - for final salary schemes must be at least 1/80th for contracted out schemes or 1/120th for contracted in schemes
- Minimum contribution rates - for money purchase arrangements must be at least 8% of eligible earnings.

The simplified administration and ability to 'outsource' minimum pension arrangements to another party may seem attractive for some companies. However, for some employees, particularly mid and high earners, pensions remain one of the more attractive benefits which they look for when deciding whether to take a job.

The rigidity of being placed in the Government scheme may therefore reduce the attractions of this benefit for such employees when compared with potentially more flexible offerings from other prospective employers.

In summary, this is an evolving market but it is safe to say that every employer will be in a different situation and will need individual advice.



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Forthcoming deadlines:

April 2010

14 Apr Due date for income tax for the CT61 period to 31 March 2010.

19 Apr Interest will begin to accrue on unpaid PAYE/NI for 2009/10 if not filing electronically (22 April for electronic payments).

CIS: Monthly return due for period to 5 April.

30 Apr Filing deadline at Companies House of accounts for private companies with a year ended 31 July 2009.

Due date for Mar VAT returns.

Filing deadline for Corporation Tax Return Form CT600 for period ended 30 April 2009 to be submitted to HMRC.

May 2010

1 May Due date for payment of Corporation Tax for year ended 31 July 2009, for those companies not liable to pay their liability by instalments. New VAT fuel scale charges apply.

19 May Last day for filing forms P14, P35, P38, and P38A - 2009/10 PAYE returns, without incurring penalties. PAYE and NIC deductions due for the month ended 5 May (22 May for electronic payments).

CIS: Monthly return due for period to 5 May.

31 May Filing deadline at Companies House of accounts for private companies with a year ended 31 August 2009.

Due date for April VAT returns.

Filing deadline for Corporation Tax Return Form CT600 for period ended 31 May 2009 to be submitted to HMRC.

Deadline for issuing P60s to employees for 2009/10.

June 2010

1 Jun Due date for corporation tax for year ended 31 August 2009, for those companies not liable to pay their liability by instalments.

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ABS disposes of subsidiary

BHP Ingram Forrest Corporate Finance recently acted as lead advisor on the disposal of Al-Met by ABS Industrial Resources to Pressure Technologies for a maximum consideration of £2.25million.



Al-Met is a specialist manufacturer of precision engineered valve wear parts for the oil and gas industries. ABS is a leading international recycler, processor and supplier of high value speciality alloys and supplies many of the world's major metal producers.

ABS initially appointed BHP Ingram Forrest to undertake a strategic review of the group's activities which led to the decision to focus on the core metal recycling business. ABS then appointed the firm to conduct a sales process for Al-Met including the identification of suitable prospective purchasers and a review of the taxation implications of the disposal.

This transaction clearly demonstrates the specialist skills and experience that BHP Ingram Forrest can bring to businesses including strategy reviews, our ability to identify quality acquirers for businesses and also the firm's tax expertise.



For further information, contact Stephen Ingram on **0114 266 7171** or email stephen.ingram@bhp.co.uk

To inform us of any updates to your contact details, please email tanya.addy@bhp.co.uk. This newsletter is for information only and specific advice should always be sought before taking any action.