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Newsletter

Autumn 2014 inside this issue...

Pension reform: what does it mean for you?

At the 2014 Budget, Chancellor George Osborne announced a package of measures set to radically overhaul the pension rules and provide people with much greater flexibility as to how and when they take their pension savings. Some of the changes took effect from 27 March 2014, while others are set to be introduced from April 2015 following a period of consultation. Here is an introduction to the key areas of change:

Lump sums

Under the current rules, people aged 55 and over are able to take a tax–free lump sum of 25% of their pension pot. Any lump sum withdrawn in excess of that is an unauthorised payment and subject to tax charges on the pension scheme member of 55% and potential charges on the pension scheme administrator as well. The remainder in excess of the tax–free lump sum can be taken in various ways.

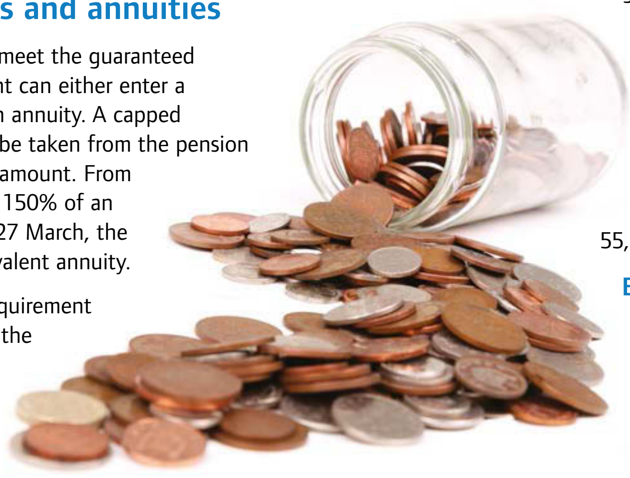
Flexible drawdown

Under flexible drawdown, defined contribution scheme pension savings can be withdrawn however the member wishes, provided the member demonstrates that he or she has guaranteed minimum income in retirement. This is set at £12,000 p.a. from 27 March 2014. Prior to that date it was necessary to have a guaranteed minimum income of £20,000 p.a. Some pension schemes may not allow flexible drawdown due to the rules of the scheme.

Capped drawdowns and annuities

A member who is unable to meet the guaranteed minimum income requirement can either enter a capped drawdown or take an annuity. A capped drawdown allows income to be taken from the pension each year up to a maximum amount. From 27 March 2014 this is set at 150% of an equivalent annuity. Prior to 27 March, the figure was 120% of an equivalent annuity.

Although there is now no requirement to purchase an annuity with the balance of the pension pot, most people do.



Pensions paid either by drawdown or from an annuity are taxed at the member's marginal rate of tax.

Trivial commutation

Under the trivial commutation rules, those aged 60 or over who have total pension savings of £30,000 or less (£18,000 prior to 27 March 2014) can take the whole amount as a lump sum. The first 25% is tax–free and the remainder is taxed at their marginal rate.

Small pension pots

Regardless of your pension wealth, under the small pots rules, up to three personal pension pots and any number of occupational pension pots worth less than £10,000 (£2,000 prior to 27 March 2014) can be taken as a lump sum. Again, the first 25% is tax–free and the remainder is taxed at the member's marginal rate of tax.

More flexibility

Significant plans for further flexibility have been announced, but remain subject to finalisation after the current period of consultation and discussion.

In his 2014 Budget Speech the Chancellor said that key to this flexibility will be an option for many pension savers to draw their accumulated pension pot at any time from age 55, subject only to an income tax charge.

Exactly what form the rules will take is currently unknown, so please contact us before taking any action.

GOING GLOBAL:

The benefits of international trading

International trading is often perceived to be confined to the realms of large businesses, but there can be generous benefits for small and medium sized enterprises too. International business can create avenues of opportunity previously unattainable in domestic markets.

Before starting out

To ensure that your objectives are realistic, in-depth market research is essential. You should consider the following key areas:

- levels of demand in your intended market
- your competitors
- your business's current performance
- tax and legal obligations.

What are the potential benefits of trading overseas?

- **Increased market share** – expanding your customer base offers the opportunity to improve financial performance and greater potential for long-term growth
- **Lower production costs** – entering into a larger international market should result in greater economies of scale, which could also benefit your domestic business
- **Spreading the risk** – dispersing business risks across a wider area could lead to greater resilience in times of difficulty
- **Increased product lifespan** – selling items that are near maturity at home to an international market, which will result in additional resources for creating new domestic products. Excess products not selling in the domestic sphere can also be sold abroad without lowering their cost.

What does it involve?

Understanding your new market
You must ensure that you are aware of the cultural and commercial differences between the UK and your intended market. This is important to ensure the best possible marketing success. Think about employing an interpreter or investing in some language training, and try to steer clear of idioms that may not be understood abroad.

Sales

You can take a number of approaches to selling your product or service abroad, including:

Using a foreign distributor – who will take title of your goods once the sale is completed and will then be responsible for any profit or losses made. This is a popular option with many small exporters.

A sales agent will sell the products on your behalf, leaving you responsible for profits and losses. The sales agent will charge commission to sell your goods.

A joint venture with a local business is another option but these can be both complicated and costly, as can setting up your own premises in that country.

Logistics

Clarification on issues such as responsibility of transportation of goods, insurance, duties and customs clearances are essential. Draw up an incoterm, a standard trade contract covering the purchase and shipping of goods internationally. Most businesses use a freight forwarder to organise shipments – look for one who frequents the country you are exporting to. Remember to consider how you will package and label your goods for transportation.

Pricing and getting paid

If your products or services are pitched at the wrong level, it could mean losing money unnecessarily, or failing to secure business contracts.

Many exporters convert the domestic price of their product into the currency of the foreign country, but it is important to remember the domestic competition you face there too. The price of your goods should be based on cost, competition and demand.

When trading in an international market, there is an increased risk of late or non-payment. Payment terms should always be agreed and credit checking carried out in advance, to eliminate any issues. Insurance should also be taken out in case anything goes wrong.

You will need to have a long term plan in place, as returns will not always be seen straight away. Financial investment and an increase in your workforce may be required. Contact us for guidance on the best course of action for you.

Extension of flexible working rights – key points for employers

Since 30 June 2014 all employees have been able to request flexible working hours, and according to the Department for Business, Innovation and Skills, some 20 million people now have the right to ask to work flexibly.

The new rules extend to all employees the same rights previously reserved for carers and those looking after children. Here are the key points:

Making a request

From 30 June 2014 every employee has the statutory right to request flexible working after 26 weeks employment service. Employees can only make one request in any 12 month period.

Employees must:

- make their request in writing, state the date the request is made, the change to working conditions they are seeking, and the date they would like the change to take effect
- state whether they have made a previous application for flexible work and the date of that application
- indicate what change to working conditions they are seeking and how they think this may affect the business e.g. cost saving to the business
- indicate if they are making their request in relation to the Equality Act 2010, for example, as a reasonable adjustment for a disabled employee.

Responding to a request

Once a request has been received a meeting should be arranged between employer and employee to discuss it. The meeting can provide an opportunity to see what changes the employee is asking for and reasons for the change, and it also allows any compromise to be explored. The law requires the process to be completed within three months of the request being received (this includes any appeals).

Any request that is accepted will make a permanent change to the employment contract, so if the employee wants a temporary change then an agreement may be reached.

Employers should consider requests in 'a reasonable manner' and can only refuse them if there is a business reason for doing so.

Acceptable reasons are:

[ ] the burden of additional costs

[ ] an inability to reorganise work amongst existing staff

[ ] an inability to recruit additional staff

[ ] a detrimental impact on quality

[ ] a detrimental impact on performance

[ ] detrimental effect on ability to meet customer demand

[ ] insufficient work for the periods the employee proposes to work

[ ] a planned structural change to the business

More information

Best practice suggestions and more detailed information for employers, including a video, are available at the Acas website. Visit **www.acas.org.uk** and follow links to "Rights and responsibilities at work."

What's your Unique Selling Proposition?

What singles you out from the crowd, and makes customers choose you over the competition? We all know we should take the time out to consider our Unique Selling Propositions (USPs), but too often we get bogged down in everyday processes. Here are some tips to help you refocus...

Your USP defines the core of your business, allowing employees and customers alike to understand exactly what it is you do.

This isn't so much a strapline or slogan – although some of the most famous are also that. It's not a mission statement. This is a chance to point out to existing and potential clients exactly what it is you offer that's better than the rest. The difficulty comes when everyone is claiming to have 'the best customer service' or 'the lowest prices'. These can sound like hollow words compared to a USP which not only identifies your strengths but directs them at the individuals or businesses you wish to attract.

Keeping this in mind, these steps might lead you in the right direction when it comes to thinking about how to market your business – and creating your own USP:

1. **Who is your target customer?** Write down your **ideal client**, being as specific as possible. Trying to be all things to all people will not help you stand out in your area of expertise.
2. **How can you help them?**

   What **problem** do you **solve** for these prospective clients? Again be as specific as possible, but there's no need here to list every service you provide.
3. **Why should they come to you instead of a similar company?**

   This is the heart of your USP. There may be a dozen local or national companies targeting the same customers with the same services. **Differentiation** could save you from falling behind in the marketplace.
4. **What can you guarantee your customers?**

   A **promise** can have a big impact on how people perceive your company. Can all your competitors go the extra mile like you do?

With these answers in hand, try combining them into a short paragraph. Once you have your short paragraph, think about how you can reduce it into one concise sentence.

You now have a succinct statement which accurately describes your business and why customers should choose you. Testing this on a few individuals first should help you gauge its effectiveness. Use it in the office to reinforce your goals, introduce it into your promotional materials or email signature – wherever you can, always make sure you emphasise what makes your business unique.

Business Round-up

Government proposes to tackle late payment culture

Business Secretary Vince Cable has outlined plans to increase transparency in a bid to tackle the problem of late payment and help small firms to get paid on time.

In a recent consultation on the issue of late payment, a clear majority of businesses called for measures to improve disclosure, and the Government has announced that it will legislate to make it compulsory for large firms to publish information regarding their payment practices.

The Government also plans to take steps to remove the legal barriers which can prevent businesses from accessing invoice finance, and to work with the Institute of Credit Management to strengthen the Prompt Payment Code and increase the accountability of signatories.

Commenting on the consultation, Matthew Fell of the Confederation of British Industry said, 'The Government is rightly looking to build a prompt payment culture, and greater disclosure of payment practices can help with this. However, it must be implemented flexibly, on a 'comply or explain' basis. The most effective supply chains are collaborative, rather than confrontational, so heavy-handed regulatory interventions must be avoided at all costs.'

The full consultation 'Late payment of finance: building a responsible payment culture' can be found at **gov.uk** (search online for 'late payment').

Court rules that commission must be included in holiday pay

The European Court of Justice (ECJ) has ruled that commission payments must be included in holiday pay.

In the Lock v British Gas case, the ECJ found that where commission forms all or part of an employee's pay, this must be taken into account when calculating their holiday pay. The ruling could have a particular impact where commission makes up a significant proportion of an employee's salary.

Under existing regulations, all UK workers have the right to paid annual leave, on the basis of a week's pay for a week's leave. The ECJ ruled that as commission is intrinsically linked to an employee's performance of the tasks carried out under their employment contract, it must also be taken into account in leave calculations.

Some experts have warned that the ruling will lead to additional complexities and increased expense for employers.

Pensions auto-enrolment – do you know your staging date?

Pensions auto-enrolment is being phased in over the next few years, and will require most UK employers to automatically enrol eligible workers into a qualifying pension scheme and to pay a minimum contribution into the fund.

Employers must adopt auto-enrolment with effect from their allocated 'staging date'. Further information on staging dates can be viewed here: **www.thepensionsregulator.gov.uk /staging.**

Recent research has suggested that more than 80% of employers are facing increased administration costs as a result of the new regime.

If you would like assistance with pensions auto-enrolment for your employees, contact us.

Web Watch

Essential sites for business owners

www.ingeniousbritain.biz
Tips and trends for small businesses

www.thepensionsregulator.gov.uk
Includes information on auto enrolment

www.newsnow.co.uk/h/ Business+&+Finance
Portal collating business news from a variety of sources

www.hrzone.com
Contains a wealth of HR resources

Reminders for your Autumn Diary

September 2014

30 End of CT61 quarterly period.

Last day for UK businesses to reclaim EC VAT chargeable in 2013.

October 2014

1 Due date for payment of Corporation Tax for period ended 31 December 2013.

5 Individuals/trustees must notify HMRC of new sources of income/chargeability in 2013/14 if a Tax Return has not been received.

14 Due date for income tax for the CT61 quarter to 30 September 2014.

17/22 Quarter 2 2014/15 PAYE remittance due.

PAYE Settlement Agreement payment dates for 2013/14.

31 Deadline for paper submission of 2014 Tax Return without incurring penalties.

November 2014

1 £100 penalty if 2014 paper Tax Return not yet filed. Additional penalties may apply for further delay. No penalties will apply if online return filed by 31 January 2015.

2 Submission date of P46 (Car) for quarter to 5 October.