BUSINESS NEWSLETTER **OCTOBER**

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A RECORD **£15.6 MILLION UNDERPAYMENT** IDENTIFIED FOR **WORKERS** ON THE **MINIMUM WAGE**

More than 200,000 workers who were paid less than the minimum wage have been identified following a record government clampdown.

The number of workers identified as underpaid was double that in 2016/17 and the highest number since the National Minimum Wage came into force.

The figures reveal:

- A record £15.6 million of underpayment identified for more than 200,000 workers
- Employers fined £14 million for not meeting legal obligations
- More than 600 employers named in 2017/18 as part of 'naming' rounds.

Business Minister Kelly Tolhurst, said:

"We are dedicated to stopping underpayment of the minimum wage. Employers must recognise their responsibilities and pay their workers the money they are entitled to".

"The UK's lowest paid workers have had the fastest wage growth in 20 years thanks to the National Living Wage and today's figures serve as a reminder to all employers to check they are getting their workers' pay right".

Over the past year, 56 employers took advantage of a HMRC pilot scheme where employers were encouraged to come forward outside of an investigation. This resulted in nearly £250,000 in arrears being declared for just under 700 workers.

The year also set a new record for penalties issued by the government, with £14 million in fines issued to employers.

More than 600 employers who were found to have underpaid their workers the minimum wage were named in 2017/18. This is the largest number in any single year since the scheme began in 2014.

NATIONAL LIVING AND MINIMUM WAGE RATES FROM **APRIL 2018:**

APPRENTICE	**£3.70**
UNDER 18	**£4.20**
18 - 20	**£5.90**
21 - 24	**£7.38**
25 & OVER	**£7.83**

Employers who pay workers less than the minimum wage have to pay back arrears of wages to the worker at current minimum wage rates and face financial penalties of up to 200% of arrears, capped at £20,000 per worker.

GW Cox & Co aim to process your Payroll as smoothly and quickly as possible. With an in-depth consultation process and an expert team on hand, HMRC compliance, tax accuracy and benefits are managed with efficiency and care.

Contact one of our advisors on 01255 850 002.

SELF-EMPLOYED **CLASS 2 NATIONAL INSURANCE** WILL **NOT** BE SCRAPPED

The government has decided not to proceed with plans to abolish Class 2 National Insurance Contributions (NICs) from April 2019.

Class 2 NICs are currently paid at a rate of £2.95 per week by self- employed individuals with profits of £6,205 or more per year.

The government had planned to scrap the Class 2 contribution and had been investigating ways in which self-employed individuals with low profits, could maintain their State Pension entitlement if this inexpensive contribution had been abolished.

They have delayed the implementation of this policy in November to consider concerns relating to the impact on self-employed individuals with low profits. We have since engaged with interested parties to explore the issue, and further options for addressing any unintended consequences.

A significant number of self-employed individuals on the lowest profits would have seen the voluntary payment they make to maintain access to the State Pension rise substantially.

Having listened to those likely to be affected by this change we have concluded that it would not be right to proceed during this parliament, given the negative impacts it could have on some of the lowest earning in our society.

Furthermore, it has become clear that, to the extent that the Government could address these concerns, the options identified introduce greater complexity to the tax system, undermining the original objective of the policy.

The Government still intends to legislate for reforms to the NICs treatment of termination payments and income from sporting testimonials, which were set out in the draft NICs Bill published on 5 December 2016. These are important changes to ensure the NICs treatment is consistent with the treatment of income tax in previous Finance Acts. We will set out further details in due course.

Working as a contractor, or subcontracting work out to third parties, means taking responsibility not only for your own taxation and accountancy affairs, but also for those dependent on your services or employment.

DEADLINE FOR 'PAPER' **SELF ASSESSMENT** TAX RETURNS

For those individuals who have previously submitted 'paper' self assessment tax returns the deadline for the 2017/18 return is 31 October 2018.

Returns submitted after the 31/10/18 must be submitted electronically or they will incure a minimum penalty of £100. The penalty applies even when there is no tax to pay or the tax is paid on time.

Self Assessment is a system HM Revenue and Customs (HMRC) uses to collect Income Tax.

Tax is usually deducted automatically from wages, pensions and savings. People and businesses with other income must report it in a tax return. If you need to send one, you fill it in after the end of the tax year (5 April) it applies to.

Who must send a tax return?

The tax year is from 6 April to 5 April the following year. You'll need to send a tax return if, in the last tax year:

- Your income from self-employment was more than £1,000 - this is your 'trading allowance'.
- You got more than £2,500 from renting out property - contact the helpline if it was between £1,000 and £2,500.
- You got more than £2,500 in other untaxed income, for example from tips or commission.
- Your income from savings or investments was £10,000 or more before tax - this includes money from bare trusts or interest in possession trusts.
- Your income from dividends from shares was £10,000 or more before tax - tell HMRC if it was over your dividends allowance.
- You made profits from selling things like shares, a second home or other chargeable assets and need to pay Capital Gains Tax.
- You were a company director - unless it was for a non-profit organisation (such as a charity) and you did not get any pay or benefits, like a company car.
- Your income (or your partner's) was over £50,000 and one of you claimed Child Benefit.
- You had income from abroad that you needed to pay tax on.
- You had a P800 from HMRC saying you did not pay enough tax last year - and you did not pay what you owe through your tax code or with a voluntary payment.
- Your State Pension was more than your Personal Allowance and was your only source of income - unless you started getting your pension on or after 6 April 2016.

You also need to send a tax return if you:

- Need to prove you're self-employed, for example to claim Tax-Free Childcare or claim Maternity Allowance.
- Want to make voluntary Class 2 National Insurance payments to help you qualify for benefits.
- Certain other people may need to send a return (for example religious ministers or Lloyd's underwriters) - you can check whether you need to. You will not usually need to send a return if your only income is from your wages or pension.
- If you've been told to send a return
- If you get an email or letter from HM Revenue and Customs (HMRC) telling you to send a return but you do not think you need to, check if you need to send a return.

If you do not need to send a return, you must tell HMRC either:

Online - you'll need to set up a Government Gateway account if you do not have one, you can contact HMRC by phone or post.

You may have to pay a penalty if you do not tell HMRC.

TAX RELIEF FOR INVESTORS USING VENTURE CAPITAL SCHEMES

Venture capital schemes offer tax relief to individuals to encourage them to invest in companies and social enterprises that are not listed on any recognised stock exchange.

The schemes are :

- Enterprise Investment Scheme (EIS)
- Seed Enterprise Investment Scheme (SEIS)
- Social Investment Tax Relief (SITR)

You can invest directly into a qualifying company or enterprise using a venture capital scheme if you meet the conditions for investors. The company or enterprise will also need to meet the conditions for the scheme.

You can also invest in shares in a Venture Capital Trust (VCT). A VCT is a company (like an investment trust) that's been approved by HMRC and invests in, or lends money to, unlisted companies.

You can invest in a VCT if you're over 18 years old. The VCT will use your money to invest in qualifying companies.

The company or social enterprise you intend to invest in might have an advance assurance letter from HMRC that shows the company and the share issue meets the conditions for the relevant scheme.

When to claim your relief:

If you invest with EIS, SEIS or SITR, you can claim relief up to 5 years after the 31 January following the tax year in which you made the investment.

For VCTs, you can claim relief up to 4 years after the 31 January following the tax year in which you made the investment.

Depending on the scheme, you may be able to claim:

- Income Tax relief against your investment in qualifying companies, enterprises or VCTs.
- Income Tax relief against a loan or 'debt instrument' to a social enterprise.
- Capital Gains Tax relief on any gains you make on your investment.
- Capital Gains Tax relief when you reinvest a previous gain in a scheme.

When you can claim income tax relief:

For EIS, SEIS and SITR, you can either claim relief in:

- The tax year you make the investment
- The tax year before you make the investment - if you choose to treat some or all of the investment as being made in a previous year

You can only claim relief against the amount of Income Tax you need to pay in the UK. You cannot carry forward unused Income Tax relief to future tax years.

If you invest in a VCT, you can only claim tax relief in the tax year you invest. You do not need to pay Income Tax on any dividends from a VCT (both for newly-issued shares and those previously owned).

ISSUE BRIEFING: **HIGH INCOME CHILD BENEFIT CHARGE**

The High Income Child Benefit Charge is a tax charge that applies to anyone with an income over £50,000 who claims Child Benefit, or whose partner claims it.

How the charge works:

Anyone who has to pay the charge will need to pay an amount equivalent to some or all of the Child Benefit that they or their partner is entitled to receive.

The charge is equal to one per cent of a family's Child Benefit for every extra £100 of income that is over £50,000 each year. If an individual's income is over £60,000, the charge will equal the total amount of the Child Benefit.

The amount to pay depends on an individual's 'adjusted net income', and the amount of Child Benefit the claimant is entitled to. Adjusted net income is total taxable income less certain tax reliefs, for example for: trading losses (for the self-employed), Gift Aid charity donations, and pension contributions.

Families can use the Child Benefit calculator to work out how much tax they may have to pay.

Individuals who need to pay the charge who are employed, and normally pay their tax through Pay As You Earn (PAYE), will need submit a Self Assessment tax return each tax year.

The highest income earner should put the Child Benefit payments on their Self Assessment tax return for each year they get them.

What people need to do:

If an individual is currently receiving Child Benefit they can either:

- Carry on getting Child Benefit payments and pay any charge at the end of each tax year via Self Assessment.
- Choose not to receive Child Benefit payments and not have to pay the tax charge.
- If an individual is claiming Child Benefit for the first time, they should still claim Child Benefit for their child or children, as it can help to protect State Pension contributions and will make sure the child or children receive a National Insurance number.
- They can then choose to either receive the payments and pay the charge, or stop the payments and not pay the charge.

Continuing to recieve child benefit payments

To do this, individuals will need to fill in a Self Assessment tax return so that HMRC can calculate the extra amount they'll have to pay. The Child Benefit claimant might wish to keep getting Child Benefit payments if the taxpayer's income is between £50,000 and £60,000, as the tax charge will always be less than the amount of benefit.

‘NO DEAL’ BREXIT GUIDANCE FOR SMALL BUSINESSES

Following the issue of some ‘no deal’ Brexit technical notices, in August, the government has issued further notices with the aim of helping both businesses and individuals to prepare in the event of a UK-EU agreement not

What is a ‘No deal Brexit’?

While progress has been significant and we remain confident that a positive deal can be achieved, until both the UK government and the European Union sign a Withdrawal Agreement and it is ratified by the UK Parliament and the European Parliament, there remains a possibility that we may leave the EU without a deal in March 2019.

The UK triggered Article 50 of the Treaty of the European Union on 29 March 2017. As set out under that treaty, the UK has two years to negotiate a Withdrawal Agreement and framework for a future relationship with the EU before the point of the UK’s exit from the EU at 11pm GMT on 29 March 2019.

A ‘no deal’ scenario is one where the UK leaves the EU and becomes a third country at 11pm GMT on 29 March 2019 without a Withdrawal Agreement and framework for a future relationship in place between the UK and the EU.

In a ‘no deal’ scenario there would therefore be no agreement to apply any of the elements of the Withdrawal Agreement described above.

The UK is therefore preparing for a scenario where there is no UK-EU agreement in place on exit day.

A survey by the Federation of Small Businesses (FSB) has revealed that:

41%

Believe that a no deal Brexit will have an impact on their business but have not yet started planning for the possibility.

14%

Of small businesses have started planning for a no

10%

Believe that a no deal Brexit will have a positive impact on their ability to do business

48%

Believe that a no deal Brexit will have a negative effect on their ability to do business.

66%

Of small firms that trade with the EU think that brexit will have a negative effect.

61%

Of small businesses that employ a staff member from the EU think a ‘no deal’ brexit willl effect their business.

FSB National Chairman, Mike Cherry, said:

“Looking at this research it is obvious that our small firms are not prepared or ready for a chaotic no deal Brexit and the impact that it will have on their businesses. If you sell your products to the EU, buy goods from the EU or if your business relies on staff from the EU, you now see this outcome as a clear and present threat to your business”.

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