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Business Matters

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Pensions: protecting your lifetime allowance

Did you know that it is still possible to apply to protect your pension(s) against previous reductions in the lifetime allowance? The lifetime allowance is set at £1 million in 2017/18, however Fixed Protection and Individual Protection may mean it is possible to save up to £1.25 million without incurring a tax charge.

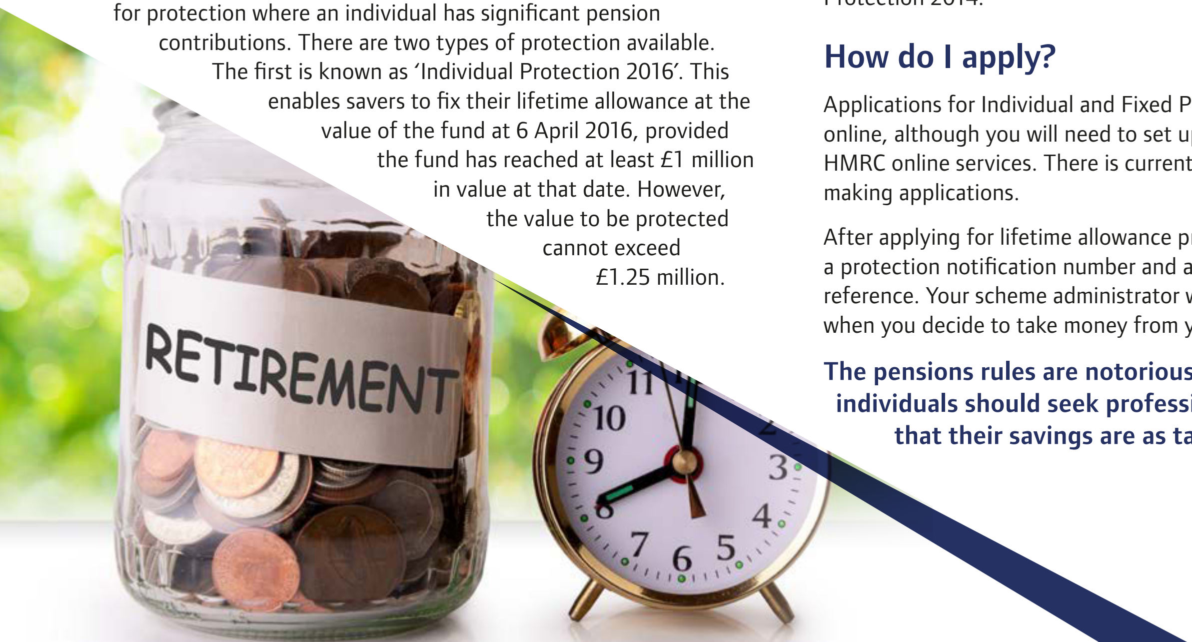
What is the lifetime allowance?

The lifetime limit sets the maximum figure for tax-relieved savings in a pension fund. The lifetime allowance fell to £1.25 million on 6 April 2014, and then again to £1 million on 6 April 2016. From April 2018 onwards the lifetime allowance will increase annually in line with the Consumer Prices Index (CPI), rising to £1,030,000 for the tax year 2018/19.

Where the value of the scheme(s) exceeds the lifetime limit when benefits are drawn, there is a tax charge of 55% of the excess if taken as a lump sum, and 25% if taken as a pension.

Protecting your allowance

However, the good news is that it may be possible to apply for protection where an individual has significant pension contributions. There are two types of protection available. The first is known as 'Individual Protection 2016'. This enables savers to fix their lifetime allowance at the value of the fund at 6 April 2016, provided the fund has reached at least £1 million in value at that date. However, the value to be protected cannot exceed £1.25 million.



Further contributions are allowed under this protection, but withdrawals exceeding your protected lifetime allowance will be subject to tax. You cannot apply for Individual Protection 2016 if you have either Primary Protection or Individual Protection 2014. In most cases you can check whether you already have protection by signing in to your online account.

The other type of protection is known as 'Fixed Protection 2016' and will be of benefit if total pension savings are expected to exceed £1 million when the savings are accessed in the future. Fixed Protection retains the £1.25 million lifetime allowance. A critical condition for this protection is that no further contributions can occur from 6 April 2016 (except in limited circumstances). You cannot apply for Fixed Protection 2016 if you already have Enhanced Protection, Primary Protection, Fixed Protection or Fixed Protection 2014.

How do I apply?

Applications for Individual and Fixed Protection can be made online, although you will need to set up an account to use HMRC online services. There is currently no deadline for making applications.

After applying for lifetime allowance protection, you will receive a protection notification number and a scheme administrator reference. Your scheme administrator will require these numbers when you decide to take money from your pension scheme.

The pensions rules are notoriously complicated and individuals should seek professional advice to ensure that their savings are as tax-efficient as possible.

Introducing 'Simple Assessment'

In September 2017, HMRC began rolling out its new Simple Assessment system, with the stated aim of simplifying the tax collection process.

Simple Assessment allows HMRC to assess the income tax and capital gains liability for certain taxpayers, without the need for them to complete a self assessment tax return. HMRC will instead use the data it already holds to calculate the tax owed.

Who is affected?

Back in the 2015 March Budget, the previous Chancellor, George Osborne, announced the government's intention to phase out the self assessment tax return, in favour of a digital personal tax account, or PTA.

However, Simple Assessment currently only applies to two groups of taxpayers:

- New recipients of the State Pension, who have income which exceeds the personal allowance for the 2016/17 tax year
- Individuals who have underpaid PAYE tax, and whose payments cannot be collected via their tax code.

These individuals will no longer need to complete a self assessment tax return. HMRC will write to affected individuals with a Simple Assessment calculation (SAC), in the form of either a P800 or a Simple Assessment letter (PA302).

How it works

The SAC will work out an individual's liability to tax based on the information provided to HMRC by third parties, such as employers, banks and pension providers. This includes any earnings under PAYE, state or employer pensions, employee benefits and expenses, and savings interest.

The SAC will detail the amounts chargeable to income tax and capital gains tax, the amount payable and how this has been calculated, together with the date payment is due and how the payment can be made.

Taxpayers must carefully check the details on the SAC and pay any tax due by the deadline. Any queries relating to the information provided must be raised with HMRC within 60 days of the issue of the SAC.

Existing state pensioners who have received a notice to file a tax return for the 2016/17 tax year must complete their return in the normal way. In 2017/18 they will receive a Simple Assessment notification from HMRC.

Although we cannot currently access your PTA, we can help with any queries you may have relating to your personal income, as well as offering advice on the correct tax treatment and a range of strategies to help maximise your income.

Are you setting the right price?

Setting the right price for your products and services can be a challenge. You will naturally want to maximise the profit you make from each sale, and set prices at the highest possible point before demand begins to wane. However, there are other factors to consider when deciding on the most appropriate pricing structure for your business.

Considering the 'bigger picture'

Setting prices is most often driven by profitability. However, many other factors could come into play that may impact upon your pricing decisions. You may also wish to increase market share or grow sales. A relatively simple method of pricing is to calculate the costs involved and add a profit margin. However, it is essential to factor in all of your costs, whether direct or indirect. You should also consider your competitors, current market trends and the needs of your customers.

Some different approaches to pricing

There are a number of alternative approaches to creating a pricing structure, some of which are outlined below.

Target costing

This approach involves deciding upon an optimum selling price from the outset, and subtracting your desired profit. This generates a 'target cost' that can be communicated to employees, who can then be tasked with meeting this cost. This approach may work where production costs are relatively fixed.

Price skimming

This method may be used where a business is the first to bring a new product or service to the market. Price skimming allows a business to capitalise on this fact by setting a higher price with a greater profit margin than normal, thereby making as much profit as possible before competitors develop similar products.

Penetration pricing

Conversely, penetration pricing involves initially setting a lower price in an attempt to incentivise customers and boost market share, before subsequently raising prices.

Price matching

Price matching involves setting your prices to mirror those offered by your competitors, without seeking to undermine the 'going rate'.

Predatory pricing

Under this strategy, prices are set so low that competitors are unable to match them, resulting in them losing business. However, this method is considered rather high-risk.

Factoring in the competition

It always pays to keep an eye on your pricing in relation to your competitors. Consumers searching for a product or service will naturally seek out the 'best', or lowest, price available to them. This can make it difficult for smaller businesses to compete with larger firms, who are able to mass-produce items with ease.

Small businesses may instead wish to concentrate on other areas, such as perceived quality, customer service or the uniqueness of their offering. If you decide to market your products or services as premium or luxury, clients will expect to pay more, and a relatively cheap price may do more to harm sales than improve them.

You may also want to set different prices for the same products or services based on different customer groups, geographical location or seasonal factors.

It is generally not advisable to enter into a direct 'price war' with your competitors. Doing so without adjusting the value of your product or service will only erode margins.

Adapting to changing client needs

Successful companies continually assess how economic trends and market changes are affecting their clients. It is advisable to carry out thorough market research before setting a price for your product, including contacting customers directly and seeking their feedback.

When it comes to setting the right price, it's essential to consider your main business objectives, and to be responsive to the changing needs of the marketplace and your clients.

Analysing the Criminal Finances Act 2017

The Criminal Finances Act 2017 came into effect on 30 September 2017, and makes companies and partnerships criminally liable for failing to prevent their employees or associates from facilitating tax evasion. Here, we provide a brief overview of the new Act.

Understanding the Act

The Criminal Finances Act 2017 introduces two new criminal offences for failing to prevent the facilitation of tax evasion. The new offences are committed where a company or partnership fails to prevent their associated persons from criminally facilitating tax evasion. The new Act makes it easier to prosecute those companies which do not comply with the regulations.

The three stages to the offence

Under the Act, there are three stages to the offence of criminal facilitation of tax evasion:

Stage one: A criminal act of tax evasion is committed by a taxpayer (whether they are a legal entity or an individual).

Stage two: An employee or agent of the company in question has criminally facilitated tax evasion.

Stage three: The company in question has failed to implement adequate measures to prevent their employee from criminally facilitating tax evasion.

The first two stages are already offences under existing criminal law. If stages one and two have been committed, the company is deemed to have committed the new offence. In this instance, the onus is on the company to demonstrate that it has implemented reasonable prevention procedures to protect against the facilitation of tax evasion.

Under the Criminal Finances Act, only 'relevant bodies', such as companies and partnerships, can commit the offences. Natural persons (as opposed to legal persons) cannot commit the offences, so sole traders are not subject to the change.

How can I protect my company?

The government has outlined six 'guiding principles' that companies should use to inform their preventative processes. However, HMRC makes it clear that it is up to companies and partnerships to create their own bespoke prevention measures based on particular circumstances, rather than rely purely on these principles. Employers are also encouraged to use guidance from relevant professional associations where possible.

1. Risk assessment

Companies, partnerships and relevant bodies are advised to assess the nature and the extent to which they are exposed to the risk of their employees or agents committing the criminal act of facilitation of tax evasion.

2. Proportionality of risk-based prevention procedures

A company's reasonable procedures must take into account the nature, scale and complexity of its activities.

3. Top level commitment

The senior management of the company should ensure that they are committed to preventing their associates from criminally facilitating tax evasion. Companies are urged to support a mindset in which the facilitation of tax evasion is never acceptable.

4. Due diligence

The organisation must apply due diligence procedures in regard to persons who perform or intend to perform services on its behalf.

5. Communication

Thorough, detailed training must be provided to all employees of a company, and its prevention policies should be well communicated, understood and implemented throughout the workforce.

6. Monitoring and review

Regular reviews of preventative measures must be performed, and the company must make changes where necessary.

What are the penalties for non-compliance?

The penalties for non-compliance with the Criminal Finances Act include unlimited fines and ancillary orders, such as serious crime prevention orders and confiscation orders. Relevant bodies may also be prevented from being awarded public contracts. UK companies who fail to comply with the Act will be investigated by HMRC.

Where can I find out more?

A comprehensive factsheet is available from the government: this covers the specifics of the new Act in particular detail. The factsheet can be accessed at **goo.gl/3QWUF6**. HMRC has also issued detailed guidance on its website.

Please note that this article is intended as guidance only. For more information, please get in touch.

Business Round-up

Are you prepared for the new data protection regulation?

The new General Data Protection Regulation (GDPR) is set to come into effect on 25 May 2018, and will require all organisations that deal with individuals living in an EU member state to protect the personal information belonging to those individuals, and have verified proof of such protection.

Under the new regulation, firms must be accountable for their data usage, and must identify a lawful basis for processing personal data. The GDPR builds on existing principles under the Data Protection Act, and also introduces some additional rights.

The new regulation applies to processing carried out by organisations operating in the EU, and also to those offering goods or services to individuals who reside in the EU. The UK's decision to leave the EU will not affect the introduction of the GDPR, so it's essential that your business is prepared.

Businesses are strongly advised to review their data privacy and security practices, to help ensure they are compliant. You may wish to provide GDPR training to your employees, and review your procedures relating to consent, requesting fresh consents from customers where necessary. The financial penalties for non-compliance with the GDPR are severe, with fines costing up to €20 million, or up to 4% of total annual worldwide revenue, whichever is the greater.

Further guidance can be found on the Information Commissioner's Office website: **www.ico.org.uk**.

New National Minimum Wage and National Living Wage rates

In the 2017 Autumn Budget, Chancellor Philip Hammond announced increases in both the National Minimum Wage (NMW) and the National Living Wage (NLW). The new rates will apply from April 2018, and are as follows:

	Apprentices*	16 and 17	18 - 20	21 - 24	25 and over
National Minimum Wage	£3.70	£4.20	£5.90	£7.38	-
National Living Wage	-	-	-	-	£7.83

**Under 19, or 19 and over in the first year of their apprenticeship.*

Please note, there are separate minimum wage rates for agricultural workers. Visit **www.gov.uk/agricultural-workers-rights/pay-and-overtime** for more information.

Employers can also choose to pay their employees the Voluntary Living Wage (VLW), which is set by the independent Living Wage Foundation. The VLW is calculated based on workers' actual living costs, and the wage currently stands at £8.75 per hour, with the London VLW being £10.20 an hour.

Web Watch

Essential sites for business owners.

smallbusinesscommissioner.gov.uk
New commissioner set up to promote fair payment practices for small businesses.

investopedia.com/uk
Financial news and information from around the world.

ippr.org
Economic think-tank seeking to revise economic policy for post-Brexit Britain.

uk.reuters.com/business
Provides up-to-date information on stock markets and business issues.

Reminders for your diary

March 2018

1 New Advisory Fuel Rates (AFR) for company car users apply from today.

3 5% late payment penalty on any 2016/17 outstanding tax which was due on 31 January 2018 and still remains unpaid.

19 PAYE, Student loan and CIS deductions are due for the month to 5 March 2018.

31 End of corporation tax financial year.

End of CT61 quarterly period.

Filing date for Company Tax Return Form CT600 for period ended 31 March 2017.

Last minute planning for tax year 2017/18.

April 2018

5 Last day of 2017/18 tax year.

Deadline for 2017/18 ISA investments and pension contributions.

Last day to make disposals using the 2017/18 CGT exemption.

14 Due date for income tax for the CT61 period to 31 March 2018.

19 Automatic interest is charged where PAYE tax, Student loan deductions, Class 1 NICs or CIS deductions for 2017/18 are not paid by today. Penalties may also apply if any payments have been made late throughout the tax year.

PAYE quarterly payments are due for small employers for the pay periods 6 January 2018 to 5 April 2018.

PAYE, Student loan and CIS deductions are due for the month to 5 April 2018.

Deadline for employers' final PAYE return to be submitted online for 2017/18.

May 2018

3 Deadline for submitting P46(Car) for employees whose car/fuel benefits changed during the quarter to 5 April 2018.

19 PAYE, Student loan and CIS deductions are due for the month to 5 May 2018.

31 Deadline for forms P60 for 2017/18 to be issued to employees.