Insider: August 2013

Welcome to your August newsletter. This month, we look at the latest list of new regulations due to come into effect for businesses over the next six months. Elsewhere, we consider the benefits of being an employee-owned business. With two potential tax reliefs currently under consultation, we list some of the tax-incentives currently available to boost take-up of the model. It's then on to data protection; with consumers increasingly aware of how their data should be handled, are you keeping up with your responsibilities? And in Your Money, we discuss buy-to-let property investment as research reveals that some investors may have unrealistic expectations of the gains they'll realise.

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Business red tape – cuts and new regulations

Published twice a year, the Government's Statement of New Regulations details all regulations – including EU measures – due to come into effect over the following six months. As part of the Government's ongoing drive to reduce the red tape burden on businesses, July's statement introduces 11 measures: five de-regulatory measures; three new measures which are likely to cost businesses; and three of which will be zero-cost.

Key measures affecting businesses include:

- Building and planning regulations: increased regulation for compulsory consultations between wind farm developers and communities and the introduction of the most up-to-date radon mapping. There are measures to make the planning appeals process faster and measures to ensure the smoother installation of 4G networks for providers
- Employment tribunals: simplification of procedures to make tribunals more efficient, flexible and proportionate for small businesses. Includes making settlements easier and the introduction of a salary-based compensation cap
- Health and safety: simplified reporting processes for injuries and removal of employers' strict liability for employee injuries
- Vehicle regulations: simplification of requirements regarding vehicle ownership, insurance checks and removal of annual statutory off road notifications
- Environmental regulations: simplifying requirements to make them easier to understand and rationalising information requests for regulators. Estimated to save businesses more than £1 billion over 10 years.

Despite the reduction in regulations as claimed by the Government, the Forum of Private Business (FPB) revealed that SMEs are spending substantially more on compliance costs compared with two years ago. The total annual cost of compliance for SMEs now stands at £18.2 billion – an 8.5 per cent increase compared to 2011. According to the FPB, this is largely down to the introduction of the new Real Time Information system for processing PAYE.

Please get in touch if you think your businesses may be affected by any of these regulations.

Employee-owned businesses and tax incentives

The Government is increasing the number of tax incentives associated with employee share schemes in a bid to boost the number of John Lewis-style, employee-owned businesses in the UK. The independent Nuttall Review in 2012 concluded that companies operating in this model are more resilient during economic downturns, have a faster job creation rate and higher levels of commitment from staff. We look at some of the existing options available and two potential new reliefs currently under consultation.

Existing reliefs

- **Share incentive plans** (SIPs) – company shares offered by the employer that offer capital gains tax and national insurance contributions (NICs) reliefs. An employer can offer up to £3,000 of free shares in any tax year
- **Partnership shares** – allows employees to buy shares out of their pre-tax and NICs salary - up to £1,500 in any tax year, or 10 per cent of their overall salary, whichever is less
- **Company share option plans** – allows the purchase of up to £30,000 worth of shares at a fixed price, free of income tax and NICs on the difference between the price paid and what the shares are actually worth.

Future reliefs (currently under consultation)

- **Capital gains tax relief** - applied when the controlling share of a business is sold into an indirect employee ownership structure, enabling entrepreneurs to sell their business to employees as opposed to external buyers
- **An income tax and NICs exemption** - allowing indirectly employee-owned companies to pay their employees a certain amount per annum free of income tax and NICs. There would also be an employer NICs exemption for the company.

Could your business benefit from an employee-ownership structure? Please get in touch to discuss this further.

Customer data rights awareness

Under the Data Protection Act, any business, organisation or sole trader handling personal individual information has a legal obligation to protect this data. According to the Information Commissioner's Office (ICO), consumers are showing an increasing awareness of how their data should be handled, with a knock on effect to their attitude towards businesses. It prompted the Information Commissioner, Christopher Graham, to say that in order to succeed in 2013 businesses will need to realise the commercial importance of handling customer data correctly.

An ICO study found:

- 97 per cent of individuals are concerned that organisations will either pass or sell on their personal details
- Only 10 per cent of businesses are aware of the legal restrictions when it comes to using their customers' personal data
- More than half (53 per cent) of individuals considered minor details, such as the products they had bought, to be personal information.

Steps towards complying with the data protection act

If your business handles data about customers, you may want to review:

- What type of data you hold. Is it personal or sensitive data?
- The types of data that are protected under the Data Protection Act
- How your business processes this data
- Whether the data you hold requires you to register with the ICO.

These are just some aspects of data protection compliance for businesses. Please get in touch to discuss these matters further.

YOUR MONEY

Buy-to-let property investment: do your sums

A shortage of affordable homes and squeezed incomes has led to a drop in the number of first-time home buyers, according to data from the Council of Mortgage Lenders (CML). In contrast, the CML found a huge expansion of the buy-to-let sector, there were 400,000 buy-to-let loans worth £39 million in 2003, compared to 1.45 million loans worth £164 billion in 2012.

Although rising rents and increased demand for rental properties are an attractive option for buy-to-let investors, with many returning to the market, the returns now are smaller than those a decade ago. According to research from YouGov SixthSense, landlords received 4-6 per cent in rental returns between 2002 and 2006; falling to between 1-4 per cent since 2007. The profit from capital gains has also fallen, with landlords seeing 15 per cent in capital gains before 2003, 7-8 per cent between 2003 and 2006, and less than 4 per cent since 2007.

Many landlords also have 'unrealistic expectations' of the profit to be made from buy-to-let investments by failing to take inflation into account. Other deductions from rental income include mortgage interest payments, agency fees and other management expenses.

Simon Mottram, YouGov's financial services consulting director, said many buy-to-let landlords had unrealistic expectations of the amount of money they would need to invest into their properties, as well the likely returns.

He said: "The money illusion can mask a great deal of risk that people can put themselves in because of falling returns from increasing inflation as well as the cost of additional expenses. Potential buy-to-let landlords should go into property ownership with their eyes open, being aware of the costs and potential pitfalls as well as the possible gains."

Please get in touch to discuss your investment plans.

AUGUST'S MONEY FACTS

Current bank rate	0.5 per cent
Quantitative easing	£375 billion
Current inflation	2.9 per cent