

Insider Newsletter: May 2013

Welcome to your May newsletter. This month, the Government's business bank got underway, with the first £300 million set aside to lend to small and medium sized businesses. Elsewhere, new business regulations came into force on 6 April; we look at changes to national insurance contributions rules for 'sleeping' partners as well as to credit and debit card payment surcharges. And in Your Money, we look at recent research into savings habits and ask, are you making the most of your annual allowances?



First phase of business bank begins

Business secretary Vince Cable first announced details of a state-backed business bank in September last year. Since then, business groups have been eager to see the initiative rolled out and put into action. April marked the launch of the first phase of funding available through the business bank, with the Government pledging £300 million to boost lending to small and medium enterprises (SMEs).

This is just the first tranche of £1 billion worth of capital set aside for lending via the bank, with hopes that Government funding will be matched on a like-for-like basis by private sector investment. With the new business bank, the Government aims to boost the diversity of SME finance options by encouraging new lenders into the market.

Although the bank will not be fully operational until next year, the Government is inviting proposals from a wide variety of investors and lenders such as debt funds, asset backed lenders, supply chain finance and peer-to-peer lending platforms. Lenders hoping to get involved should apply and be able to demonstrate how the Government could make commercial investments via their platform before 22 May.

Struggling to gain access to business finance? We may be able to help.

Limited partner national insurance contributions

Changes to business regulations happen at two common commencement dates - in April and October - each year. As well as the headline changes to redundancy consultation periods and employment tribunal procedures introduced this April, changes to national insurance contributions (NICs) for 'sleeping and inactive' limited partners have also been announced by HM Revenue & Customs (HMRC).

As of 6 April 2013, HMRC confirmed that limited partners will now be required to pay NICs. Consequently, sleeping partners – those who take no active part in the running of a business –

and inactive limited partners will be required to pay Class 2 and Class 4 NICs on taxable profits, on the grounds that they are self-employed earners.

Key things to consider:

- Sleeping and inactive limited partners must now inform HMRC of their self-employed status and arrange to pay NICs, or to arrange exception or deferment. This will be based on individual circumstances
- The changes relate to the 2013/14 tax year beginning on 6 April 2013, and subsequent tax years
- Sleeping or inactive limited partners who have not previously paid Class 2 or Class 4 NICs will not be required by HMRC to pay past tax-year contributions
- Sleeping and inactive limited partners who have already paid Class 2 and Class 4 NICs for past tax-years will not be entitled to a refund.

Commenting on the changes, the Institute of Chartered Accountants in England and Wales (ICAEW) said: "The Tax Faculty was surprised by this announcement. We are not aware of any previous discussion on the matter. We have raised a number of questions with HMRC about the basis for this new interpretation, and will publish further information for members when we can."

Please talk to us to discuss any queries regarding national insurance contributions.

End of excessive credit and debit card charges

Businesses often add surcharges to the price of goods or services when consumers choose to pay by credit or debit card. Notable examples include the purchase of flights or music tickets. However, under the Consumer Rights (Payment Surcharges) Regulations, firms will no longer be able to charge 'excessive' fees for online credit and debit card payments.

Although businesses will still be able to charge for electronic payment methods, they will be prohibited from charging more than the cost borne by the trader for processing them. In other words, consumers are being protected from excessive charges, whilst traders are still able to recover the costs of processing payments. The new rules cover all industries, including local councils and the DVLA who have imposed such charges in the past.

The legislation follows recommendations from the Office of Fair Trading (OFT), with the ban - originally planned for next year - brought forward in line with the rest of Europe. It forms part of the Government's drive to increase price transparency, make payment surcharges cost reflective and make it easier for consumers to compare prices.

Commenting on the ban, consumer group Which? said it hoped companies would 'play fair' and not pass on costs to customers in other ways.

Certain business sectors are excluded from the regulations, whilst new and micro-businesses will not need to comply until 12 June 2014.

We can help your business with regulatory compliance.

YOUR MONEY

Are you saving and investing wisely?

Research by National Savings and Investments (NS&I) has revealed the amount of money individuals are setting aside has reached its highest level for nine years. Britons are now saving an average of £104 a month – equivalent to eight per cent of their monthly income. The beginning of 2013 is the third quarter in a row that saving levels have increased, jumping £90 on the previous quarter.

Set a savings goal

According to NS&I, those aged 25 to 34 are saving the most; £125 a month – more than nine per cent of their monthly incomes. Despite the encouraging news, 20 per cent of Britons admit to saving nothing on a monthly basis.

Of those surveyed, 28 per cent had specific savings goals which led to them saving an extra £39 per month more than those who saved for no specific reason. The most common savings goals for the 25 to 34 group were saving for a home, a mortgage or home improvements.

A helping hand

Elsewhere, similar research revealed that many people are failing to make the most of their tax-free savings allowances. According to research from First Direct, a quarter of adults own stocks and shares but are failing to make use of their stocks and shares individual savings account (ISA) allowance.

Savers are able to invest a total of £11,520 into an ISA in the 2013/14 tax year, with any gains being free from income tax and capital gains tax. Of this amount, a maximum £5,760 can be invested in cash. The remaining sum can be placed in a stocks and shares ISA. Alternatively, the full £11,520 could be invested in stocks and shares.

First Direct found that only 14 per cent of survey respondents had used their available ISA allowance. Reasons included not knowing how ISAs worked, being put off by the application process and not knowing that a stocks and shares ISA even existed. One in ten said they had yet to use their cash ISA limit, 'perhaps not realising that this wasn't a prerequisite for holding a stocks and shares ISA,' said First Direct.

We can help you make the most of ISAs and tax-free savings allowances. Please talk to us to find out more.

May's Money Facts

Current bank rate	0.5 per cent
Quantitative easing	£375 billion
Current inflation	2.8 per cent