

Insider: September 2013

Welcome to your Insider newsletter. This month, we look at changes to employment tribunal rules that mean workers now have to pay fees to take an employment claim to tribunal. Elsewhere, the rise of home businesses; did you know that over half of small businesses in the UK now operate from home? In other employment news, the use of zero-hour contracts is revealed to be more widespread than originally thought, with a million workers on such contracts. And in Your Money, with the tax man collecting more than £3 billion in inheritance tax last year, are you taking advantage of legitimate ways to reduce your tax liability?



Employment tribunal fees begin

As from 29 July 2013, individuals who want to take a claim to an employment tribunal will have to pay fees under new legislation now in place across the UK. Employees will now:

- pay between £160 to £250 to lodge a claim
- pay a charge of £230 to £950 if the case goes ahead to a tribunal hearing.

Claimants submitting claims in groups will have access to a cheaper fee structure if they choose to split the fee between them.

The fees form part of the Government's plan to reduce the £74 million cost of running the current employment tribunal and appeal system. It is intended that the new rules will encourage businesses and workers to settle more disputes privately without resorting to a full court hearing.

The move has been both welcomed and criticised by different groups. The Forum of Private Business's chief executive, Phil Orford, said: "Escalating workplace disputes to the tribunal stage is too easy an option for many employees. The burden on the employee is limited whilst employers are not only defending the case in question, but also the reputation of their business. Hopefully the introduction of fees will make claimants think more carefully before resorting to litigation."

Number of home businesses hits 2.5m

More than half of the UK's small businesses now operate from home, according to research from Direct Line for Business (DL4B). The 2.5 million home business owners account for 52 per cent of all small businesses and eight per cent of the total UK workforce.

DL4B's analysis of data from the Office for National Statistics demonstrates how businesses are evolving in response to a challenging and uncertain economic climate. It credited an increasingly digital, mobile - and therefore flexible - working landscape, for helping many individuals take advantage of a better work-life balance by setting up their own business from home. Many were also successful in transforming a hobby into a potential career.

The data also found that:

- home-businesses span the e-commerce, travel, marketing, recruitment and legal sectors
- the number of businesses operating in the catering, photography, hairdressing and arts and crafts trades increased
- the South East and South West had the highest concentration of home business owners
- Wandsworth has a particularly high concentration of home business owners for the capital
- there are more than double the amount of men running their own business from home compared to women, with 1.7 million male business owners versus 818,000 female.

One important aspect to consider when starting a home-business is insurance, particularly when storing stock at home. DL4B found that three in four home businesses kept stock worth £4,388 on average on their property. Another priority for home workers is sorting out their tax arrangements. It's important to remember that if you set up your own business, or work on a freelance basis, you'll need to complete a self-assessment tax return.

We can help with self-assessment. Get in touch to find out more.

Zero-hour contracts more widespread than thought

The number of workers on contracts with no guarantee of hours or pay – known as 'zero-hour' contracts – is far more widespread than originally thought, figures from the Chartered Institute of Personnel and Development (CIPD) have revealed.

It shows that there could be up to a million UK workers on such contracts – four times more than official Government estimates. The new figures suggest that such contracts are used to employ three to four per cent of the UK's entire workforce. One-fifth of the 1,000 employers surveyed had employed at least one person on a zero-hours contract.

The CIPD survey found:

- employees in the voluntary (24 per cent) and public sectors (24 per cent) are more likely to use zero hours contracts than private sector employers (17 per cent)
- the hotel, catering and leisure, education and healthcare sectors are most likely to employ zero-hours workers
- organisations with 250 or more employees are more likely to use zero-hours contracts than smaller firms
- zero-hour contract workers work an average of 19.5 hours per week.

The use of zero-hour contracts has risen sharply in recent years, particularly in the retail and hospitality industries, as they can be a cost-effective way of meeting short-term staffing needs, typically allowing firms to employ staff - often in low-paid jobs - who are 'on-call'. However, some employment groups believe the contracts are being abused; with no fixed hours or pay some workers may work more than 50 hours a week one week, and none the next.

As with any type of flexible working arrangement, zero-hour contracts may be an appropriate solution for a range of situations but they require careful consideration and management.

We can help your business develop a flexible working policy.

YOUR MONEY

Inheritance tax raises £3bn for the taxman

Individuals and families in the UK paid £3.14 billion in inheritance tax (IHT) in 2012/13, official figures from the Office for National Statistics have shown. It comes as a result of the freeze in the IHT threshold – held at £325,000 since April 2009 – and a recovery in property prices, which has pushed more families into IHT liability. HM Revenue & Customs collected eight per cent more IHT in 2012/13 than it did in the previous tax year.

Key facts

- IHT must be paid if a person's estate is valued over £325,000 or £650,000 for a married couple or civil partners for the years 2013/14 to 2018 (provisionally)
- Assets or an estate, defined by HMRC, can include property, land, savings, investments, pensions, life insurance policies, businesses, motorcars, jewellery, antiques and foreign assets.
- The full rate of IHT is 40 per cent.

Ways to minimise your IHT liability

There are many legitimate ways to reduce your inheritance tax bill, but forward planning with the help of a professional adviser is essential. Some things to consider include:

- The transfer of assets: some gifts, such as any given to a spouse or partner providing they are permanent residents of the UK, are tax-free
- Giving gifts: individuals are entitled to an 'annual exemption' on gifts which allows them to give up to £3,000 away each year. Marriage gifts and small gifts, up to specified limits, fall into the exempt category, as do donations to charity or political parties
- Transferring the unused nil-rate band of a late spouse or civil partner to the surviving spouse after the first death
- Leaving your estate to charity: leaving at least 10 per cent of your estate to charity can reduce the IHT rate to 36 per cent on the remainder of the estate.

Talk to us about inheritance tax planning and about the different ways you may be able to reduce your inheritance tax liability.

SEPTEMBER'S MONEY FACTS

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