



## Welcome, from Gwyn Williams

Welcome to the Winter edition of Forward Thinking.

Over the last six months, we have been busy working with our clients as the country emerges from one of the worst recessions in the record books, listening to their needs and providing **creative** solutions to their short and long-term goals.

With many feeling that they are not yet out of the woods, we have been providing a **supportive** arm and are privileged to be considered their **trusted** advisors on this journey of recovery. We have been looking beyond the numbers, to develop growth strategies that continue to heed the old proverb that cash is king.

We look forward to working with you all over the forthcoming months to take your businesses forward and we wish you a prosperous end to 2010.

## CST congratulate client on service award

CST is delighted to congratulate its client, Mr Lyndon Griffiths who was recently presented with a lifetime of service award by Royal Mail.

Mr Griffiths, 72, who runs the Post Office and Convenience stores in Blackmill, was given the award for his dedicated service to the Post Office for the last 40 years.

Specialising in small business, SMEs and corporate businesses, CST's small business team has managed Mr Griffiths's accounts for 40 years in addition to providing, VAT and personal tax advice alongside consultancy advice and support.

Nick Hillsdon from the Small Business Team at CST said: "We would like to congratulate Mr Griffiths on his award. Successfully running and managing the Post Office for the last 40 years is an incredible achievement and a testament to Mr Griffiths commitment to his job." Added Mr Griffiths: "I am delighted to have been given this award, it was not something I expected so it has come at a bit of a surprise. I would like to thank the staff at CST for their hard work and continued support throughout my time as post master."



## New recruits

CST has recruited two new trainee accountants as it builds on its accountancy trainee programme and its vision of developing a bespoke team of client focused individuals.

Luke Stevens, 18 from Bridgend and David Sullivan, 22 from Cardiff join the firm's 35 strong team and will spend the next three years training to become qualified accountants in their specialist areas.

A Cardiff university graduate, David joins the team as an audit and accounts trainee and will specialise in the preparing and auditing of clients' accounts. Luke joins the team after completing his A-Levels at Ogmores School, Bryncethin, Bridgend. As a trainee consultant, Luke will assist the accounts department in the preparation of financial statements for clients.

CST prides itself on offering a robust personal development and training programme for all members of staff. Earlier this year the company received a ten year award from Investors in People for its continuous work as an organisation in professional development.

Both trainees will work under the guidance of CST Directors, Karen Best and Gwyn Williams, who will oversee the progress made by the new recruits throughout the coming months.

For further information and advice, please contact us: Ty Atebion, Bocam Park, Bridgend, CF35 5LJ. T: 01656 867167  
E: [tellmemore@clayshawthomas.com](mailto:tellmemore@clayshawthomas.com)  
Web: [www.clayshawthomas.com](http://www.clayshawthomas.com)

Winter  
2010/11

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# Managing an ageing workforce

As life expectancy increases, many people are choosing to work for longer. Add to this the withdrawal of the default retirement age (DRA), and it is clear that businesses will need to adapt to the changing demographic of the UK workforce. Here we consider the proposed changes to the rules on retirement, and include advice on managing an ageing workforce.

## The default retirement age

The Government has announced that the DRA will be abolished from 1 October 2011. The proposals allow for a six month transition from the existing regulations, meaning that the changes could begin to take effect from April 2011. Consequently, the majority of people may soon be able to work beyond age 65 if they wish.

Currently, an employer can force a member of staff to retire at the default age of 65, irrespective of their circumstances. Although staff can request to work beyond the DRA, it is entirely at the company's discretion. More information on the removal of the DRA is expected to be released before the end of 2010. At the time of going to print further details on the change had not been published.

## Employing an older workforce

Official statistics suggest that by 2020, almost a third of the workforce will be over the age of 50. Yet despite changing demographic trends, a recent study has found that just 14% of UK managers consider their organisation to be prepared to deal with ageing employees. To help ensure that your firm is well-equipped to manage an older workforce, consider the following points.

### Health and safety

While there is a common assumption that speed and agility decline with age, short-term absence is often lower amongst older employees and research suggests that the health and fitness of older workers is in fact improving.

However, employers will still need to consider health and safety issues and should carry out a risk assessment for all employees, regardless of their age. This may involve: assessing whether heavy lifting is needed in a particular job or whether it can be removed; adapting workstations to minimise repetitive movements; and adjusting lighting, temperature and working conditions.

### Flexible working

Flexible working can take many forms, including: part-time or reduced hours; job sharing; seasonal work; home working; flexi-time; term-time only; temporary contracts and unpaid leave. Research suggests that many older people would have continued to work if they had been offered the option of flexible working. Flexible employment may therefore allow businesses to retain valued employees who may have otherwise retired.

You should also ensure that members of staff, managers and supervisors are made aware of the flexible working options that are available, how decisions are made and what criteria are used.

### Training and development

Providing training opportunities can help to keep staff motivated, regardless of their age or level of experience. While training is often offered to less experienced team members, such openings should also be made available to older workers, who may in fact welcome the change.

You might want to consider retraining older team members to fill any vacancies or skills shortages – this may prove to be a cheaper alternative to external recruitment. It will also allow the business to utilise the experience and skills of older employees.

**With the default retirement age set to be phased out, employers will need to review their policies on retirement. Further advice can be found at: [www.businesslink.gov.uk](http://www.businesslink.gov.uk).**

**We can help with all aspects of running a business – please contact us for advice tailored to your requirements.**

# Is your PAYE code correct?

The Pay As You Earn (PAYE) system has come under the spotlight in recent months, after it emerged that coding errors had resulted in millions of people over and underpaying tax. The problems have highlighted the need for individuals to regularly check their PAYE code, as detecting errors at an early stage could avoid a substantial tax bill later on.

The PAYE system aims to collect, over the course of a tax year, approximately the right amount of tax from your earnings. This is done by the issue of one, or sometimes a series, of tax codes which are used by your employer to calculate the tax to be deducted from your earnings.

However, many people can go for years paying the wrong amount of tax – either too much or, perhaps more worryingly, too little – because they have an incorrect tax code. In particular, they may not have notified the tax office of changes in their circumstances that would affect their tax position, such as changing jobs and losing the benefit of a company car, or they may have started investing in a personal pension plan.

It is important that we check your PAYE code now, because it is much easier to rectify mistakes before the tax year ends. As a first step though, look at your salary slip and see which code is currently being applied.

The letter in the code tells us whether your code includes one of the standard allowances, and you can see if this is right for your circumstances:

**L** includes the basic personal allowance

**P** includes the full higher rate personal allowance for age 65 -74 (assumes income less than £22,901)

**Y** includes the full personal allowance for age 75 or over (assumes income less than £22,901)

**T** means that the code is to be changed only if a specific notification is received from the tax office. There is usually an adjustment in your code which requires manual checking by HM Revenue and Customs (HMRC) each year – for example, you might be over 65 with income over the limit for the full higher rate of personal allowance and therefore your allowance has to be re-calculated every time the rates and limits change.

**K** HMRC may try to increase the tax you pay on one source of income to cover the tax due on another source which cannot be taxed directly – for example, the tax due on your taxable employment benefits might be collected through increasing the tax you would otherwise pay on your company salary. A K code applies when the 'other income' adjustment reduces your allowances to less than zero – in effect, it means that the payer has to add notional income to your real income for PAYE purposes. The maximum tax which can be deducted using a K code is 50% of the source income.

HMRC will often try to collect tax on other income through your PAYE code but you may prefer to pay the tax through self assessment – we can arrange for the adjustment to be removed.

**We can help you check your PAYE code to ensure that you are paying the correct amount of tax. Please contact us for assistance.**



# Changes to National Insurance

In June the Chancellor confirmed that National Insurance Contribution (NIC) rates will rise from next April. Here we consider the forthcoming increase and include tips for saving employer and/or employee NICs.

## NICs increase

From April 2011, a further 1% will apply to the NIC rates applicable to employers, employees and the self-employed, as shown in the table below.

	2010/11 rates		2011/12 rates	
	main	additional	main	additional
<b>Class 1 (employee)</b>	11%	1%	12%	2%
<b>Class 1 (employer)</b>	12.8%	no upper limit	13.8%	no upper limit
<b>Class 1 A/B (employer)</b>	12.8%	no upper limit	13.8%	no upper limit
<b>Class 4 (self-employed)</b>	8%	1%	9%	2%

The level at which people start to pay NICs will increase by £570 above the level previously announced. Those paying the standard employee rate and earning below £20,000 will pay less NICs overall as a result.

The 1% rise in NIC rates will represent a significant increase in costs, especially for employers. If you have any questions or concerns about the forthcoming changes, please contact us.

## Minimising NICs

Clearly there is more need than ever to mitigate NICs. While strategies are limited, we can work with you on ideas for saving employer and/or employee NICs.

### Dividends instead of salary/bonus

For limited companies you should consider paying dividends rather than a salary/bonus (this may not suit all businesses, so please talk to us for advice). Where directors are in receipt of a salary/bonus from a company, the NIC cost may be such that part of the payment could be more cost effectively made as a dividend. There are special rules for some companies providing personal services.

The decision on whether to pay a dividend is complex because doing so may influence the value of the company's shares and therefore increase the liability to capital gains tax and inheritance tax. There is also a maximum amount that may be paid, based on the company's results.

### Further strategies

You may also want to consider:

- increasing the amount the employer contracts to contribute to company pension schemes
- share incentive plans (shares bought out of pre-tax and pre-NIC income)
- salary sacrifice arrangements in respect of tax-free benefits in kind, such as the provision of childcare
- giving employees other non-cash benefits in kind may reduce their NICs.

Actions unlikely to save NICs:

- Round sum allowances – any profit element will attract NIC
- Employees' contributions to pension schemes.

**For further advice on minimising your tax liability, please contact us.**

## Regional Employer NICs Holiday

**The Regional Employer NICs Holiday, which was unveiled in the Emergency Budget, has now come into effect.**

The scheme provides new businesses in certain areas of the country with a break from paying employer NICs in respect of the first 10 employees that they take on in the first year of business. It was launched on 6 September 2010 and ends on 5 September 2013.

The scheme is only open to businesses that meet certain conditions. To be eligible:

- a sole trader, partnership or company must start a **new business** in the period 22 June 2010 to 5 September 2013 inclusive;
- the principal place at which the new business is carried on when it is started is **not in an excluded region** (Greater London, the East and South East); and
- **qualifying employees** are engaged for the purposes of the new business.

### Possible savings

The scheme offers new businesses the opportunity to save up to £50,000 in employer NICs. There is no limit on the amount that can be paid to a qualifying employee under the scheme, although the relief available in respect of any one employee is capped at £5,000. For 2010/11 this means that an employer can obtain relief in full for the employer contributions that they pay in respect of qualifying employees earning £44,778 or less.

**Further information on the scheme, including an application form and postcode checker, can be found at [www.businesslink.gov.uk](http://www.businesslink.gov.uk).**





# Business Round-Up

## Proposed extension to flexible working

The Government has announced plans to extend the right to request flexible working to parents of children under the age of 18 from April 2011.

The right to request flexible working is currently available to parents of children under 17, as well as parents of disabled children under 18 and carers of certain adults.

A consultation is taking place to consider how the extension will be implemented and to examine a new system of flexible leave.

Meanwhile the Additional Paternity Leave regulations, which came into force in 2010 and apply to parents of children due on or after 3 April 2011, will remain in force 'as an interim measure'.

## Increase in savers' compensation limit

The deposit protection limit for savings is increasing from 1 January 2011. Under the new regulations, the compensation limit for savers who lose money when a bank or building society goes under is rising to the equivalent of the first €100,000 (around £84,450).

It follows new European legislation aimed at 'harmonising' the amount of money that is paid out to savers throughout Europe. The new rules also stipulate that compensation claims should be made within 20 days of an institution being declared in default.

The compensation limit was last raised in 2008 to fully protect the first £50,000 of savings – up from the previous limit of £35,000.

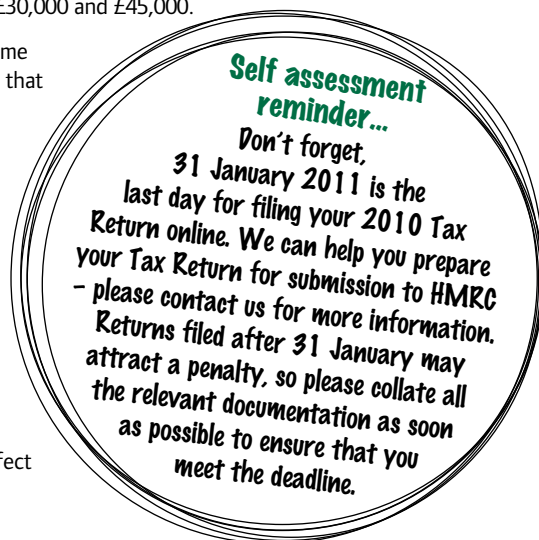
## Cap on pensions tax relief to be reduced

The Government has announced that the annual tax-free amount that individuals can invest into a pension will be significantly reduced from April 2011.

The Treasury has confirmed that the annual allowance for tax-privileged pension saving is being cut from £255,000 to £50,000. The Government claims that an annual allowance of £50,000 will affect 100,000 pension savers – 80% of which it said will have incomes over £100,000. It was originally thought that the cap on tax relief would fall to a figure between £30,000 and £45,000.

In addition, the lifetime allowance on money that can be accrued in a pension fund and still receive tax relief, is set to fall from £1.8 million to £1.5 million.

The new annual allowance will come into force in April 2011. However, the cut in the lifetime allowance is not expected to take effect until April 2012.



## Web Watch

Essential sites for business owners

[www.legislation.gov.uk](http://www.legislation.gov.uk)

New website launched by The National Archives which gives clearer, faster and simpler access to legislation.

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

The UK's regulator of work-based pension schemes, which aims to promote high standards and protect the benefits of members.

[www.ibe.org.uk](http://www.ibe.org.uk)

The website of the Institute of Business Ethics, which is aimed at encouraging high standards of business behaviour based on ethical values.

[www.efa.org.uk](http://www.efa.org.uk)

The website of the Employers Forum on Age, which promotes the importance of age diversity in the workplace.

## Reminders for your Winter Diary

### December 2010

30 Last day to file your 2010 Tax Return electronically if you wish to have a 2009/10 balancing payment of less than £2,000 collected through your 2011/12 PAYE code.

31 Last day for non-EC traders to reclaim recoverable UK VAT suffered in the year to 30 June 2010.

End of relevant year for taxable distance supplies to UK for VAT registration purposes.

End of relevant year for cross-border acquisitions of taxable goods in the UK for VAT registration purposes.

End of CT61 quarterly period.

Filing date for Corporation Tax Return Form CT600 for period ended 31 December 2009.

### January 2011

1 Due date for payment of Corporation Tax for period ended 31 March 2010.

4 Standard rate VAT increases to 20%.

14 Due date for income tax for the CT61 quarter to 31 December 2010.

19/21 Quarter 3 2010/11 PAYE remittance due.

31 First self assessment payment on account for 2010/11.

Capital gains tax payment for 2009/10.

Balancing payment – 2009/10 income tax/Class 4 NICs.

Last day to renew 2010/11 tax credits.

Deadline for amending 2008/09 Tax Return.

Last day to file the 2010 Tax Return online.

### February

1 £100 penalty if 2010 Tax Return not yet filed. Additional penalties may apply for further delay. Interest starts to accrue on 2009/10 tax not yet paid.

2 Quarterly submission date of P46 (Car) for quarter to 5 January.

14 Last date (for practical purposes) to request NIC deferral for 2010/11.

28 Last day to pay any balance of 2009/10 tax and Class 4 NICs to avoid an automatic 5% surcharge.