

# Business Matters

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## Holding customer data – is your business compliant?

If your business captures or handles information about people, then you need to make sure you comply with the strict rules governing data protection. Here are some pointers for staying on the right side of the law...

### The Data Protection Act and your business

If you hold and process information about customers, employees or suppliers, you are legally obliged to protect that information under the Data Protection Act 1998. **'Information'** essentially means any data about a living person such as name, address, date of birth, opinions about the person or any other information from which the individual can be identified. **'Holding or processing'** carries a very wide definition and broadly refers to storing, obtaining, disclosing, recording, using, erasing, or virtually any action concerning the data which is carried out on computer.

Under the Act, a business or organisation must:

- only collect information that is needed for a specific purpose
- keep it secure
- ensure it is relevant and up-to-date
- only hold as much as is needed, and only for as long as it is needed
- allow the subject of the information to see it upon request.

### A compliance checklist

Compliance with the law involves following eight data protection principles. Here are some of the key questions to consider:

#### Do I need to notify the ICO?

Most businesses processing personal information as **'data controllers'** are required to register with the Information Commissioner's Office (ICO) and pay an annual notification fee. The exact cost depends on size and turnover, but for the majority of organisations the fee is £35. You should always register with the ICO directly.

#### Should I really keep this information?

When assessing whether the data you are capturing is compliant, you should be confident that it is necessary for your specific business purpose, that it is accurate and up-to-date, and that the person can see the data if he or she asks for it.

#### Is the information I hold secure?

Ensuring your IT systems are secure is of paramount importance – and that means the physical security of your servers as well as software security such as antivirus and firewalls.

#### Am I handling employee data correctly?

The Data Protection Act doesn't just apply to customer information, it also applies to employees. For example, if you want to put information about staff on your website you should consult them first; and should you wish to monitor their emails you should make this clear and explain why.

### Next steps

If you haven't already done so, it may be beneficial to draw up a company policy on data protection and communicate it to all employees.

As well as being a legal requirement, a good data policy can benefit your business. Sending out mailshots to out-of-date records is not cost-effective, while good information handling may increase customer confidence in your business and help your reputation. So drawing up a sound data protection policy – or reviewing the one you have in place – is well worth the effort.

**The Data Protection Act can be a complex area for small businesses. Further advice is available on the ICO website – <https://ico.org.uk/for-organisations>.**



## Second Budget 2015 Round-up

In what was arguably one of the most significant Budgets in recent years, Chancellor George Osborne took the opportunity to get Britain's 'house in order' by announcing a series of changes affecting business, tax and welfare, on Wednesday 8 July.

Many of the headline-grabbing measures, including the new compulsory National Living Wage, sparked fierce debate in the ensuing weeks. Here we outline some of the major changes that could affect you and your business.

### Business Measures

#### Annual Investment Allowance (AIA)

The maximum amount of AIA is currently £500,000 for all qualifying expenditure on plant and machinery from 1 April 2014 for corporation tax and 6 April 2014 for income tax. This limit will be reduced to £200,000 (instead of the previously announced £25,000) with effect from 1 January 2016.

#### The Employment Allowance

From April 2016 the Employment Allowance will increase from £2,000 to £3,000 per year. However, companies where the director is the sole employee will no longer be able to claim this allowance.

#### Corporation tax

The corporation tax main rate will be reduced to 19% for the financial years beginning 1 April 2017, 1 April 2018 and 1 April 2019, and 18% for the financial year beginning 1 April 2020.

#### Apprenticeships levy

A new levy will be introduced on large UK employers to increase the number of apprenticeship starts. Employers in England will be able to access this funding for apprenticeship training. Further details are expected to be set out in the Spending Review.

#### The new National Living Wage

From April 2016 a new National Living Wage (NLW) in the form of a premium on top of the National Minimum Wage will be introduced for workers aged 25 and above. Initially set at £7.20, it is expected to rise to over £9 by 2020.

### Personal Measures

#### Personal allowance

The income tax personal allowance will be increased to £11,000 for 2016/17, with a view to reaching £12,500 by 2020. The basic rate limit will rise to £32,000 for 2016/17.

#### Inheritance tax allowance

An additional nil-rate band will be introduced where a residence is passed on death to a direct descendant. This will be £100,000 in 2017/18 and will increase by £25,000 each year until it is £175,000 in 2020/21.

This will affect individuals, with direct descendants, who have an estate (including a main residence) with total assets above the IHT threshold (or nil-rate band) of £325,000. The changes mean that families could pass on up to a total of £1m to their children without paying inheritance tax.

#### Pensions annual allowance

From 6 April 2016, for those with income (including the value of any pension contributions) above £150,000, the benefits of pensions tax relief will be restricted by tapering away their annual allowance to a minimum of £10,000.

Legislation will also be introduced to align pension input periods with the tax year as well as transitional rules to protect savers who might otherwise be affected by the alignment of their pension input periods.

#### Dividend tax reforms

The Dividend Tax Credit, which reduces the amount of tax paid on income from shares, will be abolished from April 2016 and a new Dividend Tax Allowance of £5,000 a year will be introduced.

The new rates of tax on dividend income above the allowance will be 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers.



Please contact us to discuss how the measures announced in the Second Budget may affect you and your business.

**Disclaimer:** The measures detailed above were announced in the 2015 Second Budget and stand to be implemented at the time of this newsletter going to print.

# Pensions auto-enrolment: are you up-to-date?

With effect from 1 June 2015, small businesses employing fewer than 30 staff are bound by the requirements of the new pensions auto-enrolment regime, obliging them to automatically enrol all eligible employees into a qualifying pension scheme and to make a minimum contribution into that scheme.

The Pensions Regulator recently warned that even those who employ a single care worker, such as a carer or nanny, must comply with the auto-enrolment regulations, with very few exceptions.

Under auto-enrolment, eligible employees over the age of 22 and earning more than £10,000 per annum have the right to belong to a workplace pension scheme, unless they choose to opt out.

6 April 2015 saw an increase in some of the thresholds and limits for auto-enrolment. While the earnings trigger remains at £10,000 for 2015/16, the lower limit of the qualifying earnings band has risen to £5,824 and the upper limit of the qualifying earnings band is now £42,385.

Over five million workers in larger companies are already in the scheme, and an estimated 3.8 million workers are expected to be enrolled by smaller employers between now and 2018. However, according to recent research one in four small businesses remains unprepared. Business owners are being urged to ensure that they prepare for the new regulations, since employers who fail to comply could be liable to enforcement action and/or a penalty.

For more information on pension auto-enrolment visit the Pensions Regulator's website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk).

As an employer, help to make sure you're prepared by following this checklist:

- ✓ **Develop a plan** – once you know your staging date you can be prepared
- ✓ **Assess your workforce** – identify eligible jobholders working for you
- ✓ **Review your pension arrangements** – do you have an existing scheme or do you need to set one up?
- ✓ **Communicate the changes** – employers must write to all workers explaining what auto-enrolment in a workplace pension means for them
- ✓ **Enrol your workforce** – you have a six week window from your staging date in which to enrol your staff in a qualifying pension scheme
- ✓ **Register with the Pensions Regulator** – within five months of your staging date – and be sure to keep records
- ✓ **Make employer contributions** – from October 2018 these will be a minimum of 3%



## Creating an employee expenses policy

For many businesses, employee travel and expenses represent a significant cost. A well-written expenses policy will help you to keep on top of that cost and prevent abuse of expense claims, in a way that is also fair to your staff. It will also allow you to demonstrate to HM Revenue & Customs (HMRC) that you are complying with your legal obligations.

Here are some key areas to consider when creating your expenses policy.

### Keep things simple, but flexible

Your policy should state clearly and in detail exactly which expenses can be claimed for mileage and other travel, accommodation, food and drink, client entertainment and so on. If the rules and amounts are simple they are more likely to be remembered, and staff will get used to following them and planning their business trips accordingly.

However, you should incorporate a level of flexibility. Hotels in London can be significantly more expensive than in other parts of the country, for instance, so your policy might include a London weighting to allow for this.

### Make it fair to all parties

Clearly, you need to protect your business from extravagant or inappropriate expense claims by staff. But employees also need to be properly reimbursed for the costs they incur while working on your behalf. The aim of a good expenses policy is to ensure that no team member loses out as long as they act reasonably.

Best practice suggests that you should also ensure that the policy is applied universally so that senior managers have to follow similar rules to other staff.

### Communicate the policy clearly

The policy should be written up and stored in a place where all staff can access it.

It might be advisable to include your senior team members and staff who regularly claim expenses in setting the guidelines and descriptions. Not only will this ensure that everyone understands it and communicates it to their teams, they're also more likely to buy into the policy.

You should also ensure that the policy is regularly updated to take account of new legislation and the changing nature of costs.

### Build efficient processes

Staff can begrudge long delays in having their expenses paid, particularly for significant outlays such as rail fares or hotel bills which could lead to difficulties in their monthly cashflow, so ensure that your financial operation – whatever its size – is able to pay expenses promptly and accurately.

**If you would like specific advice about expenses or help with setting up processes, please contact us.**

## Important! Don't forget...

**VAT receipts** – Your business can reclaim VAT on most employee expenses as long as you have properly documented receipts. Make sure your staff provide original or digital (scanned or photographed) receipts for all relevant expenditure.

**The Bribery Act** – Entertaining clients is not as straightforward as it used to be. Make staff aware that entertainment claims should include a valid business reason and the names and businesses of all attendees, to avoid falling foul of the Bribery Act 2010. Take legal advice if you are unsure.



## Business Round-up

### New penalties for National Minimum Wage breaches

The maximum penalty for employers who fail to pay the National Minimum Wage has risen significantly. Previously the maximum financial penalty was 100% of the total underpayment, to a maximum cap of £20,000, regardless of the number of workers involved.

However, from 26 May 2015 the maximum financial penalty has risen to £20,000 per underpaid worker, in line with plans previously announced under the Coalition government.

The National Minimum Wage currently applies to all workers of school leaving age, with a limited number of exceptions. The main adult rate is currently £6.50 an hour, rising to £6.70 from 1 October 2015.

### Plans to extend free childcare are brought forward

The Government has brought forward its plans to double free childcare for working parents, with the scheme due to begin rolling out to parts of the country in September 2016, a year earlier than originally planned.

Under the new Childcare Bill, eligible families where both parents or a lone parent are in work will benefit from up to 30 hours of free childcare for 3 and 4 year-olds during term-time.

The average funding rates paid to childcare providers are also set to increase subject to a childcare funding review.

The changes are expected to benefit up to 600,000 families, resulting in total childcare cost savings for parents of around £5,000 a year.

### New cap on backdated holiday pay claims

Employees bringing claims for backdated holiday pay will now face restrictions on the amount they can claim.

The introduction of The Deduction from Wages (Limitation) Regulations 2014 means that from 1 July 2015 backdated holiday pay claims are limited to a maximum of two years.

The changes follow a legal ruling in the case of *Bear Scotland v Fulton* last year. Then the Employment Appeal Tribunal limited the potential for workers to succeed with claims for historical non-payment of holiday pay, but it asserted that regular non-guaranteed overtime should be included in holiday pay calculations.

Although the British Chambers of Commerce (BCC) had called for a cap on backdated holiday pay claims, the group has warned that there is still 'significant uncertainty for businesses when it comes to devising holiday pay policies'.

Dr Adam Marshall, Executive Director of Policy and External Affairs at the BCC, said: 'More broadly, we are concerned by the growing number of rulings... that are steadily expanding the definition of holiday pay. These changes create huge risks for businesses, and could deter some from expanding and creating jobs'.

## Web Watch

### Essential sites for business owners

[www.businesscompanion.info](http://www.businesscompanion.info)  
Guidance for businesses that need to know about trading standards.

[www.computerweekly.com](http://www.computerweekly.com)  
The latest technology news and information.

<http://is4profit.com>  
Resource for micro, small and medium-sized enterprises.

[www.actionfraud.police.uk](http://www.actionfraud.police.uk)  
UK's national reporting centre for fraud and internet crime.



## Reminders for your Autumn Diary

### September

30 End of CT61 quarterly period.

Last day for UK businesses to reclaim EC VAT chargeable in 2014.

### October

1 Due date for payment of Corporation Tax for period ended 31 December 2014.

5 Individuals/trustees must notify HMRC of new sources of income/chargeability in 2014/15 if a Tax Return has not been received.

14 Due date for income tax for the CT61 quarter to 30 September 2015.

19/22 Quarter 2 2015/16 PAYE remittance due.

31 Last day to file 2015 paper Tax Return without incurring penalties.

### November

1 £100 penalty if 2015 paper Tax Return not yet filed. Additional penalties may apply for further delay (no penalties if online return filed by 31 January 2016).

2 Submission date of P46 (Car) for quarter to 5 October.