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Changes to the Annual Investment Allowance: getting the timing right

The Annual Investment Allowance (AIA) is due to fall from £500,000 to £200,000 with effect from 1 January 2016. Transitional rules will have an impact on the amount businesses can claim, so it is important to plan ahead if you want to receive the maximum tax benefit.

What is the AIA?

The AIA enables businesses to deduct the full cost of plant and machinery (excluding cars) from their profits in the year of purchase. It applies to businesses of any size and most business structures, but there are provisions to prevent multiple claiming. Businesses are able to allocate their AIA in any way they wish; so it is quite acceptable for them to set their allowance against expenditure qualifying for a lower rate of allowances (such as long life assets or integral features).

How much can I claim?

The AIA was temporarily increased to £500,000 from 1 April 2014 for companies or 6 April 2014 for unincorporated businesses, until 31 December 2015. It had been due to fall to £25,000 from 1 January 2016. However, in his Summer Budget on 8 July, the Chancellor announced that the AIA will instead be set at £200,000.

Accounting periods spanning the change

Where the accounting period spans 31 December 2015, the maximum amount of AIA entitlement is calculated on a pro-rata basis.

For example, if Brown & Co's accounting period begins on 1 April 2015 and ends on 31 March 2016, approximately three quarters of that period would fall before the date of the change (1 January 2016) and approximately one quarter would fall after that date. Brown & Co will be subject to a transitional AIA maximum, calculated as follows:

Dates	Fraction of period	Allowance for full year	Transitional allowance
01/04/15 – 31/12/15	9/12	£500,000	£375,000
01/01/16 – 31/03/16	3/12	£200,000	£50,000
	Transitional AIA maximum		£425,000

Timing expenditure for maximum relief

As demonstrated in the above example, the maximum AIA for expenditure incurred before 1 January 2016 is £425,000. However, where expenditure is incurred on or after 1 January to 31 March 2016, the maximum amount of relief will only be £50,000. Therefore, if you want to gain the maximum benefit of the £500,000 AIA, it may be advisable to purchase plant and machinery before 31 December 2015. If this is not an option, you might want to delay expenditure until after 31 March 2016, when the AIA will be set at £200,000. Note that tax relief will have been deferred for a full year.

Careful consideration should be given to the timing of any expenditure to ensure you are able to maximise the available relief. Please speak to us for further advice.





Help to Buy: the ISA for first-time buyers

With the housing market booming, many first-time buyers need a helping hand to get them onto the property ladder. The Government's new Help to Buy ISA, which launches on 1 December 2015, aims to meet this need by offering first-time buyers unique incentives when saving for their first home.

The Help to Buy ISA will enable first-time buyers to save up to £200 per month, with an opportunity to deposit an additional £1,000 when the account is first opened.

The Government will then provide a 25% bonus on the total amount saved, including interest, capped at a maximum of £3,000 on savings of £12,000, which is tax-free. The bonus can only be put towards a first home located in the UK with a purchase value of £250,000 or less, or up to £450,000 in London.

It is intended that opening a Help to Buy ISA will be as simple as opening a regular ISA, with interest rates set by the bank or building society an individual decides to save with. They will also be free to apply their normal ISA withdrawal and transfer rules, thus ensuring that savers can move between providers to get the best deal.

However, care needs to be taken as an individual may only subscribe to one Cash ISA per year, so an account holder cannot subscribe to a Help to Buy ISA and a Cash ISA in the same tax year. Additionally a first-time buyer can only have one Help to Buy ISA.

Savers will be able to apply for and open a Help to Buy ISA up to four years after the scheme is officially launched. Once an account is opened there is no limit on how long an individual can save into it and no time limit on when they can claim their bonus.

“To get the most out of the Help to Buy ISA, individuals should:

- Contribute the monthly maximum saving of £200
- Deposit an additional £1,000 when opening the account
- Remember that the account can remain open for as long as it takes to find a qualifying home.

”

Those saving with a partner to buy their first home together should ensure they both have a Help to Buy ISA, thus doubling both the amount they can save and the bonus available.

Note that savings from the Help to Buy ISA can only be used towards the purchase of a first home, so would not be available for buy-to-let properties. A scheme administrator will enforce this rule.

We can advise on a range of property taxation matters – please contact us for assistance.

A five step plan for dealing with negative reviews

Bad online product reviews or public complaints on social media can seriously affect your business. Here are some tips for minimising the damage and perhaps even turning negative feedback to your advantage.

The way that social media and online commerce have made it so easy for customers to provide feedback is something of a double-edged sword for businesses. Great testimonials can do more for your reputation than any number of advertisements, while word-of-mouth recommendations can spread much faster thanks to social media. But negative feedback can be hugely expensive, and you don't have to be 'on' social media or selling things online to be affected.

Two of the key problem areas are:

Bad reviews – Amazon, Google+, TripAdvisor and many other platforms allow customers to give detailed reviews of all kinds of products and services. These are increasingly important; reviews are a major factor for potential customers when making a purchase decision. A series of 'one-star' or highly critical reports is guaranteed to put some people off buying.

Social media complaints – Twitter and Facebook enable users to 'tag' you when saying something critical about your business, which means that anyone else

looking for you on those platforms could potentially see it.

However, a sensible approach can minimise the damage to your reputation and even work to your advantage.

A five step plan

1 Act quickly. Keep track of your reviews on key websites and mentions on social media and when a complaint comes up, act quickly. If it's a specific gripe from a dissatisfied customer, thank them and tell them you're working on it even if you haven't yet decided on the best solution. Provide a realistic timescale for when you'll come back to them – and avoid conveying the sense that their views aren't important to you.

2 Assess the value of the feedback. Resist the temptation to object to bad reviews or argue back. Instead, try to honestly evaluate the feedback. Even in the most intemperate review a valid problem may have been highlighted, and you can use that to improve your service.

3 Be upfront, admit mistakes and respond personally. On social media, a straightforward personal message promising to resolve the issue will disarm most unhappy customers.

4 Fix the problem. Don't just respond to complaints with an apology; try to resolve problems as quickly as possible. Ask for their details and contact them personally.

5 Be generous with recompense.

Sometimes, a customer just needs to let off steam and there's nothing you can actually do to resolve their problem – in which case it's usually best just to be courteous and offer some sort of recompense. If you're surprisingly generous with this you'll often turn the complainer into a happy, repeat customer and even an advocate for your business.

Prevention is better than cure

Occasional bad reviews are virtually inevitable, however good you are at your business, but there are some simple preventative things you can do. Make sure you have transparent procedures and visible contact details for people to make complaints directly to you. You could also make it a habit to ask happy customers to give you online reviews soon after their transaction: a large number of positive reviews will minimise the damage of a few bad ones.

The best methods of dealing with bad feedback – valuing the customer and responding quickly – are the same as they've ever been. Along with the risks come opportunities to enhance your reputation: exceed expectations and the word will quickly spread far and wide.

Workplace conflict: resolving staff disputes

From daily office politics to serious and long-lasting grievances, conflict between staff can drain time, morale and productivity from your business. Here are some tips for resolving employee disputes before they become unmanageable.

Dealing with conflicts between employees is a frequent headache for business owners – and it can cost real time and money. One recent study by employment research company CPP found that, on average, each employee spends 2.1 hours every week either involved in a disagreement themselves or trying to manage a conflict between co-workers. That's equivalent to each employee losing one working day a month to workplace disputes.

For managers and business-owners, handling staff whose working relationship has broken down can be stressful and time-consuming, so it is always best to try to solve the problem as soon as possible. Here are some simple steps to take if you're faced with a workplace dispute.

Pre-empt problems with clear company guidelines

Many conflicts arise in grey areas, such as arguments about people's place in the chain of command, or which responsibilities fall within which job descriptions. Clear, written company guidelines – along with a staff handbook detailing behavioural expectations, dress codes and so on – will help pre-empt problems and can enable swift resolutions by providing an authoritative source to refer to.

Acknowledge problems and be proactive

It can be tempting to try to pretend an ongoing conflict between employees isn't happening, but even minor disputes can escalate when allowed to fester – ending up in accusations of workplace bullying or, in worst case scenarios, legal tribunals. It is usually fairly obvious when colleagues are clashing. Acting quickly can minimise the effect on your workplace.

Hold a meeting in confidence

Rather than tackling a confrontation publicly, hold a private meeting with the relevant parties, either separately or both together as appropriate. You should spend the best part of the meeting listening and allowing your staff to present their side of the story. In many cases, the mere act of airing a grievance provides its own solution, and employees will clear up misunderstandings or find a way of working around a problem themselves.

You should also take care to be even-handed in such meetings, and discuss solutions in terms of what's best for the team and the business, rather than making it about an individual.

Resolve specific problems with specific solutions

There is always a danger that employees who don't see eye to eye will just generally complain about each other's personalities and traits. When trying to resolve a problem, it's best to avoid character-based discussion and instead focus on specific instances, offering practical guidance about how you expect staff to behave in those circumstances.

When you have reached a conclusion, ensure that all parties accept it and agree to move on accordingly.

Take legal advice in serious cases

Most disputes can be resolved informally – which is usually the best way of doing things and certainly the least expensive. However, in more serious cases there can be no option but to follow formal proceedings. Document instances of disputes boiling over, aggressive emails and so on, and if necessary take professional advice. Even bringing in professional mediators could be a better and less costly solution than arbitration – which could be bad news for all parties, not least your business.

Conflicts are inevitable in any organisation, but there are steps you can take to minimise the effect on your business. Acting promptly and carefully can ensure you resolve disputes before they get out of control.





Business Round-up

Landmark ruling on working time

The time spent by mobile workers travelling to and from their first and last appointments should be regarded as working time, the European Court of Justice recently ruled.

Prior to this point, many employers have not factored in travelling time when calculating employees' working time.

Experts have warned that the ruling could have a significant impact on businesses, with many firms potentially in breach of EU working time regulations, including those employing sales reps, care workers and gas fitters.

The court ruling outlined: 'Requiring workers to bear the burden of their employer's choice would be contrary to the objective of protecting the safety and health of workers pursued by the directive, which includes the necessity of guaranteeing workers a minimum rest period.'

Withdrawal of ONS surveys to 'cut business costs'

The Office for National Statistics (ONS) has unveiled plans to change the way it calculates economic growth estimates, cutting the time businesses need to spend on form-filling. The ONS intends to partially replace monthly business surveys, which are used to estimate growth, with data gathered from VAT returns submitted to HMRC.

45,000 surveys are currently sent out each month, which is thought to cover around 55% of the economy. However, using VAT turnover data should increase this coverage substantially.

The ONS expects that the number of surveys sent monthly could be reduced by up to a half once the transition to the new system is complete, with small and medium-sized firms expected to save the most. The ONS aims to complete the transition to VAT data by 2020.

Increase in contactless card payment limit

The limit for making contactless card payments has risen from £20 to £30, following a surge in the use of 'wave and pay' card payments. The increased limit was rolled out across retailers between 1 September and 31 October 2015.

Contactless payment cards were first introduced in the UK in 2007 for low-value transactions. However, the popularity of such payments has grown exponentially since this date. During the first half of 2015, shopping transactions totalled £2.5bn, proving to be significantly higher than the 2014 total of £2.32bn.

However, some experts have warned that contactless cards could be open to exploitation by persistent fraudsters, with some online retailers forfeiting card security at the checkout stage in favour of a speedier transaction.

Web Watch

Essential sites for business owners

www.skillsyouneed.com
Information and advice on a range of work-related and interpersonal skills.

www.economist.com
Resource for international news, politics and finance.

www.businessbanter.com
Business choices magazine run by members of the business community.

uk.businessinsider.com
Offering the latest business and financial news.

Reminders for your Winter Diary

December 2015

30 Last day for online submission of 2015 Tax Return for HMRC to collect tax through clients' 2016/17 PAYE code, where they owe less than £3,000.

31 Last day for non-EU traders to reclaim recoverable UK VAT suffered in the year to 30 June 2015.

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 Company Tax Return Form CT600 for period ended 31 December 2014.

January 2016

1 Due date for payment of Corporation Tax for period ended 31 March 2015.

14 Due date for income tax for the CT61 quarter to 31 December 2015.

19/22 Quarter 3 2015/16 PAYE remittance due.

31 First self assessment payment on account for 2015/16.

Capital gains tax payment for 2014/15.

Balancing payment – 2014/15 income tax/Class 4 NICs.

Last day to renew 2015/16 tax credits.

First payment due date for 2015/16 Class 2 NICs.

Last day to pay any balance of 2013/14 tax and Class 4

NICs to avoid an automatic 5% late payment penalty.

Deadline for amending 2014 Tax Return.

Last day to file the 2015 Tax Return online without incurring penalties.

February

1 £100 penalty if 2015 Tax Return not yet filed online. Additional penalties may apply for further delay. Interest starts to accrue on 2014/15 tax not yet paid.

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

14 Last date (for practical purposes) to request NIC deferment for 2015/16.

