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Businesses delay capital investment

Almost two thirds of UK businesses generated a cash surplus in the last tax year, according to research by the Institute of Chartered Accountants in England and Wales (ICAEW).

The survey of 500 businesses found that 62% made a cash surplus last year while 69% expect to make a cash surplus during the current tax year.

Despite this, many businesses are delaying capital investment until they feel assured about the direction of the economy.

The ICAEW found:

- 24% of businesses are holding 20% or more of their annual turnover
- 70% are not confident enough in their business prospects to invest
- 52% are unsure about the economy's long-term prospects.

The ICAEW's latest Business Confidence Monitor showed that 17% of businesses felt less confident about their prospects in Q1 2015, up from 7% in the same period in 2014.

Stephen Ibbotson, director of business at the ICAEW, said:

"We don't want to see firms just battening down the hatches which could stop our recovery in its tracks.

"The next government should make it a priority to confirm the new rate of the Annual Investment Allowance. Businesses plan long-term and waiting until December's Autumn Statement isn't quick enough."

The Annual Investment Allowance

If you're a company, partnership or sole trader, you can deduct 100% of your qualifying plant and machinery expenditure against your pre-tax profits with the Annual Investment Allowance (AIA).

The AIA is available for most plant and machinery expenditure. This includes machines, office equipment, certain building fixtures, vans and lorries. However, certain expenditure such as cars, buildings and land do not qualify.

The Chancellor announced during Budget 2015 that the allowance will be reviewed at Autumn Statement 2015, disappointing some business leaders who wanted to see an extension to the current £500,000 allowance. The AIA limit is scheduled to fall to £25,000 after 31 December 2015.

However, although its future remains uncertain, businesses still have at least 7 months to take advantage of the current allowance.

We can help you take advantage of capital allowances. Contact us today.

Auto-enrolment exemptions introduced

Employers will no longer need to auto-enrol employees in certain circumstances after regulatory changes were introduced in April 2015.

From 1 April 2015, the following types of employee do not need to be auto-enrolled:

- individuals who are leaving employment
- those who cancel scheme membership before auto-enrolment
- employees whose existing pension savings have tax-protected status.

The changes were first published in March 2015 in a response to the consultation 'Technical Changes to Automatic Enrolment'.

Employees leaving employment

The auto-enrolment process can be stopped for employees who intend to leave employment and are in their notice period when the employer's auto-enrolment duties begin.

The employee will not be able to opt-in or join the pension scheme unless their notice is withdrawn.

Membership cancellation

Under the old rules, eligible jobholders needed to be auto-enrolled even if they cancelled their scheme membership. The new rules will give employers discretion over whether they enrol an employee who cancels their membership. This must be done within 12 months of their cancellation.

Workers who left a scheme more than 12 months before the auto-enrolment date will have to be enrolled.

Tax-protected savings

Some employees with pension savings above the lifetime allowance (currently £1.25 million) are protected against tax charges. Enhanced and fixed protections may be lost if the employee is auto-enrolled, and the way of avoiding this under the old rules was for the employee to opt-out.

The changes will allow employees to become exempt from auto-enrolment if they provide evidence of having tax-protected status. However, the employer will retain the power to auto-enrol workers regardless of tax-protected status if it is more cost-effective to do so.

We can help you prepare for your staging date.

Small Business Act becomes law

A range of measures aimed at supporting small businesses have become law after the Small Business, Enterprise and Employment Act gained royal assent.

The act is designed to help small businesses by improving access to finance, combating late payment and reducing regulatory burdens.

It is hoped that the measures will encourage businesses to innovate and create jobs, as well as build an environment that fosters the growth of start-ups and small businesses.

Measures in the Small Business Act include:

- improving access to finance by increasing business loans and sources of investment
- introducing new reporting requirements for large companies to combat unfair payment practices
- launching frequent reviews of regulation with a view to reduce unnecessary red tape
- ending 'exclusivity clauses' in zero hours contracts which stop individuals from working for more than one employer.

John Allan, national chairman of the Federation of Small Businesses, called the act a "landmark moment":

"For the first time, an important piece of legislation has been devoted to small businesses. This underlines the huge economic contribution small firms make to the UK economy and recognises their distinct needs."

Talk to us about your business development plans.

YOUR MONEY

Savers diversify to fund retirement

Retirees plan to use a mix of assets such as pensions, cash ISAs and savings to fund their retirement, according to a survey by YouGov commissioned by Friends Life.

The survey polled 7,000 people across the UK and found that many are planning to use a diverse portfolio of assets to see them through retirement.

Pensions are the most popular way of saving for long-term retirement. More than half (52%) of respondents plan to use a state pension while 39% have company pensions and 25% hold personal pensions.

Other popular ways of funding retirement include:

- savings accounts (29%)
- cash ISAs (18%)
- property (17%)
- stock and shares
- equity release schemes.

Andy Briggs, group chief executive at Friends Life, said:

"It's hugely encouraging to discover that people are preparing for retirement by putting in place such a comprehensive 'basket' of retirement products.

"It demonstrates that people are aware of the need to plan ahead and to understand the options available to them so they can work out how best to secure their future."

Contact us to discuss your options in retirement.