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Business News England

Welcome to our round up of the latest business news for our clients. Please contact us if you want to talk about how these updates affect your business. We are here to support you!

Reminder: P11D form submission deadline rapidly approaching

The deadline – 6 July – for reporting expenses and benefits to HM Revenue & Customs (HMRC) is rapidly approaching. It's important for all employers to understand their responsibilities regarding this crucial tax form. Whether you're a seasoned business owner or new to the world of employment taxes, we're here to guide you through the essentials.

What is a Benefit in Kind?

A benefit in kind (BIK) refers to any non-cash benefit provided to employees that holds monetary value. These benefits are additional perks that go beyond regular salary and wages. Common examples include company cars, private health insurance, interest-free loans, and gym memberships. While these perks can boost employee satisfaction, they are considered taxable benefits by HMRC.

Why is the P11D form required?

The P11D form is required by HMRC to report these benefits in kind. Employers must complete a P11D for each employee who has received any taxable benefits or expenses during the tax year. This ensures that the correct amount of tax is paid on these benefits.

Types of benefits to include on the P11D

This is not an exhaustive list, but some common benefits provided by employers might include the following:

1. Company Cars and Fuel: If you've provided a company car to an employee, this must be reported, along with any fuel provided for personal use.

2. Health Insurance: Private medical insurance paid for employees should be included.

3. Interest-Free or Low-Interest Loans: Any loans provided to employees exceeding £10,000 must be reported.

4. Living Accommodation: If you provide housing for employees, the value must be included.

5. Gym Memberships: If you offer free or subsidised gym memberships, these are taxable benefits.

Deadline for P11D submission

As mentioned, the deadline for submitting this year's P11D forms is 6 July 2024. It's crucial to meet this deadline to avoid penalties. If you are late in submitting, you'll get a penalty of £100 per 50 employees for each month or part month your P11D is late.

You will also be charged penalties and interest if you're late paying HMRC. Which brings us to …

Paying Class 1A National Insurance

Many benefits require a payment by the employer of Class 1A national insurance. This is basically a substitute for the employer's national insurance that would have been paid if the employee had received the same monetary value through payroll rather than as a benefit.

This payment has to be made by 22nd July (or 19th July if paid by cheque) and, as mentioned, penalties and interest can apply if you're late paying.

Of course, if you are already 'payrolling' your expenses and benefits then you may have already paid all or most of the amount due.

Completing the P11D Form

Completing the P11D form involves the following steps:

1. Gather Information: Collect details of all benefits provided to each employee during the tax year.

2. Use the Correct Forms: Ensure you're using the correct version of the P11D form for the relevant tax year.

3. Accurate Valuation: Accurately determine the cash equivalent of each benefit provided. HMRC provides guidance on how to value different types of benefits.

4. Class 1A National Insurance: Calculate and report Class 1A National Insurance contributions on these benefits using the P11D(b) form.

5. Submission: Submit the completed P11D forms to HMRC by 6 July. Provide employees with a copy of their individual P11D by the same date.

By staying informed and organised, you can ensure that your P11D forms are completed correctly and submitted on time.

If you need assistance or have any questions, don't hesitate to contact our team. We're here to help you navigate the complexities of tax compliance, allowing you to focus on running your business.

Are you ready for a cyber attack?

The National Cyber Security Centre (NCSC) provides an ‘Exercise in a Box’ online tool that can help businesses check how resilient they are to cyber attacks as well as practise their response in a safe environment.

The tool will give you some exercises that can be carried out in your own time as many times as you want. The exercises include:

- A ransomware attack delivered by phishing email;
- Mobile phone theft and response;
- Being attacked from an unknown Wi-Fi network;
- Insider threat leading to a data breach;
- Third party software compromise;
- Threatened leak of sensitive data;
- Home & remote working; and
- Managing a vulnerability disclosure.

Micro-exercises are also included, covering areas like use of passwords and identifying and reporting a suspected phishing email.

To use ‘Exercise in a Box’ you need to register for an account with NCSC, and you’ll be provided with a tailored report that helps you to identify what to do next and sets out where you can find helpful guidance.

See: https://www.ncsc.gov.uk/information/exercise-in-a-box

Voluntary Code of Conduct for Directors: will it make a difference?

The Institute of Directors (IoD) have published a consultation document on a code of conduct for directors.

The new code would be voluntary and is designed to help directors and business leaders build trust from the public in their business activities. It has been prompted by recent corporate scandals, such as the Post Office, that have had a wider impact on the public losing trust in business leaders.

The code of conduct is centred around six key principles: Leading by example, Integrity, Transparency, Accountability, Fairness and Responsible Business.

Because the code is voluntary and contains no means of enforcement, questions have been raised over how useful this code will be and what the take up is likely to be.

The IoD is looking for views from both the business community and the general public.

For more information and to respond and read the full consultation document, see: https://www.iod.com/resources/governance/iod-public-consultation-on-a-code-of-conduct-for-directors/

Base rate plateau a concern for small businesses

In the wake of the Bank of England's decision to maintain the base rate at 5.25%, the Federation of Small Businesses (FSB) has expressed concern about the impact on small business growth and investment.

FSB National Chair Martin McTague commented on the decision, stating, “Yet again, the MPC has opted to stick instead of twist, a move which was widely predicted but which is no less disappointing for it. The high plateau rates are currently stuck at is now undermining growth, as small firms struggle to access affordable finance to help them expand.”

McTague emphasised that although inflation is now back on target, the lack of a rate cut could hinder the fragile signs of economic recovery. "Holding off a cut in the base rate until a future date risks snuffing out tentative signs of a recovery in GDP, with the flat growth in April a warning sign," he noted.

Despite the recent higher-than-expected services inflation, McTague warned that the threat to growth must not be overlooked. He feels to do so would “have potentially devastating consequences for small businesses."

The FSB is hopeful that the Bank of England will soon reach a tipping point for a rate cut, which would provide small firms with the much-needed opportunity to invest and scale up their operations. McTague concluded, “Small firms will be hoping that the tipping point for a cut will be reached sooner rather than later, to help them invest and scale up.”

This sentiment is shared widely among small business owners who are looking for more favourable financial conditions to drive their growth and sustainability. The need for accessible and affordable finance is vital.

If you would like to discuss your business finances in light of these developments, please do not hesitate to contact us.

See: https://www.fsb.org.uk/resources-page/base-rate-plateau-risks-stifling-growth-say-small-firms.html

Could employee ownership be the answer for your business?

The Welsh Government were excited to announce a significant milestone in its own mission to increase the number of employee-owned businesses in Wales. The number of such businesses in Wales has doubled, reaching 74 almost two years ahead of their 2026 target.

While this initiative is partly aimed at keeping Welsh businesses in Welsh hands, employee owned business models do foster a sense of ownership and commitment among employees. Therefore, you might wonder if employee ownership could be a good ownership model for your business. Let’s look at some of the things you might consider.

Benefits of employee ownership

For businesses contemplating a change to employee ownership, the benefits are numerous:

1. Enhanced Employee Engagement and Retention: When employees have a stake in the business, they are generally more motivated and committed to its success. This can lead to higher productivity and lower turnover rates.

2. Preservation of Company Legacy: For family-owned businesses, transitioning to employee ownership can be a way to ensure that the company's legacy and values are maintained.

3. Local Economic Stability: Keeping businesses locally owned helps sustain the regional economy and can prevent the adverse effects of external buyouts, such as job losses and the erosion of local business culture.

4. Resilience and Innovation: Employee-owned companies often demonstrate greater resilience and adaptability, as employees are more likely to contribute ideas and innovations when they have a direct stake in the outcome.

How to make the transition

Businesses interested in exploring employee ownership are likely to need some additional support, but here are the basic steps:

1. Seek Specialist Advice: There are different models of employee ownership that can be used, so it's good to explore and understand the options so that you can determine the best fit for your business.

2. Understand the Financial Implications: Employee buyouts can be structured in various ways, including direct share ownership or through employee trusts which can have differing financial effects. In addition if you are selling a business or retiring then you will also want to look at the tax implications involved.

3. Engage Employees Early: Communicate with your employees about the potential transition and involve them in the process. Their buy-in and enthusiasm will be crucial to the success of the new ownership model.

4. Plan for the Long Term: Consider the long-term governance and management structures that will support the business under employee ownership. This might include setting up a board with employee representatives or establishing committees to handle various aspects of business operations.

Transitioning to employee ownership is not only a strategic move to secure the future of a business but also a way to foster a more inclusive and motivated workforce.

As business advisers we have experience of many different ownership models and can talk you through the tax and other financial implications involved in changing structure. Please get in touch at any time and we will be happy to help you.

See: https://www.gov.wales/not-your-run-mill-business-model