Borough Hall Wellway
Morpeth NE61 1BN Northumberland
01670 514433 enquiries@wellway.uk.com

wellway
Growing businesses

INSIDER · JANUARY 2019

www.wellway.uk.com

Businesses getting to grips with apprenticeship levy

Businesses are finally beginning to understand the apprenticeship levy, after previously voicing serious concerns over its complexity and lack of flexibility.

The apprenticeship levy took effect on 6 April 2017 and means businesses with an annual pay bill of more than £3 million must pay the levy towards apprenticeship funding.

It is charged at 0.5% of an employer's annual pay bill, and each employer receives an allowance of £15,000 to offset against their levy payment.

Business groups, including the Institute of Directors (IoD), urged the Government to address ongoing problems with the levy – and it attempted to do so by announcing a package of reforms in Budget 2018.

Levy-paying businesses can transfer up to 10% of their training funds to other employers in their supply chain in 2018/19, and this will increase to 25% from April 2019.

Research from the IoD shows that since Budget 2018, 51% of 1,141 employers "perfectly" understand the levy – compared to just 36% in March 2018.

Stephen Martin, director-general of the IoD, said:

"These figures suggest that the creases are being ironed out [with the apprenticeship levy].

"Greater opportunity to transfer levy funds is a step in the right direction, and ensuring smaller enterprises are in a position to take advantage of this come April must now be the focus."

However, 60% of business leaders surveyed were unaware of the changes revealed by Chancellor Philip Hammond.

In addition, 10% of employers did not understand how to reclaim funding and 4% did not know how to pay the apprenticeship levy.

Speak to us about the apprenticeship levy.

R&D investment grows to £23.7bn in 2016/17

Businesses in the UK spent £23.7 billion on research and development (R&D) in 2017, according to the latest data from the Office for National Statistics (ONS).

The ONS found that year-on-year expenditure on R&D increased by £1.1bn – or 4.9% – compared to statistics for 2016.

Firms in the pharmaceutical sector continued to have the highest level of R&D spending of all product groups at £4.3bn.

Software development businesses increased expenditure on R&D by 34.7% – to £1.4bn and a 6% share of all R&D spending by UK businesses in 2017.

Felicity Burch, innovation director at the Confederation of British Industry, said:

"Business investment in R&D has hit the highest point on record, showing UK firms' thirst to be world leaders in the products and innovations of the future.

"But this spend has not been enough to make a dent in real progress towards the goal of investing 3% of GDP in R&D."

The 2017 Conservative manifesto included a target of increasing R&D investment to 2.4% of GDP by 2027, with a longer-term goal of 3%.

However, the ONS said R&D represented only 1.67% of GDP in 2016, although the upward trend is expected to have continued in 2017/18.

Burch added:

"As Brexit looms, it is imperative that the Government sets out an international strategy with clear commitments to maintain the close relationship the UK has with Europe on science and innovation."

Talk to us about claiming R&D tax credits.

OTS calls for inheritance tax system to be digitised

The Office for Tax Simplification (OTS) has urged the Government to implement a digital system for inheritance tax, following complaints the current form-filling system is too complex.

On average, there are around 570,000 deaths in the UK every year, although inheritance tax is due on less than 5% of estates.

Although the majority of estates are not liable to pay the tax, executors had to fill out inheritance tax returns for almost half of all deaths in 2015/16.

For more than a third (38%) of those, administering a loved one's estate took more than 50 hours to complete, with some spending more than 100 hours.

Estate administration is the process of handling a person's tax and legal affairs after they have died, while tax is deducted on the value of the estate before being distributed to beneficiaries.

Administrator's duties include obtaining formal documents, calculating the value of their estate, working out and paying taxes, and obtaining a grant of probate.

For 31% of those polled by the OTS, the process took between 21 and 50 hours.

Understanding and completing the relevant forms (38%) and obtaining probate (24%) were among the most time-consuming processes for most respondents.

Meanwhile, only 11% of people said they had found the process simple and user-friendly, prompting calls for the inheritance tax system to be digitally overhauled.

The OTS recommends creating a "fully- integrated digital system for inheritance tax", which would include the ability to complete and submit a probate application.

Angela Knight, chair at the OTS, said:

"The recommendations in this report will make it easier for the majority, and would mean that in future, many may not have to do the forms at all.

"Improving the administration of this tax is important as having to deal with the current process can seem overwhelming to people at a time when they are both preoccupied and distressed."

Paul Morton, tax director at the OTS, added:

"Technology should be deployed to provide a digital solution to transform the experience of those dealing with the tax on a day-to-day basis."

Get in touch to discuss planning your estate.

Critics urge delay in rollout of MTD

Leading tax bodies have joined the House of Lords in calls to delay the introduction of Making Tax Digital (MTD) for all taxes, less than three months before it's due to come into force for VAT.

MTD is finally due to commence on 1 April 2019 for VAT-registered businesses with an annual taxable turnover of more than £85,000 in 2019/20.

However, a House of Lords executive committee released a report in November 2018 calling on HMRC to push back the rollout of MTD for VAT by one year – to 1 April 2020.

It also recommended the start date of MTD for other taxes, such as income tax and corporation tax, should be postponed until at least April 2022.

The peers' report warns that many small businesses in the UK are not ready for MTD, a view that is shared by the Chartered Institute of Taxation (CIOT) and the Association of Tax Technicians (ATT).

Adrian Rudd, chairman of the CIOT-ATT digitalisation and agent strategy working group, said:

"Many businesses still have little or no awareness of MTD, and this widespread lack of awareness is a concern with the start date for MTD for VAT less than 150 days away.

"With just a few months to go before it kicks in, these knowledge gaps could mean normally compliant firms fail to fulfil their new obligations.

"Pushing back the start date for MTD for other taxes to 2022 at the earliest is something we support.

"But it is more important there is sufficient time set aside for a full review and evaluation of MTD for VAT before this programme is extended."

In response, HMRC expressed dismay at the committee's findings, arguing that it had done a lot to improve awareness of MTD among the business community in the last 12 months.

A spokesman for HMRC added:

"We are disappointed the report does not reflect HMRC's wide and significant engagement on MTD over the last three years, nor the changes made as a result for small businesses."

We're happy to discuss MTD.