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Auto-enrolment fines rise 146%

Fines issued to employers that fail to comply with their auto-enrolment responsibilities have more than doubled over the last two years, a report from the Pensions Regulator shows.

In 2017/18, there were 36,137 fines issued to employers for not complying with the requirements of auto-enrolment – up from 14,707 such penalties in 2016/17.

The Pensions Regulator said this rise has been in line with an increased number of employers with auto-enrolment responsibilities, and does not indicate a widespread issue of non-compliance.

Employers are legally obliged to automatically enrol workers into a workplace pension scheme if they are aged between 22 and state pension age, and earning more than £10,000 a year.

After its introduction in 2012, auto-enrolment was phased in over several stages for different sizes of business, so the number of employers required to comply has gradually increased accordingly.

While more than 500,000 employers had declared their compliance with auto-enrolment by 2016/17, this figure rose to 1.1 million in 2017/18.

Ciara Bridge-Butler, press officer at the Pensions Regulator, said:

“Most employers are aware of their ongoing duties, which include record-keeping and maintaining contributions.

“Where an employer does not have expertise in this area, such as a dedicated payroll department, we encourage them to seek help from a professional adviser to ensure they meet their legal duties.”

From 6 April 2019, employers will see their minimum contributions towards an eligible employee's pension rise from 2% to 3%.

Dual-registration service passes 200,000 milestone

More than 200,000 startup owners have benefitted from a collaborative service that enables businesses to register for tax at the same time as registering their company.

The streamlined company registration service, which was announced by HMRC and Companies House in 2015, was launched to reduce the burden on business owners and their agents.

When a company is registered, Companies House notifies the Revenue so that it can dispatch a unique taxpayer reference to the company's registered office.

Most accountants take care of this task as part of a comprehensive business service, which involves setting up a company, liaising with HMRC on its behalf, and dealing with trading periods.

Registering with Companies House and with the Revenue to pay tax is one of the final steps of starting a new business.

Mel Stride, financial secretary to the Treasury, said:

“Reducing the administrative burden on small businesses is all part of this Government's commitment to support small business growth.

“HMRC and Companies House are working hard to make business registration and tax easier.

“The Government is committed to ensuring we can deliver a modern, digital tax system for all businesses and their agents, supporting them to get their tax right and reducing the amount of tax lost through avoidable error.”

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Partners hit by avoidable ISA tax charge

An unnecessary tax charge on inherited ISAs could be resulting in thousands of bereaved partners missing out on a tax break, according to research.

Introduced in 2015, the additional permitted subscription is available to the spouse or civil partner of an ISA holder who has died.

The subscription provides an extra ISA allowance to the surviving spouse or civil partner, the value of which depends on when the death occurred.

For deaths before 5 April 2018, the value of the subscription is equal to the value of the deceased's ISA at death.

For deaths after that date, the deceased's ISA becomes known as a 'continuing ISA' and different rules apply to the value of the subscription.

However, a freedom of information request by Zurich suggests only 21,000 people took advantage of the rule in the 2017/18 tax year – an estimated 14% of those entitled.

Government figures stated there were more than 22.1 million ISA holders in the UK in 2017/18, while around 150,000 married ISA holders die each year.

As the average value of an inherited ISA stands at £55,000, some savers could be paying an average of £110 a year in tax they did not need to pay.

Alistair Wilson, head of retail platform strategy at Zurich, said: "Despite being in its fourth year, the take-up of this tax break looks shockingly low.

"It is not clear what is stopping some savers from taking advantage of the [additional] allowance, and consumers might be baffled by the rules or simply unaware of them.

"People who miss out on the allowance will be hit by a tax bill that quickly eats into the returns on their savings and slows down the growth of their nest egg."

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Think tank proposes tax changes to save £7bn

A think tank suggests that tightening up some existing wealth taxes and subsidies could help the Government save almost £7 billion a year by 2022/23.

Scrapping the lifetime and help-to-buy ISAs, reforming or replacing council tax, and clamping down on inheritance tax loopholes are among the suggestions made by the Resolution Foundation.

Other recommendations include making pensions tax relief more progressive and limiting entrepreneurs' relief.

It suggests abolishing the two ISAs would save up to £900 million a year, while increasing the top council tax bands in England would generate around £1.4bn a year.

On top of that, it argues that capping the tax-free pensions allowance at £40,000 a year would raise around £2bn, and £1.6bn a year would be fetched by returning the lifetime entrepreneurs' relief limit to £1m.

Entrepreneurs' relief currently charges a reduced capital gains tax rate of 10% on disposals made by SME owners up to the lifetime limit of £10m, giving a potential tax saving of up to £1m.

The report predicts that as the UK population ages, the cost of public services will rise by £36bn a year by 2030, and £83bn by 2040.

The Resolution Foundation acknowledged that changing wealth taxes would be "politically difficult" – but said the funds raised would go some way to cover this growing cost.

Torsten Bell, director of the Resolution Foundation, said:

"The good news is that relatively large sums can be raised simply by tightening up our existing wealth taxes and subsidies.

"That is how we protect our public services without placing all the burden of taxation on hard-earned income from work."

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