



NIXONWILLIAMS

GUIDE TO PREMIER SERVICE



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Welcome

A quickly changing world means that it has never been more important to ensure that you select the right partner to support your accountancy and tax needs.

This is why Nixon Williams takes its position as a leading accountancy provider to the contractor and freelance sector with the maximum seriousness.

Nixon Williams's strength rests on its combination of -

- 16 years experience of supporting contractors and consultants with their accountancy needs
- An experienced accountancy team based entirely in the UK
- Listening to feedback to tailor our service to what our clients want
- Cost-effective solutions, helping our clients to keep their overhead costs to a minimum
- Transparent pricing - just one set fee covers all your needs

Nixon Williams are here to help! You lead a busy life, working hard for yourself and your family. The last thing you want is to spend hours pouring over accounts and VAT returns - time that you could be spending with your family.

Nixon Williams has developed a service especially tailored to the needs of small businesses. Our bespoke systems enable us to provide a quick and efficient service to all our clients.

Nixon Williams offer an All - inclusive Accounting Service with all fees agreed in advance.



"Another year of excellent service and guidance. Staff are always friendly and approachable."

(Chris Butler - Chris Butler Piping Design Limited)

PREMIER SERVICE

Our Promise to You

We at Nixon Williams believe that it is important to adopt an ethical approach to dealing with our clients. As a valued client you can be assured that we will act in your interest at all times. To this end we pledge the following:

Good Advice

As a company with extensive accountancy and tax experience we will take the time to make sure that you, the client, is aware of the options available to you. As a professional practice we will also constantly review our advice and legislation and procedures to ensure that you get the very best advice and appropriate tax efficient solution.

A Fair Price

At Nixon Williams we work on lower profit margins than most comparable accountants. This ensures that we are extremely competitive, and that you receive excellent value for money.

Clear and Simple Documentation

We will ensure that all paperwork is as simple as possible and in plain language. Our terms and conditions shall be clearly understandable, and we will answer any questions you may have.

Speedy and Efficient Service

We aim to complete each stage of your accountancy requirements in the minimum amount of time possible and will assign a named person to liaise with you, keeping you informed of progress.

A Consistent Service

For us, our relationship with our clients does not end once you have signed up. We are interested in long term relationships with all clients. As your accountants we see our role as being available for advice and assistance in the event of changes in circumstances or requirements.



PREMIER SERVICE

PREMIER SERVICE SUMMARY

what is included?



Set Up

- Form a Limited company at Companies House, or register your business.
- Register your business for PAYE.
- Register your business for VAT.
- Register your business for Corporation Tax/Business Tax.
- Register your business for the VAT Flat Rate Scheme.
- Assist with opening a HSBC or Cater Allen Bank account.

Monthly

- Operate your payroll with payslips for each employee.
- Calculate & issue a profit statement for your business.

Quarterly

- Calculation & advice of VAT returns & payments.
- Calculation & advice of PAYE payments.

Annually

- Issue and file P14's/P60 & P35 with HMRC.
- Issue and file P11d & P11d(b) with HMRC.
- Calculate & advise of Class 1A NIC payments.
- Prepare & file annual accounts with HMRC.
- Prepare & file Corporation (CT600)/Business Tax Return with HMRC.
- Prepare accounts for Companies House.
- Prepare Companies House Annual Return (AR01).
- Personal Tax Return for one person if received by the 30th September after the end of the tax year. A small charge may apply if you join part way through the tax year.

Ongoing

- Dedicated Account Controller including their direct phone number & email address.
- Unlimited telephone & email support.
- Ongoing book-keeping.
- Produce dividend vouchers and board minutes.
- Deal with any general HMRC correspondence and queries.
- Advise Companies House of company changes.
- Deal with change of address for the company and director.
- Mortgage and tenancy references.
- Complete National Statistical Office questionnaires.
- Deal with HMRC investigations where we have done the work, provided you have followed our advice and not concealed anything from us.
- If you decide to cease using our services, your only commitment is to give us one month's notice.
- If you choose to move to another accountant, we do not make a charge for the transfer.

Your obligations to us:

- Send us copies of your invoices.
- Send us your expense claim form.
- Send us a copy of your business bank statements.
- Respond to letters and emails from us.
- Pay our fees each month.

All Inclusive
Service for only
£95+VAT
per month

PREMIER SERVICE

Which type of business is best for me?

Which way for me? Friends, colleagues and accountants will probably all offer differing views on how you should work. So how do you decide?

Nixon Williams operate and advise our clients to operate within the law but by all means arrange your affairs so as to reduce your overall tax liabilities.

We are here to provide you with guidance on the choices available to you; however you are free to operate through any business vehicle you may choose. We are able to assist you with the decision and we can provide a solution for you.

The majority of our clients choose to operate through their own limited company, although the following pages summarise the differences of each type of business.

There are a variety of ways that you can choose to operate -

1. Limited Company
2. Umbrella Company
3. Off Shore Company
4. Sole Trader
5. Partnership
6. Limited Liability Partnership

1. Limited Company

Trading through a Limited Company has become increasingly popular, due to flexibility, security and tax efficiency.

A Limited Company has a separate legal entity from the owners, even if you own 100% of the shares. The profits and assets of the company belong to it, not you as the shareholder, profits made by the company are withdrawn by dividends to the shareholders or as salary to employees.

Apart from advantages such as limited liability, the main advantage of operating through a limited company is that profits can be extracted by dividends, rather than as salary. Because dividends are not subject to National Insurance contributions, the savings can be very beneficial.

Whilst there are other trading options detailed on our website, these rarely prove to be either as tax efficient and/or compliant with tax laws. If you are contemplating starting your own business, these are aspects that you do need to consider.

With the experience and knowledge of Nixon Williams backing you up, we are confident that you will find that the process is more straightforward than it may first appear.

Nixon Williams can register a Limited Company for you, this is supplied free of charge to new clients.

Please refer to our separate Limited Company Guide for more details.

Our charge for this service is £95 + VAT per month.



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2. Umbrella Company

This is usually a single company with a large number of workers. The advantages of umbrella services may mean reduced paperwork and are an easy option if you only intend to contract for a short period.

Disadvantages of using an umbrella service will include reduced income compared to other methods, returns being inflated due to abuse of "HMRC approved expenses schemes" (none exist), your income being at risk from the umbrella going out of business (eg, Sunday Solutions, Prosperity 4, Albany etc) and a risk of a HMRC investigation into your tax returns.

Note that any incorrectly paid expenses will be recovered from the employee and not the umbrella company.

The introduction of the Agency Workers Regulations (AWR) from October 2011 will have a major impact on how umbrella companies operate, indeed it is highly likely that they will cease to exist in their current form. It is now clear that for any contracts in excess of 12 weeks, working through an umbrella or its replacement scheme, will be even less rewarding.

Unless you only expect to work as a contractor for no more than 12 weeks, umbrella schemes are not a viable option.

Nixon Williams have never offered Umbrella Companies.

Whilst other business types are explained on the next page, most contractors will choose either a Limited Company or an Umbrella service.

Financially, operating as a Limited Company will always be the better option.

Benefits of trading through a Limited Company vs. An Umbrella Company -

It is always more tax efficient to operate through a limited company, rather than an umbrella company, the reasons for this include:

- Ability to save from the VAT Flat Rate Scheme, typical annual savings are £1,800
- Lower administration fees, typical annual savings are £360 but can be over 1,000
- Expenses prohibited by umbrella's such as mobile phone and internet can be claimed.
- One less company handling the money, after a series of umbrella companies becoming bankrupt this can be perhaps the most compelling reason.

Many umbrella companies declare to be 'IR35 safe', 'IR35 exempt' - whilst this is true, they fail to advise you that your candidates will be worse off due to the points mentioned above.



3. Off-Shore Employee Benefit Trusts (EBT)

EBT schemes are heavily promoted by organisations usually based in the Isle of Man, the Channel Islands and even Switzerland. A common boast is that a contractor can retain up to 85-90% of their income.

Although many schemes claim to have unique features, they all essentially work the same way. The contractor will receive a low salary of say £12,000 per annum; this will be subject to UK income tax and national insurance. The payment of a relatively small sum of tax does not legitimise the scheme! After the retention of a large fee by the scheme provider (usually 10-12% of your income), the remainder of the funds are provided in the form of a loan.

- Usually the tax and national insurance paid on the salary is the only tax that is paid, probably no more than £1,500 per annum. This probably equates to an overall tax rate of no more than 2%!
- If a scheme makes promises that a contractor will retain 85% of their income, the fees paid to the scheme provider will probably be 12% of the contractor's income.
- You will be subject to tax on the loan until it is repaid or written off.
- The scheme provider will promise not to ask for the loan to be repaid, ever. This is clearly a big risk to take on trust alone.
- If the loan is written off, it becomes fully taxable.

HMRC estimate that there are 50,000 contractors using these schemes.

Legislation from 6th April 2011 has made these schemes futile, in addition, measures have also been introduced to bring the rules into effect for any loan made from 9th December 2010.

Scheme providers will often quote that their scheme is "QC approved" or "legally backed" and even "HMRC approved", none of these will protect a user when HMRC start to investigate. At the end of the day it is the user that is liable to pay the taxes, not the scheme provider or any legal advisors.

It is inevitable that the demise of EBT's will continue to grab headlines over the next few years, as old users are forced to pay large tax demands and new schemes are closed down.

The legislation is very complex highlighted by the fact that it takes 59 pages to cover the points. Our view remains that these schemes should be avoided. With proper tax planning it is possible to achieve high income retention, 80% is not unheard of and without the sleepless nights.

Please refer to our separate EBT Guide for more details.

Nixon Williams has never offered EBT or any off-shore schemes.



4. Sole Trader

This is a common way of operating a business, popular with plumbers, taxi drivers, builders etc. This will entail registering as self-employed with HMRC using a CWF1 form and paying Class 2 National Insurance contributions, usually by direct debit.

If this approach is what you choose we will assist with HMRC registration, VAT registration, record keeping and we can even assist with opening a bank account.

Be aware that even if this method is what you would like, your clients or agency may not be prepared to engage you on this basis. This is because if your self-employed status is challenged they could become liable for any extra tax and NIC liabilities that may be due.

The Income Tax (Earnings and Pensions) Act 2003 Section 44 effectively prevents individuals from trading as sole trader where an agency is involved, as it obliges the agency to treat the individual as if they were an employee, and so are required to deduct PAYE and NIC from any payments due.

Please refer to our separate Sole Trader Guide for more details.

Our charge for this service is £95+VAT per month.

5. Partnership

If there are two or more people in your business, you might want to consider this structure. Each partner pays income tax, through the Self Assessment system, as well as Class 2 and Class 4 National Insurance - and the business itself pays VAT if it has registered.

If this approach is what you choose we will assist with registration with HMRC, VAT registration, record keeping and we can even assist with opening a bank account.

Our charge for this service is £190+VAT per month. Additional partners are charged at £95+VAT per month.



6. Limited Liability Partnership (LLP)

An LLP is an alternative corporate business vehicle, giving the benefits of limited liability but allows its members the flexibility of organising their internal structure as a traditional partnership.

An LLP is different from a traditional partnership in that it is a legal entity separate from its members. In many ways it is a partnership in name only. It has “members” rather than partners and must be formally incorporated to exist. Because an LLP is a legal entity it is subject to some parts of the Companies Act.

Two or more persons are able to incorporate as an LLP in England, Scotland or Wales. It is not possible to convert a company to an LLP or vice versa.

As a member of an LLP, you are self-employed and must register with the HMRC. Members of the LLP take remuneration in the form of drawings, which have no effect on the profits of the LLP declared for income tax purposes; in other words, drawings cannot be deducted from the profit figure to arrive at taxable profits.

If this approach is what you choose we will assist with registration with HMRC, VAT registration, record keeping and we can even assist with opening a bank account.

Our charge for this service (2 partners) is £150+VAT per month. Additional partners are charged at £75+VAT per month.



Bank account

All businesses need a bank account, so to assist you with this task we have a facility with HSBC or Cater Allen Bank (part of the Santander Group), to open bank accounts for our clients.



By working with us, Cater Allen can normally open a business bank account within 10 working days. The account offers:

- Operated by telephone, post and online.
- In-branch deposit taking available at Royal Bank of Scotland branches.
- Free banking for up to 30 transactions per month.
- Regular monthly statements by post and online.
- View balances, pending credits and payments online.
- Set up and manage Standing Orders, Direct Debits, transfers and payments online.
- Full cheque book and banking facilities for Sterling accounts.
- Telephone banking - available from 7am to 11pm, 365 days
- No minimum balance

Due to this special relationship, our clients are not required to maintain a minimum balance and no charges are payable provided you do not exceed 30 transactions per month.



HSBC is a global banking and financial company. Offering a vast array of indepth services for businesses, it is now the worlds second largest banking and financial services group.

Key features of the account include:

- Operated via internet and telephone.
- Over 1600 branches throughout the UK.
- Monthly limit of 20 cheques can be written.
- Monthly limit of 20 cheques can be paid in at a branch.
- View balances, credits and payments online.
- Online statements and Quarterly statements by post.
- Set up and manage Standing Orders, transfers etc online.
- Cheque book and paying in book supplied.

Even after the end of the Free 12 Months banking, no charges will apply provided you do not write or pay in more than 20 cheques per month and you do not deposit or withdraw cash.

Due to our special relationship with both banks, our clients are not required to maintain a minimum balance and no charges are payable provided you do not exceed 30 transactions per month. You are of course free to open a business bank account with any bank of yourchoosing, however if you do not opt for Cater Allen or HSBC, we cannot assist you with the opening of the account.

Expenses

One of the most common questions is often, “What expenses can I claim?” There is no easy answer to this as all expenses must be “wholly and exclusively” for the business. However, typical expenses that may be claimed include :

- Salaries
- National Insurance Contributions (Employer’s)
- Employer pension contributions
- Business travel (including mileage and public transport)
- Accommodation whilst away from home on business
- Subsistence whilst working away from home
- Lunch whilst working away
- Accountancy Fees
- Mobile telephone costs
- Postage and stationery
- Home office costs
- Business computer equipment and software
- Internet connection
- Technical books and publications
- Business entertaining
- Subscriptions to approved professional bodies
- Bank charges (if you are paying bank charges you need to change banks!)



If you are unsure about any expenses, please contact the office for advice. The main areas of expenses are covered in greater detail on the next page.

“Thank you for the excellent work & service that I have received over the past year. It is very rare these days to find such qualities but I can truly say that I have been impressed by the prompt and quality of service.”
(Daryl Porten -Datacon Consultancy Limited)

Expenses

Here at Nixon Williams, one of the most popular questions we are asked is about expenses.

The following pages provide you with what you need to know regarding the main expenses that you may wish to claim. Not all expenses are covered, however, we have aimed to cover the most common type of expenses that contractors and freelancers may wish to claim.

Take time to read through these pages and check that you are complying with any conditions for claims that you may be making.

Background

You may claim for expenditure that you need to incur to run your business. The exact type and level of expenses can be very complicated and it is important to read this guidance and act accordingly.

Expenses incurred by the business must be “wholly and exclusively” for the purpose of the business, however, there is an exception to this rule where the non-business purpose is merely incidental to the business purpose.

If any expenditure has a dual purpose, then this expenditure will generally not be claimable. An example is clothing, you need to wear clothing whether you work or not, so the dual purpose prevents a claim.

Assistance

Remember that we are here to help and assist you to get the most out of our relationship with you. This expense guide has been compiled with the aim of providing you with a quick guide to the typical expenses that you can claim for.

If you would like more details on a particular area, please visit our website and download the full factsheet on a particular area or feel free to talk to your contact at Nixon Williams. We are always here to help.



Salaries

A salary paid to the director (assuming they are the fee earner for the company) will be an allowable expense, together with the employer National Insurance Contributions (NIC).

If the contract is not caught by the IR35 regulations then you are free to pay whatever level of salary you wish.

Some clients pay a salary up to the National Insurance limit of £7,488 (2012/13), however, some pay a salary at least equal to the National Minimum Wage (NMW) rate, currently £6.08 per hour. On average this works out at around £11-12,000 per annum. Generally, paying a salary at £7,488 will save £871 per annum over a NMW salary.

Salaries to the Company Secretary/Partner

Whilst in theory this is possible, in reality this can be quite hard to justify. You can pay the going rate for secretarial support etc but this generally will not amount to very much.

Typically, the support work for a contractor's company will be minimal, say 1 hour per month. At a rate of say £10 per hour you are looking at an annual salary of just £120!

Our advice would be to leave this one; the Companies Act 2006 has removed the requirement to have a Company Secretary.

Home Office Costs

The easiest method is to claim the flat allowance of £208 per annum, no receipts are required and this is allowed by HMRC if you use part of your house as an office. Simply claim on your expense form and it will be included in your accounts.

Training Costs

Work-related training costs can be paid by your company provided that the purpose of the training is to upgrade or enhance your current skills. If the purpose of the training is to gain new skills, the cost will be treated as capital expenditure and your company will claim Capital Allowances.

Notes:

- The training must be designed to impart, instil, improve or reinforce any knowledge, skills or personal qualities which are likely to prove useful when performing your duties.
- Costs associated with the provision of the training are allowable, such as travel and hotel accommodation.



Travel Costs

Tax relief is available for travel and accommodation expenses in certain circumstances, it is worth noting that the legislation is designed to allow travel and subsistence to an employee who moves from site to site within their employment.

Relief is available for travel between home and a temporary workplace. You cannot claim for ordinary commuting.

A temporary workplace is where you go to perform a task of limited duration or for a temporary purpose.

Whether you can treat your client's workplace as temporary depends upon how long you are based at one particular site or expect to spend at one site, the amount of time spent at a workplace is also considered.

In most cases a temporary workplace will be one that you do not, NOR expect to be at, for more than 24 months.



Example - If you sign a twelve month contract (at a new location), then you will be able to claim for most of the travel/accommodation costs involved.

If, at the end of this contract you extend it for a further twelve months, at this point you expect to be at the site for a total of at least 24 months and so any claims for travel/accommodation would cease at the date you sign the contract.

If you extended for just 11 months, you could continue to claim, because at this stage you do not expect to be at the site for 24 months.

There are some special circumstances that may affect any claims, please contact the office if you require further details:

- If you are only based at one site whilst working through your business and then you close the company, you cannot claim for travel and associated costs.
- If you work at more than one site on the same contract
- If you generally work at various sites within a defined location (eg City of London)

The main types of travel costs that may be claimed are as follows:
Mileage Allowance Payments

The following rates can be claimed for business journeys:

Per Tax Year	First 10,000 miles	Miles over 10,000
Cars	45p	25p

Other forms of travel (train, bus, plane etc) are also eligible, however ensure that you obtain receipts for the journeys; overuse of taxis are not generally accepted so we advise against excessive use.

Accommodation

Hotels & Guesthouses

Where an employee stays in a hotel or guesthouse relief is permitted in full for the costs actually incurred. As always the invoice should be in the business name and supplied with the expense claim form if paid personally.

Rented Flats

In many cases furnished accommodation (e.g. flats) can be obtained as a cheaper and more convenient alternative to hotel accommodation. Provided that the total cost of the accommodation is appropriate to the business need, is reasonable and not excessive, tax relief should be allowed.

The cost will be accepted as reasonable where the total cost of providing the accommodation does not exceed the cost of hotel accommodation of an appropriate standard.

In all cases (hotels/guesthouses/flats) you may also claim for the provision of breakfast and an evening meal.

If you are staying away from home due to business commitments you may also claim for a subsistence allowance of £5/night (£10/night overseas). This is intended to cover small incidentals such as laundry, newspapers etc.

Lunch/Meals

You will be able to claim for the cost of a sandwich etc, purchased on the way to a temporary workplace, or at lunch time. We would suggest that the cost of this should be reasonable and you will need to retain receipts.

We would consider that the cost of this would include liquid (non-alcoholic) refreshments and should cover lunch at a cafe etc.

What is not covered is the cost of making up a packed lunch at home or buying ingredients at a supermarket, such as bread and cheese etc.

Christmas Party/Annual Event

An annual event, commonly a Christmas Party, is an allowable expense for the business and you will not be taxed upon it providing you meet the following conditions:

- The total cost must not exceed £150 per head - if the cost is just 1p over then the whole cost will be subject to tax and NIC, not just the amount over £150
- The event must be open to all staff, although in reality that will just be you!
- You may invite a partner, but if partners are invited, all staff must be entitled to invite a partner - invited partners will count for the £150 per head allowance.



Business Entertaining

Business entertaining may be paid through your business, however tax relief is not given by HMRC.

Mobile Telephones

The provision of one mobile phone (including smartphones) is exempt from any tax charge. The exemption covers the telephone itself, any line rental and the cost of private calls paid by the employer on the telephone.

Notes:

- The number of phones provided for private use is restricted to one
- Mobile phones provided to members of your family and household are excluded
- To qualify, the contract must be in the name of the business and paid from the company bank account.

Internet Access

You can claim for the cost of Internet/Broadband access at your home subject to the following:

- There is no separate billing or record of access connections (if there is, then you can only claim for the business connections)
- No breakdown is possible between work and private connections
- Private use is not significant
- The contract must be in the name of the company and paid from the company bank account.

Computer Equipment

If you require the use of a computer/laptop in order to carry out your duties then you can claim for the cost of providing one.

The business will be entitled to 100% Capital Allowances for the cost and so the tax relief is given in the year of purchase.

Notes:

- If you are on the VAT Flat Rate Scheme (as we generally recommend) then you will only be able to reclaim any VAT if the total cost is in excess of £2,000.



Childcare Vouchers

As a contractor, your business may be able to provide you with childcare vouchers, a popular method to pay for childcare. Up to £243 per month can be provided to each employee.

There are two ways in which childcare costs can be paid from the business, via a voucher scheme or via a direct agreement with the childcare provider.

Voucher Scheme

Your business can purchase vouchers from a childcare voucher scheme provider such as Busy Bees and issue these to the employees. The employee then uses them to pay towards childcare at a registered provider. The scheme provider will charge an administration fee, typically about 2-5% of the face value of the voucher.

Direct Agreement

This is where your business agrees directly with a registered childcare provider to purchase childcare and provide this to your employee. A simple letter of agreement between your company and the childcare provider is all that is needed here, stating the amount that your company agrees to purchase on behalf of the employee; a sample letter can be found on our Childcare Factsheet, available on our website.

Generally the voucher scheme is easier for the employee to use; however, there are additional costs involved due to the admin fees charged. Remember, whichever option you choose, the costs must be paid direct from the business bank account.

Conditions

To qualify the following conditions must be met:

- The childcare vouchers can only be used at registered or approved childcare providers
- The child or stepchild must live with you
- The child or stepchild for whose maintenance you contribute (either in full or in part) is yours
- The child qualifies, up to 1st September after their 15th birthday (16th birthday if they are disabled) and
- The child carer must not be related to your child, even if they are registered or approved, unless they run a childcare business and look after other children that they are not related to.

Benefits

Assuming that you do not receive a large salary, you can benefit to the maximum amount of £243 per month, the tax savings can be generous, and the amount will depend on the top rate of tax you pay and how your business provides for the childcare. It is possible to save over £1,000 of tax each year.

To find out more please download our free factsheet from our website.



Pension Contributions

Pension Contributions made by a company to a pension scheme will no longer automatically be allowable for tax relief.

From 6th April 2006, pension contributions can only be claimed if it can be shown that the contributions have been incurred “wholly and exclusively” for business purposes.

The Revenue may try to establish whether the pension contribution has been paid for a “non trade purpose”, i.e. does the contribution benefit the person far more than the business?

HMRC have stated that they will not challenge an overall remuneration package and its split between salary and pension contributions. Provided the overall contributions do not exceed the annual allowance of £50,000 - there should not be an issue with making company contributions in excess of the salary paid.

We would advise you to consult with our pensions advisor prior to making any pension arrangements. Although Nixon Williams are not authorised to offer advice regarding pension and other investment products, we can arrange for a financial advisor to contact you.



It would seem that the Revenue would accept pension contributions as part of an overall package made up of salary and pension contributions. Remember that personal tax relief (for pension contributions) is capped at 100% of the salary paid.

Currently there is not much difference in the tax benefit between contributions paid personally or by the company.

Insurance

By law, every employer must take out a policy for employer’s liability insurance, which covers the employer against claims by the employee for injury etc. This cover is no longer required if you are the only employee and you own at least 50% of the shares.

Other insurance’s that you may consider taking out include:

- Public Liability Insurance - to insure you against claims from third parties that may sue if they have suffered from your actions.
- Professional Indemnity Insurance - to insure you against any claims made against you, for example, your client suffers a financial loss as a result of your error or negligence.

Please see the insurance shop part of our website for further information.

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Medical Insurance

The business can pay for medical insurance (eg BUPA, PPP) however this would always be taxed as a benefit in kind, and the company would pay NIC of 13.8% on the cost. The policy must be in the company name or you will also be liable for personal NIC payments.

Charity Donations

Donations made to a charity from business funds will gain tax relief, assuming they are 'wholly and exclusively' for the purpose of trade. You need to ensure that the charity is aware that the donation is from the company and it should be paid direct from the company account.

To ensure that full tax relief is available the charity donations should not cause the company to make a tax loss as the gift aid donations will then be 'lost' for tax purposes i.e. you cannot carry back/forward tax losses caused by excess gift aid donations. Generally, you or a connected person should not benefit from the donation. Please refer to our full factsheet for further details.

The charity donation should not be attached to any condition or benefit between the charity and the donor.

Accountant's Fees

Accountancy fees for taking care of your accounting and tax advice are an allowable expense. Fees seem to range from £50 upto £300 per month, in choosing an accountant we suggest you consider three factors:

1. Experience - using a specialist contractor accountant and one that is aware of IR35 will pay dividends
2. Fees - whilst some accountants take the view of charging as much as they can get away with, at Nixon Williams, we are interested in a long-term client relationship based upon mutual trust, something that will be absent if the client is unfairly treated, particularly when it comes to price
3. Qualifications - sadly, anyone can call themselves an accountant, so look that they are qualified. CIMA & ACCA are the main qualifications to look for.

The Nixon Williams Premier service is £95+VAT per month.

Miscellaneous Items

Other costs that can be paid by your company will include:

- Professional Subscriptions
- Postage costs
- Stationery and computer consumables

Important - To avoid potential problems with anything you wish to claim for, it is vital that it is your business that makes the contract and pays for the expense you wish to claim for. This is particularly important when claiming for a mobile phone, internet connection, computer equipment and training costs.



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Salary & Expenses for contracts caught by IR35

Under regulations (known as IR35 - please refer to our separate guide), there are restrictions on what expenses etc can be claimed by you through the company. The qualifying expenses are as follows:

- Travelling, accommodation and subsistence expenses that are allowable (see section on travelling expenses on pages 15 - 16)
- Employer contributions to approved pension schemes
- Professional Indemnity Insurance costs
- Subscriptions to approved professional bodies
- Employer National Insurance contributions

A further flat rate of 5% of the income from the contracts. This does not have to be accounted for to calculate the "deemed salary"; the 5% allowance will be allowed in all cases.

Note that you will also benefit from the VAT Flat Rate scheme - this will typically boost your income by 3.8% in year one.

The total of the above items will be deducted from the income from the contract(s) and this net amount will be paid as a salary to you. This salary is subject to tax and National Insurance in the normal way.

Income tax and National Insurance contributions will be deducted as with any salary. The tax and National Insurance contributions will usually be paid monthly, we advise how much to pay and when it should be paid. We supply all you need so that all you have to do is make a payment!

We also complete the PAYE annual returns, including P35, P60, P14 and P11d's.



Income Tax

Commonly known as Pay As You Earn (PAYE), this tax is deducted from salary payments made by the employer. The tax collected is usually paid every three months and falls due on the 22nd of January, April, July and October.

The Income Tax rates are as follows (2012/13)

Personal Allowance (free of tax)	£8,105
Basic rate of 20% on the next	£34,370
Higher rate of 40% on the next	£115,630
Additional rate of 50% on taxable income cover	£150,000

The personal allowance of £8,105 is gradually withdrawn on taxable income in excess of £100,000.



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National Insurance

National Insurance is due by both employee (you) and employer (your business) on any salary which is paid. National Insurance is paid at the same time as PAYE. The employee pays at the rate of 12% on salary between £7,605 to £42,475 and 2% above £42,475. The employer pays at the rate of 13.8% on all salary over £7,488.

VAT (Value Added Tax)

VAT is charged at 20% on your services; this is paid over on a quarterly basis. Less any VAT that you are claiming for goods and services purchased if you are not in the Flat Rate Scheme

Most clients will benefit from the VAT Flat Rate Scheme - you still charge 20% VAT; but the business simply pays over a reduced amount, typically 14.5% (13.5% in the first year) of the gross turnover.

Corporation Tax

Limited Companies pay Corporation Tax on its profits. The current rate for small companies is 20%. This tax is paid nine months after the company's year-end.

If you trade through a limited company and receive dividends, additional personal taxes may be due if your total income exceeds the higher rate threshold. In the tax year (2012/13) any income in excess of £42,475 will be subject to higher rate tax. You will need to save this extra tax in a personal savings account each month. For a very approximate amount to save, use the monthly calculation below:

$(\text{Gross salary} + \text{net dividend} - \text{£3250}) \times 25\%$



Dividends

Provided that the recipient of the dividend is not a higher rate tax payer then no further tax will be due on the dividend. The dividend received would be treated as tax paid.

Higher rate tax payers will be liable for an additional charge on any dividends that exceed the higher rate threshold.

Example

Net Dividend	£900	90%
Tax Credit	£100	10%
Gross Dividend	£1,000	100%

Basic rate and non-taxpayers will receive £900 with tax fully paid - there is no further liability.

Higher Rate Taxpayers will be liable for additional tax as follows:

Gross Dividend	£1,000
Tax @ 32.5%	£325
Less Tax Credit	£100
Net Higher Rate Tax Due	£225 (=25% of net dividend)
Net Dividend after tax	£675 (=75% of net dividend)

Taxpayers subject to the Additional Rate tax will be liable to the following tax but only on taxable income in excess of £150,000

Gross Dividend	£1,000
Tax @ 42.5%	£425
Less Tax Credit	£100
Net Additional Rate Tax due	£325 (36.1% of the net dividend)
Net Dividend after tax	£575 (63.9% of the net dividend)



"I would also like to thank you for first class service you have provided over the last 6 or 7 years. I have recommended several colleagues who have committed to use your service during this time and I will continue to do so in the future should the opportunity arise." (Lisa Murphy - Seahorse Communications Ltd)

Self Assessment Tax Returns

Self-Assessment is the term used to describe personal tax returns issued by HMRC. They are mainly issued on the 6th April each year and cover the preceding tax year. The tax year covers the period 6th April to the following 5th April each year.

The tax return is usually due no later than 31st January after the end of the tax year.

Any outstanding taxes that are owed are due by 31st January following the tax year in question.

Example - A tax return for the Tax Year 2010/11 (return issued 06/04/11) -

The Tax Return is due by 31st October 2011 if you file a paper tax return. The Tax Return is due by 31st January 2012 if it is filed online.

Any taxes that are due must be paid by 31st January 2012 or interest and possibly a surcharge will be charged.



You already have your own business?

Transferring to Nixon Williams from your current accountant (or even if you do not have an accountant) is very easy. Just complete the relevant form with some basic details, together with the items listed on the application form and we can start the transfer.

We will contact your old accountant and obtain the other details we need from them.

Once we have received the details we need we will check that the accounts are in order including checks on the VAT account, PAYE/NIC payments, Taxes etc.

As soon as the transfer is complete you can start to enjoy all of the benefits of our service as listed in this brochure.

How much will it cost?

- There are no transfer fees or charges.
- Our fees will be simply £95 + VAT per month.
- Contact us now and see what we can do for you.



How much can I expect to retain through my business?

For a personal projection of what you may expect to earn after tax, try our Take Home Pay Calculator at: www.nixonwilliams.com/net_pay_calculator

Here you will find it easy to calculate your own rate per day and expenses to instantly determine the income you can take home, whether you are working through a Limited Company or Umbrella. As shown below:



	Outside IR35 Year 1	Outside IR35 Year 2	Inside IR35 Year 1	Umbrella
Monthly Take home pay	£5,924	£5,869	£5,004	£4,813
Take home pay as % of annual income	77%	77%	65%	63%



The detailed breakdown button will also present you with the following:

	Outside IR35 Year 1	Outside IR35 Year 2	Inside IR35 Year 1	Umbrella
Annual income @ £400 per day	£92,000	£92,000	£92,000	£92,000
Add Flat Rate VAT Saving	£3,496	£2,392	£3,496	£0
Turnover	£95,496	£94,392	£95,496	£92,000
Mileage @ 24 miles per day	£2,484	£2,484	£2,484	£2,484
Home office @ £3 per week	£156	£156	£156	£156
Pension contributions @ £0 per month	£0	£0	£0	£0
Other expenses @ 30 per day	£6,900	£6,900	£6,900	£6,900
Accountancy fees	£1,368	£1,368	£1,368	£1,600
Salary	£7,488	£7,488	£72,331	£71,736
Employer's NIC	£57	£57	£9,006	£8,924
Pre-Tax Profit	£77,043	£75,939	£3,251	£0

All of the Nixon Williams calculators are available to you on your mobile through the Nixon Williams app for Apple and Android. Here you will find the the Take Home Pay calculator, IR35 Checker and the Dividend Tax Calculator:
<http://www.nixonwilliams.com/Nixon-Williams-present-their-first-App>

Our team at Nixon Williams will be delighted to provide a more exact estimation based upon your own individual circumstances.

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Your Questions Answered

- Q. I am new to contracting and I have not started my business?
A. We offer a FREE start up to all new clients.
- Q. I live 125 miles away from Nixon Williams' office, am I too far away?
A. No. We offer a nationwide service to our clients, all your work will be carried out at our office in the UK, using post, email, fax etc.
- Q. What happens if I need help?
A. You may email, telephone, fax or write with any query, we will respond as soon as we can, usually the same day.
- Q. What if the "IR35" rules do not apply to my business?
A. No problem. If, after reviewing your contract, the IR35 rules do not apply, simply let us know and we will deal with your accounts accordingly.
- Q. How much notice must I give if I want to stop using your services?
A. In the unlikely event that you wish to stop using the service, all we require is one month's notice.
- Q. How quickly can I start to use the service?
A. Simply complete the application form on our website, and we will get working on starting your business.
- Q. What is the cost of closing my business?
A. We charge a standard fee of £150+VAT; however depending upon how long you have traded, there may be a small additional charge to cover the preparation of the accounts.
- Q. What expenses can I use the 5% allowance for?
A. If the contract is subject to the IR35 rules, a flat 5% allowance is given in all cases when calculating the deemed salary. The purpose of this is to pay for administrative costs of the company; any unused part will form part of the profit and can be paid as a dividend.
- Q. What do I do if I have any further questions?
A. You may contact one of the Nixon Williams team by one of the following ways:



Absolutely top service! It's been a stress free 1st year - Thank you. (Phil Stowell)

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