

The Cost of Absence



There are few employers who are not concerned about absence within their workforce. The 2005 CBI survey suggests that the 33 million days taken off work by British employees has a direct cost to UK business of over £12 billion per year.

Approximately 80% of the overall absence figures are made up by short term illness. If the indirect costs are added this figure could well be doubled. The cost of absence could have a devastating effect on small and medium sized businesses. The effects of absence are often not only felt by the employer but also by work colleagues who need to take on additional work to cover absences. No one would argue that these are serious issues, but what can be done to manage absence when it occurs and help prevent it in the first place?

Prevention is Better than Cure

- Most would agree that having a clear policy on absence and regularly reviewing procedures helps to reduce short term absences. Ensure your policy is clear and that employees have a copy in their staff manual or handbook. Areas to consider would be for how long people

are paid at full pay, maximum number of days sickness staff are entitled to, at what point statutory sick pay kicks in etc. Care should be taken if it is proposed to change a policy and to ensure policies work within the law. So it may be necessary to seek professional advice.

- Monitor and review absence statistics frequently to spot trends. Absence records are also required to be maintained when paying statutory sick pay.
- Consider the Disability Discrimination Act if you are dealing with cases of long term absence.
- Take time to understand the needs of your employees individually and as a whole. Low morale is likely to result in high levels of absenteeism and high staff turnover.
- Consider the introduction of incentive programmes or health schemes that help demonstrate the value of your employees.

Practical Steps in Managing Absence

- If possible ensure that for each key member of staff that there is a colleague that could at least cover in the short term.

- Know the rules on how to manage and administer sick pay or ask your accountant for assistance.
- Consider outsourcing work, either on a short or long term basis. For example, we can help with your payroll, either managing the process for you on a permanent basis or stepping in during an emergency. Don't make your employees wait for their pay simply because the person who administers the PAYE is off sick – there can be little else as bad for staff morale!
- Ensure that details of passwords etc can be obtained if necessary.
- Ensure that someone is aware of key dates, such as when the payroll has to be run and details sent to the bank.
- Keep accurate records of absences in case you find yourself in a situation where you need to dismiss an employee. Take legal advice and consult your accountant if you are offering a voluntary redundancy or early retirement package.

For further information on taxation, benefits, obligations and financial arrangements relating to employment, call us on 01206 715000.

Inside this issue of Balancing Business

Tenants' Deposits - Landlords Beware!

*A new law affects the deposit landlords
receive from their tenants*

Company Law Reform

*Essential reading for every company
owner, director or secretary*

Did you Know?

A Round-Up of the latest news

Tenants' Deposits - Landlords Beware!



As a private landlord, do you hold a deposit from your tenants? If so, you need to know about a new law that came into force on 6th April 2007 to protect tenants from unscrupulous landlords who unfairly withhold deposits once properties have been vacated. As with most laws, to protect against the minority means the law has to be applicable to the whole.

The law

If you let a property under an assured shorthold tenancy agreement, as is usually the case when letting residential properties, and take a deposit after 6th April 2007, then as the landlord you must opt for one of two types of tenancy deposits schemes:

- 1 The custodial scheme, where the landlord pays the deposit to an approved provider, The Deposit Protection Service (DPS). Once the tenancy finishes the landlord and tenant agree how much of the deposit is to be returned to each party. This will be paid out by DPS within 10 days of notification. Any disputed amounts are held in the scheme until resolved.

The DPS is funded by the interest it makes on holding the deposits, any surplus interest made is paid out in accordance with the tenancy agreement, if there is no agreement it goes to the tenant. If the payment of the deposit is to be split then the interest will be apportioned accordingly.

- 2 Insurance based schemes, of which there are two approved providers, Tenancy Deposit Solutions Ltd (TDSL) and The Tenancy Deposit Scheme (TDS). With insurance based schemes the landlord holds the deposit but pays a subscription to the provider. If the landlord does not return the deposit to which the tenant is entitled to it is paid out of the insurance scheme. The landlord has 10 days in which to return the deposit after which the tenant can apply to the scheme to get it paid by the insurance company.

Disputes

The DPS and TDS include dispute resolution services. There is also an independent, free alternative dispute service available to landlords and tenants. If you chose to use a dispute service then the parties must agree to abide by their decision and forego any later right to go to court. The landlord and the tenant can however chose to go to court at the outset.

Landlord does not Comply

Within 14 days of receiving a deposit the landlord must give the tenant details of the scheme he is using. If the landlord fails to protect the deposit or does not notify the tenant of the scheme, the tenant can take them to court. The court will then order the landlord to return the deposit or to pay it into a scheme. The court will also order the landlord to pay the tenant 3 times the amount of the deposit by way of penalty. The average deposit is currently £695, so the cost of not complying is significant.

What if I use a letting agency?

If you use a letting agency, then you should ensure that the agency is signed up to one of the schemes. The cost to the agency, which ultimately they will pass on through their

letting fees, will depend upon whether it is a member of a self-regulated body such as ARLA or a trade association. The greater the regulation the lower the fees the agency has to pay.

The law has not been well publicised, particularly for landlords who do not use agents, however falling foul of it could be costly. At the time of writing not all the details of the schemes has been finalised, but further information can be found at www.tenancydeposit.gov.uk.

If you are you currently a landlord or are considering 'buy to let', contact Jackie Frost on 01206 715000 for an informal chat about how we can help, or send an email to jackie@bakerchapman.co.uk.

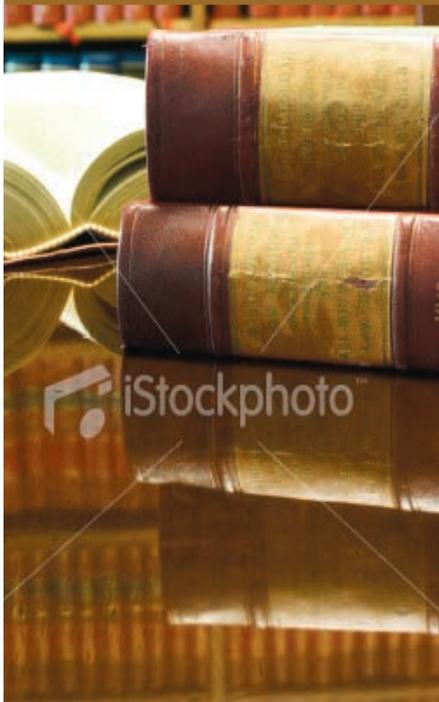
Welcome to Keith



We are pleased to announce the recent addition to our team of Keith Nevill. Keith came to Colchester in 1994 after graduating from Portsmouth Polytechnic. He qualified as a Chartered Accountant in 1997.

Keith brings with him his experience of dealing with accounts and audits of small and medium sized businesses in a wide range of industries including property development, construction, haulage and doctors.

Company Law Reform



In November 2006 the long awaited new Companies Act received Royal Assent. The aim of the Act was to simplify the law in particular as it relates to small private companies, as well as to tidy up volumes of legislation that has evolved since the last Companies Act in 1985. The result was the longest ever statute to be passed.

The changes are to take effect in stages starting from January 2007 concluding in October 2008. The timetable as it relates to private companies is set out below:

January 2007

- Shareholders can be given the option to receive resolutions electronically.
- Company and LLP websites and emails must include the registered office, registered number and place of incorporation. At the time of writing the level of penalty had not been set, but it could theoretically be as much as £1,000.

October 2007

- Written resolutions will only need to be signed by the same percentage of

shareholders that would have been needed if the resolution was passed at a meeting. For example written resolutions currently require all shareholders to approve, but an ordinary resolution passed at a meeting requires only a simple majority.

- In most cases private companies will no longer be obliged to hold an annual general meeting, unless demanded by at least ten per cent of the shareholders.

April 2008

- Private companies will no longer have to appoint a company secretary.
- The deadline for filing accounts will be reduced from 10 months to 9 months.
- Medium sized groups will now have to prepare consolidated accounts.

October 2008

- Directors will be able to file a service address, such as the company's address on the public record, i.e. in such cases although a private home address will held at Companies House it will be held as protected information.
- Private companies which wish to reduce their share capital will be able to do so by special resolution backed by a solvency statement, rather than the current process of getting court approval.
- Companies will be able to give financial assistance to the purchase of its share capital.
- Currently if a director has a conflict of interest in the affairs of a company he must seek shareholder approval. In future if there are other directors who are not involved with the conflict and the company's articles permit, then these directors can authorise the transaction.
- The Memorandum and Articles of Association for newly formed companies will be more straightforward:
 - The articles rather than the memorandum will set out the principles covering the way the company conducts its business.

- There will be a new default model Articles of Association that may be used when setting up new companies and which existing companies can change to. These Articles are intended to be more appropriate to smaller companies than existing models.
- There will be no requirement for new companies to include an objects clause in its constitution.
- A company must have at least one person as a director, i.e. will not be able to have all corporate directors.
- All directors must be at least aged 16.

Existing companies will be bound by current memorandum and articles of association and therefore may not automatically be allowed to take advantage of some of the simplified procedures. However subject to the appropriate resolutions being passed they will be able to opt for the new style documents.

New CIS Scheme

All of our clients involved with the Construction Industry will be aware of the changes to the arrangements for payments to sub-contractors which take effect from 6th April and we have made reference to these changes in our electronic news bulletins. The Revenue have gone to great lengths to ensure that everyone involved with the industry has been made aware of the new rules and, in fact, they delayed their introduction from last year in order to provide sufficient time for everyone to modify their systems and prepare for the changes.

For many people there will be no immediate change. Sub-contractors will continue to be paid either with or without tax being deducted just as they were before although rate of tax increases to 20% and it is not until a worker is due to be paid by a contractor that he has not worked for within the last two years that the new verification procedures will be encountered.

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DID YOU KNOW? Recent changes to tax and business law

Van Benefits

From 6th April 2007 the annual taxable benefit for private use of a company van increased from £500 to £3000 plus £500 private fuel benefit. If your employer requires you to take the van home and your personal use is insignificant, then the Revenue may not regard this as a benefit.

Home Computers

From 6th April 2006 exemptions which had previously meant that private use of employer provided computers were tax exempt were removed. Benefits from that date are calculated based on 20% of the market value. However, tax legislation exempts any benefit if there is no 'significant private use'.

New Advisory Fuel Rates

From 1st February 2007 the following rates can be used to calculate tax free flat rate payments of business fuel paid privately, previous figures in brackets:

| Engine Size | Petrol | Diesel | LPG |
|------------------|-----------|-----------|-----------|
| 1400cc or less | 9p (11p) | 9p (10p) | 6p (7p) |
| 1401cc to 2000cc | 11p (13p) | 9p (10p) | 7p (8p) |
| Over 2000cc | 16p (18p) | 12p (14p) | 10p (11p) |

If you can provide evidence of a different actual rate than the actual rate can be used. These figures can be used as the basis for claiming VAT back on private mileage paid. The revisions are as an apparent consequence of the fall in the price of fuel!

Car Fuel Scale Charges

For VAT periods starting 1st May 2007, the VAT scale charges that employers have to pay on private fuel provided to staff will be based solely on the CO2 ratings, and not on engine size and fuel type. The actual rates are not available at time of writing.

Annual Limit for VAT Cash Accounting

From 1st April 2007 the limit has been raised from £660,000 to £1,350,000.

Increased Maternity Pay

For mothers whose babies are due after 1st April 2007 paid Statutory Maternity Pay (SMP) rises from 26 to 39 weeks and the mother's entitlement to maternity leave increases to 52 weeks.

Qualifying Years for State Pension

The Government has announced its intention to reduce the qualifying years that individuals are required to have been paying National Insurance contributions to 30 years (down from 44 for men and 39 for women) in order to qualify for the full basic state pension. This will affect those reaching state pension age after 6th April 2010. If since 25th May 2006 you have been paying additional voluntary contributions to increase your number of qualifying years unnecessarily, you should be able to claim a refund.

Further information on these items and more can be found on our website at www.bakerchapman.co.uk by following the links to 'Latest News for Business'

New CIS Scheme

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However, there is a danger that the main thrust of the changes will be missed. The Revenue consider that many of the workers currently trading as self employed should be treated as employees, and they consider that possession of a sub-contractor card carries with it the assumption that anything the worker does must be self employment and this is the reason that they are dispensing with the documentation. In respect of each engagement, contractors will be required to assess whether their workers are self employed or employees and to make a declaration monthly to that effect. It is obviously more expensive if the contractor gets this wrong as they will be responsible for the full National Insurance charge and the Income Tax that should have been deducted from the employee. The Revenue will look to the employer and one can imagine that it will be very difficult to recover any proceeds from the worker.

This change represents the last chance to re-assess workers status as the Revenue are unlikely to investigate the treatment of prior year payments if they discover on a control visit that workers are dealt with correctly under the new scheme.

The Budget

The Chancellor made major changes to corporation tax; rates will increase for some companies and reduce for others, he is also changing the way relief is obtained for capital expenditure. For more details on this and other aspects of the budget visit www.bakerchapman.co.uk where you will find a full breakdown of the major provisions for businesses and individuals.

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We are always pleased to receive your comments or questions about 'Balancing Business' or any of the items mentioned in its editorial. If your mailing details are incorrect, if you have received duplicate copies, or you would like your name added to or removed from our mailing list, please contact Jackie Frost on 01206 715000 or by email: jackie@bakerchapman.co.uk

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