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large enough to cope
but small enough to care

Business Matters

The Companies Act: the missing links

On 1 October 2009 the final sections of the Companies Act 2006 come into force. The main features of the changes are detailed below.

New company formation

The documentation for forming a company differs significantly from previous requirements. The Memorandum of Association will be a short document, evidencing the intention of each subscriber to form a company and become a member of that company. Companies will no longer be required to specify their objects, and the concept of authorised share capital will be abolished.

New Model Articles will be introduced, which are written in plain English and shorter than the previous 'Table A'. There will be three types, as follows:

- Private company limited by shares
- Private company limited by guarantee
- Public limited company

In practice, companies will be formed using either Model Articles, Model Articles with amended provisions, or bespoke Articles.

The Statement of Capital is a new requirement, giving a 'snapshot' of a limited company's issued share capital at a given time. It will need to be provided in various circumstances, including as part of the application to incorporate and with each annual return made up on or after 1 October 2009.

Existing companies

Companies formed under 'old law' before 1 October 2009 will need *transitional provisions*. For instance, provisions in their memorandum which go beyond the newly required information (such as objects clauses and authorised share capital) will automatically be regarded as provisions of their Articles of Association.

Companies would be well advised to examine their Memorandum and Articles of Association with a view to adopting the new Model Articles, or changing some of their current provisions. Changes to Articles require a majority of 75% of the voting rights of those eligible to vote. Special resolutions can be passed by written resolution, but a copy should be filed at Companies House within 15 days of its being passed.

Directors' service addresses

Directors (and company secretaries where applicable) of existing and new companies may set out a service address rather than their usual residential address. This can be the company's registered office.

Individual companies will have to maintain two registers of directors – one including a service address for each director, and a further register containing the residential address of each director (protected information).

Home addresses will not be put on public record after 30 September 2009, and access to the Companies House register will be very strictly limited (eg liquidators, the police, HM Revenue & Customs (HMRC) and credit reference agencies). If no action is taken, the residential address will automatically become the service address until the information is provided in the next annual return.

Shareholders no longer have to provide any address to Companies House.

Registrar's powers

A new range of powers for the Registrar of Companies includes powers to decide on the form and manner in which companies must deliver documents, what is needed for a document to be properly delivered, provision of electronic delivery for certain documents, and amendments to the register.

Striking off

The existing procedures will be carried over in a similar form. However, there will be a new simplified *administrative restoration procedure* for companies struck off by Registrar's action. Whatever the route of dissolution, the time limit for application to restore will be six years (currently two years for liquidation, 20 years for striking off).

This article is for guidance only. You should always consult a qualified adviser before taking action.

Inside this Issue...

Tackling stress in the workplace

A significant proportion of UK employees have reported experiencing higher levels of stress at work over the last 12 months. In the current climate of economic and financial uncertainty, it is more important than ever to have in place effective stress management policies.

While the law imposes a duty of care on employers regarding the welfare of their employees, it also makes good business sense to take steps to avoid the negative effects of stress on the individual, the workforce and the business as a whole.

Stress versus pressure

It is generally agreed that a reasonable amount of pressure can have a positive influence on both performance and general well-being. However, it is important to understand the difference between pressure and stress. Stress is a reaction which occurs when excessive or sustained pressure or demands are placed on an individual who is, or feels, unable to cope with those demands.

Stress can have a serious effect on employee health, morale and productivity, and is a leading cause of sickness absence. Employees suffering from stress are also more likely to be the victims of accidents and injuries in the workplace, leading to an increased risk of tribunal and personal injury claims.

Recognising the signs

Stress manifests itself in a variety of ways, and sufferers can demonstrate a wide range of physical and psychological symptoms. These may include:

Behavioural signs

An employee may become unusually aggressive towards others, or withdraw into themselves and appear to take no interest in their work. They may become indecisive or easily confused, or seem uncharacteristically emotional or overreactive.

Performance-related signs

The quality of an employee's work may decline or become inconsistent, and they may find it difficult to prioritise tasks. Punctuality and attendance could begin to suffer; alternatively, employees may spend increasing amounts of time at work, neglecting (or even refusing) to take regular breaks or holiday leave.

Physical signs

Physical symptoms can include sudden weight gain or loss, headaches and fatigue, sweating or shaking, difficulty speaking clearly, becoming more accident-prone, and a lack of interest in personal appearance.

Common causes of occupational stress	Action you can take
Facing excessive demands or requests that are difficult to fulfil	Ensure that workloads, targets and deadlines are achievable; monitor working patterns; ensure regular breaks are taken
Feeling a lack of control	Give staff the appropriate autonomy and access to the resources needed to perform the task
Not fully understanding a specific task or request	Brief staff and provide proper training; ensure that the employee is offered appropriate support from supervisors
A lack of recognition	Acknowledge and reward your employees' achievements; conduct regular staff appraisals; offer training in new skills
Concerns about recent changes within the business	Communicate with staff; offer a forum for staff feedback
Behaviour of other employees	Have clear policies relating to bullying and harassment; address conflicts in the early stages; ensure that an employee has the support of a line manager

Looking to the future

While having a private chat with an employee can sometimes be enough to resolve any issues, it may be worth performing an audit of your procedures to identify areas where individuals could be at risk. This could include: an analysis of the working environment; terms and conditions of employment; the nature of the work performed; communication; managerial procedures; and the forms of support available to employees.

Making employee health and well-being a core part of your management strategy could have many benefits for your business, not only helping to safeguard against stress and its damaging effects but also equipping you to tackle wider issues such as absenteeism, productivity and efficiency across your organisation as a whole.

Alternative tips for managing stress

You might also consider offering some alternative ways of improving employees' morale and work-life balance, such as:

- **flexible working**
- **gym membership**
- **extra holiday or 'duvet days'**
- **access to counselling**
- **stress management training**
- **team building days**

This article is for general guidance only. If you are unsure of your legal obligations, you should seek professional advice.

Salary sacrifice: reap the rewards

By using a salary sacrifice scheme you can reduce your total salary costs while increasing the value your employees receive from their employment package. This involves substituting part of your employees' pay for a tax-free voucher or benefit.

There is a range of tax-free benefits that can be given in place of salary, such as:

- Childcare vouchers worth up to £55 per week
- A daily meal allowance for employees incurring a cost on a meal or meals while travelling
- Use of a company bicycle and safety equipment
- Payment for relevant training courses
- Parking at or near work.

Planning ahead

You will need to match the particular benefit offered to each employee, to ensure they can actually take advantage of the tax-free status. For example, childcare vouchers are only tax-free where the child the employee is responsible for is aged under 16, and the voucher is redeemed for registered or approved childcare. Slightly different rules apply for disabled children. For lower paid employees, care should be taken that there is no adverse effect on tax credits for childcare where vouchers are provided by the employer.

The potential benefits

A daily tax-free subsistence allowance of £10 for two meals could be worth over £2,300 per year for employees who are on the road for 230 working days a year. If employees had to find £10 per day out of their taxed pay, they would need additional gross pay of £14.50, assuming their deductions amount to 31% in tax and national insurance.

Replacing £2,300 of the annual gross pay of an employee subject to basic rate tax with a tax-free meal allowance of £2,300, will lead to a net pay increase of £713. As well as this tax saving for the employee, the employer will save national insurance costs of £295, giving an overall saving of £1,008. These tax savings can be shared more equally by reducing the employee's gross pay by less than the £10 daily allowance.

The subsistence allowance can only be paid to employees who are away from their home or office for at least five hours to claim the one meal rate, or 10 hours to claim the two meal rate. They must have actually paid for at least one meal. The subsistence rates are set by HMRC, and need to be included in your P11D dispensation agreement with your local tax office before your can pay them tax-free to your employees.

Setting up a scheme

The salary substitution must be agreed in advance of the employee becoming entitled to the pay. For example, gross pay due from 1 January 2010 could be reduced in December 2009 in return for a subsistence allowance, but a bonus accrued for the period to 30 September 2009 cannot be substituted for MBA course fees payable as the bonus entitlement has already arisen. You also need to amend your employee's written employment conditions to include the revised level of gross pay.

Problem areas

Do not reduce the gross pay of employees who are paid only just over the National Minimum Wage rate (£5.80 per hour for adult workers from 1 October 2009), even where the difference is made up with the tax-free meal allowance. This is because the meal allowance is not counted as part of the National Minimum Wage rate.

For further advice and assistance with implementing a salary sacrifice scheme, please contact us.

Reducing your income tax liability

The 2009 Budget revealed Government proposals to introduce a new additional rate of income tax. This new rate of 50% is due to be imposed from 6 April 2010, and will apply to the portion of taxable income that exceeds £150,000.

When combined with national insurance (NI) of 1%, this adds up to a top rate of 51% for both employees and the self-employed. On 6 April 2011, the combined tax rate rises again when NI rates will be increased by 0.5% across the board.

In addition, from 6 April 2010, individuals who have a total income in excess of £100,000 will have their tax-free personal allowance reduced by £1 for every £2 of income over £100,000.

If you are self-employed and you draw up your accounts to, say, 30 April, any profits you have made since 1 May 2009 will be taxed in 2010/11. You may therefore already be accruing higher tax charges on your current profits.

Reducing your taxable income

If you are likely to have income in excess of £100,000 for 2010/11, you could use the following strategies to reduce your total taxable income:

- If your spouse has a lower marginal tax rate, transfer income generating assets such as shares, let property or bank deposits into your spouse's sole name
- Make gift-aided charitable donations.

Paying increased pension contributions may help to reduce your marginal tax rate, but there are restrictions where your income has topped £150,000 for any tax year since 2007/08. New tax rules apply where irregular amounts of pension contributions are paid after 22 April 2009. This is a very complex area, so please contact us for further advice.

If you run your business through your own company you may wish to consider restricting your income to below either of the two key thresholds of £100,000 or £150,000 by reducing your salary and dividends and leaving any surplus cash in the company. If you currently operate your business as a sole-trader or partnership, incorporating your business at this time may allow you to control your marginal tax rate more effectively in the future.

Talk to us to find out how such strategies could work for you.

Business Round-Up

New saving limit for ISAs

From 6 October 2009 depositors aged over 50 can take advantage of a new higher investment limit for Individual Savings Accounts (ISAs). Announced in the 2009 Budget, the change means that people aged 50 or over can deposit £10,200 into their 2009/10 ISA, up to £5,100 of which can be in cash. The remainder can be made up of stocks and shares.

If your birthday falls between 6 October 2009 and 5 April 2010 you will be able to take advantage of the increased ISA limits on, or after, the day you turn 50.

The rise equates to a 50% increase in the total savings limit, which remains at £7,200 for all other ISA investors. The new limit will apply to all ISA investors from 2010/11 onwards. Approximately five million savers who currently use their full ISA allowance will benefit from the reform.

Please contact us to discover how we can help you plan to maximise your personal wealth.

Minimum Wage to increase from October

The National Minimum Wage (NMW) rates increase with effect from 1 October 2009. The new rates are as follows:

Age	Hourly rate
22 and over	£5.80
18-21	£4.83
16-17	£3.57

Employers who are found to be in breach of the NMW legislation are now subject to automatic penalties, ranging from £100 to £5,000. This is in addition to the wages already owed to the employee.

From October 2010, 21-year-olds will be included in the main adult rate of the NMW.

Meanwhile, the Government has asked the Low Pay Commission (LPC) to consider introducing a minimum wage for apprentices. Under current legislation, apprentices under 18 years of age are exempt from the NMW, as are those aged 19 or older who are in the first year of their apprenticeship. From August this year Learning and Skills Council apprentices are guaranteed a weekly pay rate of £95.

The LPC has been asked to report its recommendations to the Prime Minister and Secretary of State for Business, Innovation and Skills by the end of February 2010.

Trade credit insurance scheme extended

Eligibility for the Government's £5 billion trade credit insurance top-up scheme was recently extended.

Launched on 1 May, the scheme is designed to provide support to firms that have experienced a sudden reduction in their credit insurance cover during the recession.

Under its original terms, companies who have had their cover reduced since April this year have been able to purchase six months of top-up cover.

However, following feedback from business groups, eligibility has been backdated to include suppliers whose cover has been reduced since 1 October 2008.

The scheme is scheduled to run until 31 December 2009.

Web Watch

Essential sites for business owners

www.thebusinessnetworkonline.com
The new online networking and trading facility from the British Chambers of Commerce.

www.bis.gov.uk
Website of the newly created Department for Business, Innovation and Skills.

www.smallbusinesschannel.co.uk
Free video-based business advice from leading experts, covering a range of topics.

www.oecd.org
Website of the Organisation for Economic Cooperation and Development, including details of the 2009 UK Economic Survey.

Reminders for your Autumn Diary

September 2009

30 End of CT61 quarterly period.

October 2009

1 Due date for payment of Corporation Tax for period ended 31 December 2008.

5 Individuals/trustees must notify HMRC of new sources of income/chargeability in 2008/09 if a Tax Return has not been received.

14 Due date for income tax for the CT61 quarter to 30 September 2009.

19/22 Quarter 2 2009/10 PAYE remittance due.

31 Last day to file 2009 paper Tax Return.

November 2009

1 Please ensure you are retaining your documents for the 2010 Tax Return.

2 Quarterly submission date of P46 (Car) for quarter to 5 October.