

Welcome to your January newsletter. In this issue, we look at research that revealed the UK's SME population reached a six-year high in 2013. The Government has launched a consultation into the use of zero hours contracts; we examine some of the options put forward. The deadline for real-time PAYE reporting has been relaxed for micro employers; we take a look at the finer detail. And, in Your Money news, we consider the possible effects of the upcoming changes to the lifetime allowance for pension savings.

[www.lowsonward.com](http://www.lowsonward.com)

## SME population hits six-year high

The number of small and medium-sized enterprises (SMEs) in the UK reached a six-year high of 2.16 million in 2013, according to the National Association for Commercial Finance Brokers (NACFB).

The data reveals that 86,435 SMEs have been created in the past two years, increasing the SME population by 4.2 per cent. This follows the loss of 80,615 small businesses between 2008 and 2011.

The NACFB's SME Growth Monitor also revealed that since 2011:

- England is leading the SME revival with 4.6 per cent growth
- SME growth outperforms large business growth by 0.9 per cent
- Nine out of ten UK industries have seen SME growth
- The professional, scientific and technical sector has seen the largest increase with 35,905 new businesses
- The information and communication sector created 18,025 new SMEs.

Chief executive of the NACFB, Adam Tyler, said:

"SMEs are the stalwarts of the economic recovery: they have made the early running and played a vital role in brightening the UK's future prospects.

"By fuelling activity in greater numbers across the majority of UK industries, they have helped rebuild a strong foundation for further growth. This not only opens up more jobs but also boosts those larger employers who count SMEs in their supply chain or rely on the essential services they provide."

Elsewhere, the Federation of Small Businesses (FSB) found that optimism among its members has increased for the fourth consecutive quarter, with businesses across all sectors and all regions looking to 2014 with confidence.

The FSB's national chairman, John Allan, said:

"Confidence has been in positive territory for a full year, giving economic growth solid foundations moving into 2014. Small firms are creating more jobs and investing in their business and there are encouraging results behind the headline figures, with promising trends evident across the main areas of expansion, investment and employment."

## Zero hours contracts consultation

The Business Secretary, Vince Cable, has launched a consultation into the understanding and use of zero hours contracts.

Official figures suggest that there are 250,000 people employed under zero hours contracts, which offer no guaranteed hours or pay and are typically used for low-paid, on-call workers.

The Chartered Institute of Personnel and Development has said the figure could be closer to one million.

Mr Cable said such contracts "have a role in a flexible labour market" but said the Government's own research last year uncovered concerns around:

- The use of exclusivity clauses that prevent zero hours workers working for other employers
- A lack of clarity and information about the exact terms of zero hours contracts

- The level of uncertainty that zero hours workers said they experienced.

The consultation will run until 13 March 2014 and will collect views on options put forward by the Government, which include:

- Banning the use of exclusivity clauses where a contract offers no guarantee of work
- Introducing codes of practice on the fair use of exclusivity clauses and zero hours contracts
- Improving information and guidance for workers, particularly around rights to leave and benefits.

Neil Carberry, director of employment and skills at the Confederation of British Industry, said zero hours contracts have "helped to save jobs through tough economic times and enabled businesses to respond rapidly to new opportunities over recent months."

John Wastnage, employment and skills adviser at the British Chambers of Commerce, welcomed the consultation but stressed that it shouldn't jeopardise the employment opportunities that zero hours contracts create. He said:

"The UK's flexible labour market has prevented unemployment from increasing to the levels economists expected during and following the recession. Excessive restrictions on zero hours contracts could lead to increased unemployment among exactly those groups who already face higher levels of unemployment, and for that reason we are pleased that the government is taking an evidence-based approach. Zero hours contracts are vital for a successful jobs market, but they must be fair and work for all parties."

## RTI extension for micro employers

Micro employers will be given until April 2016 to adapt to the real time information (RTI) system for reporting PAYE payments, HM Revenue & Customs (HMRC) has announced.

Micro employers - those with fewer than 10 employees - who need more time to adapt to RTI can continue reporting PAYE information on or before the last payday in the tax month until April 2016.

Under RTI, employers must send employee PAYE information to HMRC in real time, rather than at the year-end.

A separate extension allows companies with fewer than 50 employees to continue reporting PAYE information by the date of their regular payroll run but no later than the end of the tax month in which the payments are made until April 2014. The new extension for micro businesses is separate to this arrangement.

HMRC's director-general for personal tax, Ruth Owen, said:

"This package strikes a good balance by ensuring RTI improves PAYE processes while minimising the impact on micro-businesses and their agents by giving them up to two years to adapt."

## YOUR MONEY **New lifetime allowance could cost savers billions**

A reduction in the lifetime allowance (LTA) for pension savings could cost savers billions in unexpected tax charges according to research from Standard Life.

The LTA - the maximum amount an individual can accrue in pension savings in their lifetime before triggering a tax charge - falls from £1.5 million to £1.25 million in April 2014.

HMRC expects 30,000 savers to be immediately affected by the change but says that 360,000 will be hit in the long term. Savers who exceed the new limit immediately could be liable for a 55 per cent charge on up to £250,000 worth of savings - a £137,500 tax bill.

Research conducted by YouGov has found:

- The change could cost savers £49.5 billion in tax charges - assuming the 360,000 affected expose the maximum £250,000 and are taxed at the full amount

- Just 19 per cent of people know what the LTA is
- Only 31 per cent of people earning more than £50,000 are aware of the LTA.

Head of consolidation at Standard Life, Alistair Hardie, said:

"Savers might be years away from retirement but if they have saved a fair amount in various

pension funds they could be near the danger zone."

In other pension news, The Pensions Advisory Service (TPAS) has launched a new initiative to support women in saving for retirement. Alongside a new leaflet, TPAS will launch a survey which will help tailor future support provided to women.



*Plan ahead and talk to us about the different options for retirement and estate planning.*

### JANUARY'S MONEY FACTS

Current bank rate	0.5 per cent
Quantitative Easing total	£375 bn
Current inflation	2.1 per cent