NEWSLETTER FEBRUARY 2014

HMRC NEW APPROACH TO BUSINESS RECORDS CHECKS

HMRC have announced that they are changing their Business Record Check (BRC) activity to ensure '*it better targets help to those who are likely to have inadequate records'*.

According to the HMRC press release:

'Customers whose records were not adequate on first inspection, and who received follow up visits, all improved their record-keeping standard. HMRC have not had to charge any penalties.'

'In the latest phase of BRC, many of the customers contacted by HMRC have been keeping records correctly. So HMRC wants to explore how to better target this activity.'

'From 4 November 2013, HMRC's BRC activity in the Edinburgh, Glasgow, Leeds, Bradford and Stockport areas will explore new ways of using the checks. As part of this, HMRC will evaluate new risk processes and ensure new approaches are cost effective and fit with its wider compliance activity.
HMRC will also work with tax agents' representatives to review the benchmarks of what good record-keeping should be. Many tax agents already do much to improve their clients' record-keeping and HMRC wants to work with them to improve standards.'

'For customers outside the development areas HMRC will continue with existing BRCs until they are completed.'

If you are contacted by HMRC regarding your records please do get in touch.

LABOUR MARKET STATISTICS

The Office for National Statistics has announced that:

- The employment rate for those aged from 16 to 64 for July to September 2013 was 71.8%, up 0.3% from April to June 2013. There were 29.95 million people in employment aged 16 and over, up 177,000 from April to June 2013.

- The unemployment rate for July to September 2013 was 7.6% of the economically active population, down 0.2% from April to June 2013. There were 2.47 million unemployed people, down 48,000 from April to June 2013.

- Between July to September 2012 and July to September 2013 total pay rose by 0.7% and regular pay rose by 0.8%.

Neil Carberry, CBI Director of Employment and Skills, said:

'Further signs of recovery can clearly be seen in these jobs figures. Unemployment is falling faster and businesses have taken on 124,000 more employees in full-time work.'

'It is really pleasing to see more regions benefiting from job creation.'

'It's clear that pay restraint is continuing to underpin employment growth. We expect wages to pick up next year, but sustained growth must come first to protect jobs.'

PARTIES FOR EMPLOYEES

With the season for office parties fast approaching we thought it would be a good idea to remind you of the tax implications. The good news is that, unlike entertaining customers, the costs of entertaining employees are generally allowable against the profits of the business.

But what about the tax consequences for the employees themselves? Is it a perk of their jobs and will they have to pay tax on a benefit?

Generally, as long as the total costs of all employee annual functions in a tax year are less than £150 per attendee (VAT inclusive) there will be no tax implications for the employees themselves. In considering this limit make sure you have included all the costs, which may include not only the meal itself but also any drinks, entertainment, transport and accommodation that you provide.

If the costs are above the £150 limit then the full cost will be taxable on the employee. In that case do get in touch so we can advise you how best to deal with them.

PENSION SCHEME CHARGES CONSULTATION

Government consultation proposes to cap annual charges that are applied to pension schemes at between 0.75% and 1.0% a year.

While the average charge on new pension schemes is around 0.51% the Office of Fair Trading estimates that there are over 186,000 pension pots with £2.65bn assets that are subject to an annual charge of above 1%.

The government is also consulting on measures to increase transparency in the pensions sector and make it easier for employers to compare pension schemes.

Minister for Pensions Steve Webb said:

'The government believes that enough is enough on charges. People need to know they are getting value for money when they save into a pension and not being ripped off by excessive charges. We are consulting on a cap on pension charges. A range of options will be on the table including an outright ban on all charges above 0.75% per year.'

With Pensions Auto Enrolment being rolled out to all employers please do get in touch if we can help you to get to grips with the obligations.

ADVISORY FUEL RATES FOR COMPANY CARS

New company car advisory fuel rates have been published which took effect from 1 December 2013. HMRC's website states:

'These rates apply to all journeys on or after 1 December 2013 until further notice. For one month from the date of change, employers may use either the previous or new current rates, as they choose. Employers may therefore make or require supplementary payments if they so wish, but are under no obligation to do either.'

The advisory fuel rates for journeys undertaken on or after 1 December 2013 are:

Engine size	**Petrol**	**LPG**
1400cc or less	14p (15p)	9p (10p)
1401cc - 2000cc	16p (18p)	11p
Over 2000cc	24p (26p)	16p

Engine size	**Diesel**
1600cc or less	12p
1601cc - 2000cc	14p (15p)
Over 2000cc	17p (18p)

Please note that not all of the rates have been amended so care must be taken to apply the correct rate. The amounts for the previous quarter are shown in brackets where the rate has been amended.

Other points to be aware of about the advisory fuel rates:

- Employers do not need a dispensation to use these rates.
- Employees driving employer provided cars are not entitled to use these rates to claim tax relief if employers reimburse them at lower rates. Such claims should be based on the actual costs incurred.
- The advisory rates are not binding where an employer can demonstrate that the cost of business travel in employer provided cars is higher than the guideline mileage rates. The higher cost would need to be agreed with HMRC under a dispensation.

If you would like to discuss your car policy, please contact us.

EMPLOYERS WILL NO LONGER BE ABLE TO RECLAIM SSP

The Percentage Threshold Scheme (PTS), which allows employers to reclaim Statutory Sick Pay (SSP) in certain circumstances, is abolished from 6 April 2014.

Under PTS employers can reclaim SSP where the SSP paid is more than 13% of the Class 1 NIC due for the month. Employers are not entitled to recover any of the SSP paid to their employees unless they qualify for the reimbursement scheme.

The following example explains how the scheme works for a tax month:

SSP paid	=	630.00
Gross NI £3,704.29 x 13%	=	481.56
SSP recoverable: (£630 - £481.56)	=	**£148.44**

From 6 April 2014 employers will be unable to recover SSP however they will continue to be able to recover unclaimed SSP for previous years for a limited period. Do contact us if you think this may apply to your business.

The government has announced that the current PTS funding will be moved into a new scheme to help employees who have been incapacitated for four weeks or more get back to work as part of the government's Health Work and Wellbeing Initiative. This scheme is expected to be available later next year.

SHARED PARENTAL LEAVE

The government has announced how the new system of shared parental leave will operate for employees and employers.

Earlier this year the government invited views on how the system for shared parental leave and pay should operate.

The consultation considered how the new system should work and align with current arrangements for maternity and paternity leave.

The proposals for shared parental leave and flexible working are included in the Children and Families Bill 2013 which is currently going through Parliament. The details will be set out in regulations and are expected to be introduced from April 2015.

The new leave system will allow eligible working families to have more choice about how they balance their work and caring commitments. Parents can choose to be at home together or to work at different times and share the care of their child.

The government hopes that businesses will also benefit from being able to have more open discussions about patterns of leave with their employees.

'FALSE SELF-EMPLOYMENT' VIA INTERMEDIARIES

Following announcements made as part of the Autumn Statement the government has announced some further information 'false self-employment' via intermediaries.

The government believes that employment intermediaries are increasingly being used to disguise employment as self-employment. The largest business sector being the construction industry where the government believes 200,000 workers are engaged via intermediaries. However, there are other sectors such as the driving, catering and security industries where there is evidence of existing permanent employees being taken out of direct employment and being moved into false self-employment arrangements involving intermediaries.

The central proposal is to make a change to the agency legislation so that it will apply to these type of intermediary arrangements where the worker is:

- subject to (or to the right of) control, supervision or direction as to the manner in which the duties are carried out
- providing their services personally
- remunerated as a consequence of providing their services
- receiving remuneration not already taxed as employment income.

After the change the intermediary will be responsible for deduction PAYE and NIC from the worker and paying employers NIC.

The legislation will be amended with effect from 6 April 2014.

CGT – PRIVATE RESIDENCE RELIEF

It was announced in the Autumn Statement that there will be changes made to the rules for Private Residence Relief.

A gain arising on a property which has been an individual's private residence throughout their period of ownership is exempt from CGT. There are deemed period of occupation rules which may help to provide an exemption from CGT even if the individual was not living in the property. This may mean the individual is accruing private residence relief on another property at the same time.

The final period exemption applies to a property that has been an individual's private residence at some time even though they may not be living in the property at the time of disposal.

The final period exemption will be reduced from 36 months to 18 months with two exceptions. An individual that:

- is a disabled person or
- is a long term resident in a care home, where they have been there for at least three months, or can reasonably be expected to be resident there for three months, and
- has no other property, on which they, or their spouse or civil partner, can claim private residence relief

will continue to be able to claim a 36 month final period exemption.

The rules apply to disposals made on or after 6 April 2014.

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