

NEWSLETTER DECEMBER 2011

AUTUMN STATEMENT

On Tuesday 29 November the Office for Budget Responsibility (OBR) published its updated forecast for the UK economy. Chancellor George Osborne responded to that forecast in a statement to the House of Commons later on that day.

The Chancellor emphasised that the OBR does not predict a recession in Britain but they have revised down their short term growth prospects for the country. He also made clear that the OBR central forecast assumes 'the euro finds a way through the current crisis'.

The Autumn Statement sets out the actions the government will take in two main areas:

- protecting the economy and
- building a stronger economy for the future.

In order to maintain economic stability and meet its fiscal rules, the government will:

- set plans for public spending in 2015/16 and 2016/17 in line with the spending reductions over the Spending Review 2010 period
- raise the State Pension age to 67 between April 2026 and April 2028
- set public sector pay awards at an average of 1% for each of the two years after the current pay freeze comes to an end.

The growth plans include the publication of a National Infrastructure Plan 2011. The plan sets out a pipeline of over 500 infrastructure projects.

Other announcements include:

Credit easing

In order to free up lending to business, the government is launching a package of measures worth up to £21 billion to ease the flow of credit to businesses. This includes up to £20 billion for the National Loan Guarantee Scheme and £1 billion for the Business Finance Partnership.

Small business rate relief holiday

The government will extend the current small business rate relief holiday for a further six months from 1 October 2012 and also give businesses the opportunity to defer 60% of the increase in their 2012/13 business rate bills.

Employment regulations

In an attempt to make it easier to 'hire and fire', the government intends to:

- look for ways to provide a quicker and cheaper alternative to a tribunal hearing in simple cases by introducing a 'Rapid Resolution' scheme
- complete a call for evidence on the impact of reducing the collective redundancy process for redundancies of 100 or more staff from the current 90 days to 60, 45 or 30 days.

Youth Contract

A number of measures under the heading of a 'Youth Contract' will be introduced including government funding of:

- wage incentives for 160,000 young people to make it easier for private sector employers to take them on
- at least 40,000 incentive payments for small firms to take on young apprentices.

Seed Enterprise Investment Scheme (SEIS)

This is a new tax relief which will be introduced from 6 April 2012. It will provide income tax relief at 50% in respect of investment in a small company whose total assets before the investment are less than £200,000. The relief will be limited to investments of up to £150,000 in each company and a maximum of £100,000 investment for an individual. In addition an individual who makes a capital gain in 2012/13 and reinvests some or all of the gain in a SEIS company in the same year will obtain exemption from capital gains tax for the sum invested.

Tax treatment of asset-backed pension contributions

Rules are to be introduced from 29 November 2011 to limit tax relief for employers who enter into arrangements to make asset-backed contributions into their pension schemes. The new rules will ensure that the tax relief obtained more accurately reflects the actual costs to the employer.

VAT AND DUTY ON SHOPPING

Angela Shephard, Head of Customs Policy, HMRC is warning individuals not to get caught out by *'unexpected charges when you are shopping for Christmas bargains this year'*.

'If you are going abroad to do Christmas shopping, or buying goods online from non-EU countries, you need to know how much you can buy before you have to pay import duty or VAT.'

'We know many people like to go abroad at this time to buy their Christmas gifts, or buy online from non-EU countries, and think that the 'cheaper' price they see is always the price they finally pay. HMRC is keen to remind the general public how much they can actually bring back from abroad or buy from an online overseas seller without having to pay import duty or VAT.'

'You don't want to be faced with unexpected extra charges, when you thought you had found a bargain.'

HMRC advise that:

- Arriving in the UK by commercial sea or air transport from a non-EU country, you can bring in up to £390 worth of goods for personal use without paying customs duty or VAT (excluding tobacco and alcohol, which have separate allowances, and fuel). Detailed information on the non-EU limits can be found at <http://www.hmrc.gov.uk/customs/arriving/arrivingnoneu.htm>
- Should you buy goods over the internet or by mail order from outside the EU, you will have to pay VAT if the value of the package is over £15.
- If the goods are over £135 in value, customs duty may also be due, although this will depend on what they are and where they have been sent from. Where, however, the actual amount of duty due is less than £9, this will not be charged.
- If someone sends you a gift from outside the EU, import VAT will only be due if the package is valued at over £40. To qualify as a gift, the item must be sent from one private individual to another, with no money changing hands.
- Please note that excise duty is always due on all alcohol and tobacco products purchased online or by mail order.

The spirits or tobacco products, there are no limits on the amounts of duty and tax paid goods you can bring back personally from another EU country, as long as they are for your own use.

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.

UNEMPLOYMENT RISES TO 2.62 MILLION

The CBI commented on official data showing unemployment rose by 129,000 to 2.62 million in the three months to September 2011, including a rise in youth unemployment to over a million.

John Cridland, CBI Director-General, said:

'These figures underline why we need urgent action to help our young people take their first steps in the labour market. A generation risks being scarred by the devastating effects of long-term unemployment.

We are calling for action for jobs now, with a clear plan to get the UK working, focusing on our young people.'

EU VAT REGISTRATION LETTER SCAM

HMRC are warning of a new scam letter which is being sent to businesses. The letter requests payment of a fixed fee by credit card and provides a website address to activate VAT registration.

HMRC are advising that these letters are not issued by HMRC and the registration should not be completed or payment made.

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