

NEWSLETTER NOVEMBER 2012

AUTUMN STATEMENT 2012

The government has announced that the Autumn Statement will be made by the Chancellor of the Exchequer, George Osborne, on Wednesday 5 December at 12.30pm.

The Statement provides an update on the government's plans for the economy based on the latest forecasts from the Office for Budget Responsibility.

We will let you have details of pertinent announcements following the Chancellor's statement to Parliament.

WHAT IS A CAR, COMMERCIAL VEHICLE OR MOTOR HOME FOR VAT?

HMRC have updated their guidance on the classification of vehicles.

For VAT purposes it is vital to know the difference between cars and other vehicles. This is because in most cases, VAT registered businesses cannot reclaim the input VAT incurred when they purchase a car. Generally businesses are able to reclaim the input VAT when they buy a commercial vehicle.

The HMRC guide explains the difference between a car, motorcycle, a motor home and a commercial vehicle for VAT purposes.

The link also gives access to the current list of 'Car derived vans and combi vans'. This updated useful list considers the treatment of some borderline vehicles.

VAT GUIDANCE

HMRC have announced the publication of guidance covering the changes to address VAT borderline anomalies announced at Budget 2012.

The majority of the changes take effect from 1 October 2012. The changes which relate to caravans will however take effect from 6 April 2013.

Seven information sheets are available which cover the following areas:

- Hot food and premises
- Caravans
- Sports nutrition drinks
- Listed buildings
- Hairdressers' chairs
- Self storage and
- Anti-forestalling (in relation to the listed building and self storage changes)

HMRC have confirmed in their press release:

'Information sheets are being published to explain how each of the changes will work. These will be incorporated into HMRC's books of guidance as soon as possible.'

If you would like any guidance in any of these areas please do get in touch.

NATIONAL MINIMUM WAGE RATES

The National Minimum Wage (NMW) rates from 1 October 2012 are as follows:

- the adult minimum wage rate will increase from £6.08 to £6.19 an hour
- the rate for 18 - 20 year olds will remain at £4.98 an hour
- the rate for 16 -17 year olds will remain at £3.68 an hour and
- the apprentice rate will increase from £2.60 to £2.65 an hour.

HMRC are able to charge penalties to those employers found to be in breach of the NMW rules. Details of the calculation of arrears and potential penalties can be found on the BIS website.

If you have any queries on the NMW please do get in touch.

NEW PROPOSALS TO STREAMLINE EMPLOYMENT LAW

Vince Cable has announced measures to give employers more flexibility in managing their workforce by reducing employment law red tape.

According to the press release:

'The government has given details of:

- *Its support for settlement agreements to help end employment relationships in a fair and consensual way.*
- *A consultation on how best to make this work in practice starts today and Acas has agreed to provide a new code of practice.*
- *How it might reduce the cap on compensation for unfair dismissal claims.*
- *Proposals to streamline employment tribunals by making it easier for judges to dismiss weak cases*
- *Responses to its call for evidence on the TUPE rules, when staff transfer to a new employer. Government has heard that businesses want this to be more efficient, and will consult on specific proposals before the end of the year.*
- *Recommendations on how to improve guidance for small businesses on the Acas code of practice on discipline and grievance.'*

HIGH INCOME CHILD BENEFIT CHARGE LETTERS

HMRC are about to write to taxpayers who they believe will be affected by the High Income Child Benefit Charge.

In Budget 2012, as part of the reforms to the welfare system, it was confirmed that Child Benefit will be withdrawn from households that include certain higher earners.

Although the change applies from January 2013 the calculation to decide whether or not a household is affected by the reform includes the full income for 2012/13.

The legislation imposes a new charge (the High Income Child Benefit Charge) on a taxpayer who has adjusted net income over £50,000 in a tax year where either they or their partner, if they have one, are in receipt of Child Benefit for the year. Where there is a partner and both partners have adjusted net income in excess of £50,000 the charge will apply to the partner with the higher income.

An income tax charge will apply at a rate of 1% of the full Child Benefit award for each £100 of income between £50,000 and £60,000, rounded down to the nearest pound. The charge on taxpayers with income above £60,000 will be equal to the amount of Child Benefit paid.

TOO LATE FOR 'PAPER' SELF ASSESSMENT TAX RETURNS

For those individuals who have previously submitted 'paper' self assessment tax returns the deadline for the 2011/12 return was 31 October 2012. Returns submitted after that date must be submitted electronically or they will incur a minimum penalty of £100. The penalty applies even when there is no tax to pay or the tax is paid on time.

If you would like any help with the completion of your return please do get in touch.

PLANS FOR A NEW TYPE OF EMPLOYMENT CONTRACT

Chancellor George Osborne has announced a new type of employment contract to be known as an employee-owner. Under the new contract employees will be able exchange some of their UK employment rights for shares in the business they work for. Gains on the disposal of the shares will be exempt from capital gains tax.

Companies of any size will be able to use this new kind of contract and employees will be given between £2,000 and £50,000 of shares. In exchange, they will give up their UK rights on unfair dismissal, redundancy, the right to request flexible working and time off for training, and will be required provide 16 weeks' notice of a firm date of return from maternity leave.

Employee-owner status will be optional and legislation to bring in the new contract is expected to be introduced later this year so that companies can use the new type of contract from April 2013.

RTI – CLOSING PAYROLL SCHEMES

HMRC are about to write to employers who they believe have a payroll scheme which is not being used. The letters are being sent in preparation for the introduction of RTI as HMRC are planning to close any payroll schemes which they believe are no longer needed.

If you receive a letter regarding a payroll scheme which you believe will be used in the future please do get in touch so that we can advise HMRC accordingly.

GUIDANCE ON RECLAIMING NATIONAL INSURANCE CONTRIBUTIONS PAID IN ERROR

HMRC have issued guidance to cover the situation where vocational or recreational trainers may be entitled to claim a refund of National Insurance contributions. The refunds are due following a change in guidance on charging national insurance contributions.

HMRC's briefing states:

'Refunds may be made by trainers or instructors, or those who engaged them, and where amounts of NICs were paid in error following HMRC's guidance. This is primarily going to affect those engaged in the provision of vocational or recreational training as set out in HMRC's guidance prior to repeal of the relevant provisions of the Regulations.'

'Refunds are not due where educational training providers applied the Regulations. This is because there is no dispute or doubt that the Regulations prior to 6 April 2012 applied to the providers of educational training. In this context educational training provider means a school, college, university or any such similar educational establishment.'

'Refunds are also not due where any trainer or instructor was engaged under an employment contract and Income Tax (PAYE) and Class 1 NICs were correctly accounted for.'

Please get in touch if you would like any help in this area.

HEALTH AND SAFETY EXECUTIVE FEE FOR INTERVENTION

The Health and Safety Executive has announced that it has implemented a Fee for Intervention (FFI) cost recovery scheme, which came into effect on 1 October 2012.

Under The Health and Safety (Fees) Regulations 2012, those who break health and safety laws are liable for recovery of HSE's related costs, including inspection, investigation and taking enforcement action.

The HSE website advises:

'The Fee for Intervention hourly rate for 2012/13 is £124. The many businesses that comply with their legal obligations will continue to pay nothing.'

HMRC CHECKLIST FOR EC VAT REGISTRATION NUMBERS

HMRC have issued a revised Notice 725, The Single Market, which includes a useful checklist (see section 16.19) to enable businesses to help spot incorrect VAT registration numbers at a glance.

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