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NEWSLETTER SEPTEMBER 2009

SELF ASSESSMENT INCOME TAX RETURNS

This firm has from the inception of self assessment filed clients returns electronically. The filing deadline for electronic tax returns is 31st January.

For taxpayers who submit their own returns the electronic filing date is 31st January. If a paper return is filed the filing date is 31st October.

INCREASE IN NATIONAL MINIMUM WAGE RATES

Employers must pay their workers a minimum amount per hour as defined by law. This amount is called the national Minimum Wage (NMW).

Who is covered by the NMW?

NMW applies to all workers, with certain exceptions such as:

- those under the age of 16
- apprentices under the age of 26 during their first year of apprenticeship
- those who are genuinely self employed
- family members working in the family business
- people working and living as part of a family (e.g. au pair's)
- voluntary workers

The new NMW rates from 1st October 2009 are:

	£
Adult Rate	5.80
Young Workers Rates:	
18-21 Development Rate	4.83
* 16-17 Year Old Rate	3.57

* 16 and 17 year old apprentices are exempt from the young workers rate

DEFERRING YOUR STATE PENSION – WORTHY OF CONSIDERATION

Those individuals nearing retirement age and contemplating taking out their State Pension, may wish to consider putting off their claim to State Pension. If you do so you can claim either additional State Pension or a one-off taxable lump sum payment. The rules can be summarised as follows.

When you have reached retirement age you do not have to retire and claim your State Pension. Instead you can put off claiming your Pension and instead be eligible for extra Pension. Those individuals who have reached retirement age and are already claiming the State Pension can stop claiming it for a period of time and can also earn extra Pension.

More and more individuals are putting off making a claim as statistically people are living longer and are able to work beyond their retirement age. If you do decide not to claim the Pension or to stop receiving it if you are already doing so, you have a choice, either:

- earn an increase in your State Pension for every five weeks that you put off claiming. Note that you must have put off claiming for five weeks before you start earning the extra Pension. For every five weeks you put off claiming you will earn an additional one per cent of your State Pension. This equates to approximately 10.4 per cent for every full year you put off claiming; or
- receive a one-off lump sum payment if you have put off claiming for at least 12 consecutive months. The complete period of 12 months must have fallen after 5 April 2005. After receiving the lump sum payment you will then start receiving your State Pension again as normal. The lump sum payment you will receive will be based on the normal weekly State Pension you would have received, together with weekly interest added and compounded.

Should you be claiming Pension Credit, Housing Benefit or Council Tax Benefit these benefits are not affected by the lump sum payment. However certain other benefits may affect the computation of your lump sum payment, eg Carer's Allowance, Incapacity Benefit and Widow's Pension.

The lump sum payment is taxed at the highest tax rate that applies to your other income.

Deferral of State Pension may be attractive to those who continue to work after retirement age. However, whilst the interest rate seems attractive, together with the fact that the amount of the State Pension and the additional amount are paid for the remainder of the individual's life, remember that you have got to sacrifice your existing State Pension for a period in order to claim the increased amount. Please consult us before deciding whether to claim extra State Pension or take a one-off lump sum payment. There are a number of factors to take into account such as when to take the lump sum payment, eg you can take the lump sum payment in the tax year after you have finished working. This may help as you may be able to pay tax on the lump sum at a lower rate.

INCREASE IN ISA LIMITS

In his Budget statement in the spring of this year, the Chancellor announced an increase in the ISA investment limit which is to be effective from 6 October 2009. The Individual Savings Account (Amendment) Regulations 2009 (SI 2009/1550) give effect to the change.

From 6 October 2009, the ISA subscription limit will increase to £10,200 for anyone eligible to invest in an ISA who was born on or before 5 April 1960 (that is, who will be aged 60 or over during the current tax year). Up to £5,100 of the new ISA allowance can be saved in a cash ISA with one provider. The remainder of the £10,200 can be invested in a stocks and shares ISA with either the same or another provider. Alternatively, the full £10,200 can be invested in a stocks and shares ISA with one provider.

These higher limits will apply to **all** eligible ISA investors (ie including those after 5 April 1960) with effect from 6 April 2010.

The following examples have been provided by HMRC to demonstrate how the new limits will apply:

Example 1

An individual is aged 65. He has not opened an ISA in tax year 2009/10. From 6 October 2009 his ISA allowance will be £10,200. Up to £5,100 of his allowance can be saved in a cash ISA with one provider. The remainder of the £10,200 can be invested in a stocks and shares ISA with either the same or another provider. Alternatively, the full £10,200 can be invested in a stocks and shares ISA with one provider.

Example 2

An individual is aged 70. She has opened a cash ISA in 2009/10 in which she has subscribed £3,600. From 6 October 2009 she will have an ISA allowance of £10,200. She could save up to another £6,600 in ISAs. This could be up to £1,500 in the same cash ISA, or up to £6600 in a stocks and shares ISA with either the same or another provider, or a combination of both.

Example 3

An individual's fiftieth birthday falls on 15 March 2010. He has opened up a stocks and shares ISA in 2009-10 in which he has subscribed £7,200. From 6 October 2009 he could save up to another £3,000 in ISAs. This could be up to £3,000 in the same stocks and shares ISA, or up to £3,000 in a cash ISA with either the same or another provider, or a combination of both.

VOLUNTARY REGISTRATION FOR VAT

Those clients who are starting up in business may wish to consider registering for VAT even if their turnover is or will be below the threshold at which they must register. H M Revenue & Customs has issued the following guidance to those who are contemplating voluntary registration.

“There are potential cashflow advantages of being able to charge VAT on your sales and claim back VAT on your purchases, which you may benefit from depending on your circumstances. For example:

- if you sell zero-rated items and buy standard-rated items you would receive a VAT refund from HMRC
- if you have not yet sold anything or don't sell anything during a VAT accounting period, you may still be able to claim VAT back on your purchases.

If you're thinking about registering voluntarily, you might want to check the rules for reclaiming VAT on purchases made before registration. There is a time limit of three years for goods, and six months for services.

You may be able to backdate your voluntary VAT registration by up to three years. You will have to account for VAT on any VAT taxable supplies you've made after your chosen date, and you won't be able to reclaim any VAT on your purchases unless you have the right evidence, and meet the other conditions for reclaiming VAT.

Responsibilities of voluntary registration

If you decide to voluntarily register for VAT, you have exactly the same responsibilities as someone who must register. You must keep all required VAT records and issue VAT invoices. You also have to complete and submit a VAT Return at regular intervals, along with your payment if one is due.”

NEW DISCLOSURE OPPORTUNITY – LAST CHANCE TO DISCLOSE!

HM Revenue & Customs (HMRC) has provided another opportunity for allowing people with unpaid taxes linked to offshore accounts or assets to settle their tax liabilities at a favourable penalty rate. This measure, known as the New Disclosure Opportunity (NDO), started on 1 September and will run until 12 March 2010.

HMRC states as follows in relation to the NDO:

“If you have unpaid tax linked to an offshore account or asset to declare you will need to notify us AND disclose (tell us the details, calculate the amount due and make a full payment) to benefit from the terms of NDO.

HM Revenue & Customs (HMRC) is providing this opportunity on favourable terms for customers with an offshore account or asset, linked directly or indirectly to a loss of United Kingdom tax. You can come forward voluntarily and put your affairs in order.

HMRC will not offer these preferential terms to offshore account and asset holders again.

To take advantage of the New Disclosure Opportunity (NDO) customers must notify HMRC by 30 November 2009 of their intention to make a disclosure. This is a simple process. At this stage you do not need to provide any details of the tax you believe you owe.”

THE BANKING CODE – WILL YOU BE ABLE TO CLAIM AGAINST YOUR BANK?

It is becoming more and more common for individuals to have money taken from their bank accounts by electronic theft. On numerous occasions this is due to the individual being careless about keeping passwords and PIN numbers secret. Many individuals are of the opinion that they will be able to reclaim any stolen monies from their bank should this situation arise, but this may not be the case. Set out below are extracts from the Banking Code which the majority of banks subscribe to. Note paragraph 12.11 of the Code which states that the bank may not be liable if the individual fails to exercise reasonable care.

“12.11 If you act fraudulently, you will be responsible for all losses on your account. If you act without reasonable care, and this causes losses, you may be responsible for them. (This may apply, for example, if you do not follow section 12.5 or 12.9 or you do not keep to your account’s terms and conditions.)”

Sections 12.5 and 12.9 referred to above state as follows:

“Taking care

12.5 Taking care of your cheques, passbook, cards, electronic purse, PINs and other security information is essential to help prevent fraud and protect your accounts. Please make sure that you follow the advice given below.

- Do not keep your chequebook and cards together.
- Do not let anyone else use your card, and do not tell anyone else your PIN, password or other security information.
- Your bank or building society will never ask you to tell them your PIN. If you are in any doubt about whether a caller is genuine or if you are suspicious about them, take their details and call us.
- If you change your PIN, you should choose your new PIN carefully.
- Try to remember your PIN, password and other security information, and securely destroy the notice as soon as you receive it.
- Never write down or record your PIN, password or other security information.
- Always take reasonable steps to keep your card safe and your PIN, password and other security information secret at all times.
- If your card issuer takes part in a secure online payment system (such as Verified by Visa or MasterCard SecureCode), consider signing up either at their website or whenever you are given the option while shopping online. This involves you registering a password with your card company, which you will be asked whenever you shop at an online retailer taking part in the scheme. You should keep this password secret.
- Never give your account details or other security information to anyone unless you know who they are and why they need them.
- Keep your card receipts and other information about your account containing personal details (for example, statements) safe and get rid of them carefully.
- Take care when storing or getting rid of information about your accounts. People who commit fraud use many methods, such as ‘bin raiding’, to get this type of information. You should take simple steps such as shredding printed material.

- Be aware that your post is valuable information in the wrong hands. If you don't receive a bank statement, card statement or any other expected financial information, contact us.
- You will find the APACS website www.cardwatch.org.uk a helpful guide on what to do if you suspect card fraud.

Online banking

12.9 Online banking is safe and convenient as long as you take a number of simple precautions. Please make sure you follow the advice given below.

- Keep your PC secure. Use up-to-date anti-virus and spyware software and a personal firewall.
- Keep your passwords and PINs secret.
- We (or the police) will never contact you to ask you for your online banking or payment card PINs, or your password information.
- Treat e-mails you receive from senders claiming to be from your bank or building society with caution and be wary of e-mails or calls asking you for any personal security details.
- Always access internet banking sites by typing the bank or building society's address into your web browser. Never go to an internet banking site from a link in an e-mail and then enter personal details.
- Follow our advice – our websites are usually a good place to get help and guidance on how to stay safe online.
- Visit www.banksafeonline.org.uk for useful information.”

INVESTMENTS

Many clients with investments including bank and building society deposits are facing a dilemma particularly when they rely on the income from investments.

Interest rates are at an all time low and most commentators feel that it could be some while before there is any meaningful increase. Equity based investments can offer better returns but involve more risk which many people are reluctant to take, especially given the decline in stock markets over the last few years.

We feel many of our clients could benefit from a review of all of their investments. This would consider whether existing plans remain suitable for needs and consider alternative strategies including the switching of funds within investment bonds.

We are not authorised to give investment advice and have asked Independent Financial Advisers to offer this service to our clients. Any discussions with them will not incur any costs or obligations.

If you would like to take advantage of this service, please let us know and we will arrange for the Independent Financial Advisers to contact you.

PENSION LEGISLATION CHANGES

Pension legislation allows anyone over 50 to take out 25% from all of their pension plans free of tax.

On 5th April 2010 the legislation changes and from that date the age is increased to 55. If you are not over 55 and want to look at this opportunity there is only a limited time in which to do so.

This area needs specialist advice so we have asked Independent Financial Advisers to advise our clients and any meeting with them would be without any cost or obligation.

If you do not wish to take cash from your pension, it is probably sensible to review your arrangements to make sure they still meet your objectives. A review would also identify the benefits of consolidating all of your pensions, including any old paid up plans, into a new arrangement with lower charges or better fund choices.

If you would like to discuss this matter please let us know and we will ask the Independent Financial Advisers to contact you.

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