

# NEWSLETTER SEPTEMBER 2012

## TAX CREDITS

### What are tax credits?

Tax credits are payments from the government. If you're responsible for at least one child or young person, you may qualify for Child Tax Credit. If you work, but are on a low income, you may qualify for Working Tax Credit. You can often get both types of tax credits. They aren't taxable.

### Who can get tax credits?

If you've got children you could get tax credits, but you don't need to have children to claim. You may also qualify if you are working and on a low income

### What type of tax credits can you get?

You may get one of the following – or both.

#### *Working Tax Credit*

Working Tax Credit is based on the hours you work and get paid for, or expect to be paid for. You can claim whether you're an employee or a self-employed person. But unpaid work doesn't count for Working Tax Credit.

#### *Child Tax Credit*

Child Tax Credit is paid to you if you are responsible for at least one child or young person who normally lives with you. You don't have to be working to claim Child Tax Credit.

### How much do you get?

The amount of tax credits you get depends on things like:

- how many children you have living with you
- if you live with someone as a couple
- whether you work – and how many hours you work
- if you pay for childcare
- if you or any child living with you has a disability

Your payments also depend on your income. The lower your income, the more tax credit you can get.

### What are the current income limits for getting tax credits?

Whether you can get tax credits, and how much you can get, depends on your own circumstances.

As a very rough guide, if your annual income is not above one of the following 'limits', you can probably get tax credits:

- if you have one child it is £26,000
- if you have two children it is £32,200
- if you're single without children it is £13,000
- if you're in a couple without children it is £18,000

These are the limits for getting tax credits in the current tax year – ending on 5<sup>th</sup> April 2013.

You're not likely to get anything if your income is above these amounts. But it's important to know that:

- these income limits don't apply to everyone – for example if you have more children, pay for childcare, have a disability, or your child has a disability, the income limit for you could be higher
- you need to make a claim to get a definite answer to how much you are entitled to

### What counts as income?

Your income before tax and National Insurance is taken into account. When you first claim tax credits, your income from the year that ended on 5 April 2012 is used. If you're in a couple, your joint income is used.

Earnings from work and some state benefits count as income. 'Other' income also counts. This can include interest on savings, pensions or income from property – but only if the total amount was more than £300 for the year. The actual amount of any savings you might have doesn't affect tax credits.

### **How tax credits work**

You'll usually need to make a joint claim for tax credits if you are any of the following:

- married
- in a civil partnership
- living together as if you were married or in a civil partnership

You can usually only make a single claim if you don't fall into one of these groups.

Tax credits are paid directly into your bank, building society, Post Office or National Savings account if it accepts Direct Payment. Payments are either weekly or every four weeks.

### **Who gets the tax credits payments?**

If you're both working and you both qualify for Working Tax Credit, you can decide which one of you will get the payments.

Couples claiming Child Tax Credit need to decide who is the children's main carer. If you're the main carer then the money will be paid to you.

### **How tax credit payments work**

If you're making a new claim your payments will usually run from the date of your claim to the end of the tax year. For example, if you make a claim on 10 November 2012, your payments will be worked out from that date until 5 April 2013. Claims can usually be backdated for up to one month – sometimes longer – from the date the Tax Credit Office received your claim form.

Tax credits payments are not counted as taxable income.

### **Renewing your tax credits**

Each year during April, May or June the Tax Credit Office will write to you asking you to:

- check the information they have about your personal circumstances
- confirm the income you received in the year that has just ended

This is known as 'renewing' your tax credits claim. The deadline for renewing is usually 31 July.

### **Why you need to renew your tax credits claim**

You need to renew to make sure that the payments you've been getting were correct. It also allows the Tax Credit Office to base your payments for the year ahead on the right amount of income.

Sometimes the Tax Credit Office will have paid you too much or not enough. If this happens they will make an adjustment to make sure that your payments are correct. Any payments made from 6 April 2013 to the date on which you renew your claim are temporary or provisional. If you don't renew, you may be asked to pay them back.

### **Changes at home and work**

If your circumstances change at any time this can affect the amount of money you should be getting. Things like starting a new job, splitting up with your partner or having a baby can all make a difference to your tax credits.

Contact the Tax Credit Office as soon as possible to tell them about any changes. To do this you can call the Tax Credit Helpline, or write to the Tax Credit Office. But you can't report changes online for tax credits.

### **Contact**

Tax Credit Office  
Preston  
Lancashire PR1 4AT

Telephone: 0345 300 3900

Source: HM Revenue & Customs

## PENSION CREDITS

### Introduction

Pension Credit is an income related benefit for pensioners living in Great Britain. It is made up of two different parts, Guarantee Credit and Savings Credit. Find out more about how you can receive a Pension Credit estimate, and how to apply.

### Guarantee Credit

The Guarantee Credit works by topping up your weekly income to:

- £142.70 if you're single
- £217.90 if you have a partner

These amounts may be more if you're disabled, have caring responsibilities or certain housing costs, such as mortgage interest payments.

### Qualifying Age

To be eligible for Guarantee Credit you must have reached the Pension Credit qualifying age. This is gradually increasing to 66 by 2020. To find out the date from which you qualify, you can use the State Pension age calculator.

Further changes to the State Pension age are likely to affect the Pension Credit qualifying age.

While you must have reached the Guarantee Credit qualifying age, you can still claim if your partner is under the Guarantee Credit qualifying age. If you or your partner are both over the Guarantee Credit qualifying age either one of you can apply.

'Partner' is used to refer to:

- your husband
- your wife
- your civil partner
- the person you live with as if they were your husband, wife or civil partner

### Savings Credit

The age from which you can get the Savings Credit is 65. However, from March 2019 this will gradually increase in line with the increase in State Pension age. If you're currently aged 65 or over and living in Great Britain you may be entitled to Savings Credit. You may get the Savings Credit on its own or with the Guarantee Credit. You may be entitled to Savings Credit if you:

- are aged 65 or over
- have made some provision towards your retirement such as savings or a second pension

If you have a partner, at least one of you must be 65 or over to get the Savings Credit.

The Savings Credit can be up to:

- £18.54 a week if you're single
- £23.73 a week if you have a partner

You may still get the Savings Credit even if the money you have coming in is up to about:

- £189 a week if you are single
- £277 a week if you have a partner

These amounts may be more if you're disabled, have caring responsibilities or certain housing costs, such as mortgage interest payments.

### How to apply for Pension Credit

You'll receive a letter before you reach your State Pension age of Pension Credit qualifying age if you also receive a benefit from either:

- Jobcentre Plus
- The Pension Service
- The Disability and Careers Service

The letter will tell you what you need to do next.

For anyone else the easiest way is to apply by telephone. You can call The Pension Service on 0800 991 234. Lines are open 8.00 am to 8.00 pm Monday to Friday (except public holidays).

When you phone, you need the following information:

- your National Insurance number
- information about your savings, investments and income
- details of the account into which you would like any Pension Credit payments to be paid

An adviser will help you apply for Pension Credit and let you know what happens next.

The Pension Service can also help you apply for Housing Benefit and Council Tax Benefit at the same time as your application for Pension Credit.

*Source: HM Revenue & Customs*

## DATA PROTECTION

The Data Protection Act controls how personal information is used by companies, businesses or the government. Its rules require everyone who collects data to follow strict rules, and to keep information safe.

### Protecting information

The Data Protection Act's rules are quite complex, but at the heart of it are eight common sense rules known as the 'data protection principles'.

These principles require any organisation, company, business or governmental body that collects personal information to handle it safely. Anyone collecting personal information must:

- fairly and lawfully process it
- process it only for limited, specifically stated purposes
- use the information in a way that is adequate, relevant and not excessive
- use the information accurately
- keep the information on file no longer than absolutely necessary
- process the information in accordance with legal rights
- keep the information secure
- never transfer the information outside the UK without adequate protection

All organisations collecting and using personal information are legally required to comply with these principles.

The law provides stronger protection for more sensitive information – such as ethnic background, political opinions, religious beliefs, health, sexual life or any criminal history. It is enforced by an independent information commissioner, who can take action against any company or governmental body that fails to protect your information, or that abuses its right to collect and hold that information.

### Does the Data Protection Act apply to my organisation, business or company

This might seem an obvious question. However, the Act applies to a particular activity – processing personal data – rather than to particular people or organisations. So, if you 'process personal data', then you must comply with the Act and, in particular, you must handle the personal data in accordance with the data protection principles. Broadly, however, if you collect or hold information about an identifiable living individual, or if you use, disclose, retain or destroy that information, you are likely to be processing personal data. The scope of the Data Protection Act is therefore very wide as it applies to just about everything you might do with individuals' personal details.

If the Act applies to your organisation, business or company it is a statutory requirement that you notify the Information Commissioner's Office (ICO). Failure to notify is a criminal offence.

Notification is the process by which a data controller gives the ICO details about their processing of personal information. The ICO publishes certain details in the register of data controllers, which is available to the public for inspection.

The main purpose of the public register is transparency and openness. The register includes the name and address of data controllers and a description of the kind of processing they do.

### Contact

Information Commissioners Office  
Wycliffe House  
Water Lane  
Wilmslow  
Cheshire SK9 5AF

Telephone: 0303 123 113

*Source: Information Commissioners Office*

## THE TAX RETURN INITIATIVE

Higher rate taxpayers who have failed to submit tax returns are being offered the opportunity to come forward and pay up under a time limited HMRC campaign. The Tax Return Initiative is aimed specifically at people liable to pay higher rate tax that have been told to submit a self assessment tax return for 2009/10 or earlier, but have failed to do so. The Tax Return Initiative is also open to any individual who has tax returns to submit to HMRC for these years.

Individuals have until 2 October 2012 to:

- let HMRC know that they want to take part,
- submit completed returns, and
- pay the tax and National Insurance Contributions (NICs) that they owe.

By coming forward voluntarily through the initiative, taxpayers will receive better terms and any penalty they pay will be lower than if HMRC comes to them first.

Where taxpayers fail to take advantage of the initiative, HMRC will use its powers to pursue outstanding returns and any unpaid tax and NIC together with significant penalties of up to 100% of tax due.

Marian Wilson, head of HMRC Campaigns, said:

*'This campaign is part of a wider HMRC initiative to provide support and guidance to the public on tax obligations and is aimed at people who fail to submit their tax returns on time and pay what they owe.'*

*'The campaign provides a three-month opportunity for those who want to get their tax affairs up to date to come forward. Our aim is to make it easy for them to contact us and send in completed tax returns, putting their affairs in order. Penalties will be higher if we come and find people after the opportunity and some could face a criminal investigation. I urge people to come forward and disclose unpaid tax voluntarily.'*

## PENSIONS AUTO ENROLMENT

From October 2012 the largest employers will have to comply with Pensions Auto Enrolment. Employers will have to identify eligible jobholders and advise them of the employer's obligations under the legislation. The staging date for those with more modest workforces may be some years off. Staging dates for all employers can be found by visiting the link below.

The Pensions Regulator together with the Department for Work and Pensions have developed a set of template letters which include all the details employers are required to communicate with their employees.

The comprehensive letters can be tailored to suit an organisation and employees' circumstances.

## GUIDE TO IMPORTING AND EXPORTING

HMRC have updated their information pack *'Guide to importing and exporting: Breaking down the barriers'*.

The information pack is a guide for those importing or exporting goods. It acts as a guide to help anyone getting started with importing / exporting and gives details of the procedures involved in these activities.

## FUEL DUTY

The government has announced that the 3.02 pence per litre (ppl) fuel duty increase that was due to take effect on 1 August 2012 will be deferred to 1 January 2013.

*'In the Autumn Statement 2011 it was announced that the 3.02ppl fuel duty increase that was due to take effect on 1 January 2012 would be deferred to 1 August 2012, and the inflation increase that was originally planned for 1 August 2012 would be cancelled.'*

The effect will be to maintain the duty liability on all fuels at current levels until 1 January 2013.

## HMRC ANNOUNCE NEW TASKFORCES

HMRC expect the new taskforces they have launched to recover over £30m from tax dodgers.

The latest round of taskforces to be announced will target traders who do not pay the right amount of tax in:

- Scottish pubs and nightclubs
- hair and beauty businesses in Northern Ireland
- the motor trade in South Wales, South West, Yorkshire, Nottinghamshire and the North East
- restaurants in South Wales and South West.

The taskforces are specialist teams that undertake intensive bursts of activity in specific high risk trade sectors and locations in the UK. The teams will visit traders to examine their records and carry out other investigations.

The Exchequer Secretary to the Treasury, David Gauke, said:

*'At a time when we are trying to rebalance the public finances and most hard-working people are making a contribution by paying the right tax, it is just not fair that a small minority try to dodge their responsibilities.'*

*'These new taskforces are funded by the Government's investment in HMRC of over £900m to crack down on avoidance and evasion. Their dedicated teams are on track to collect more than £50m from tax avoiders and evaders through the taskforces launched last year and expect to collect £30m in unpaid taxes through those launched today.'*

## HMRC ISSUE NEXT ROUND OF SELF ASSESSMENT PENALTIES

According to HMRC approximately half a million people still have not submitted their 2010/11 tax returns. HMRC have started to issue additional penalty letters to these individuals.

HMRC have advised that the number of outstanding returns has almost halved in 2012, down to 5.9%, compared to 10.7% in 2011. This means 518,000 fewer penalties are being issued.

The penalties being issued will be for a minimum £1,200, comprising:

- the maximum £900 in daily penalties for non-filing
- a further late filing penalty of £300 or 5% of the tax due (whichever is higher).

People who receive a late filing penalty can appeal against it if they think they have a reasonable excuse for not sending in their tax return.

Also anyone receiving a late filing penalty and who has not sent in a return, but thinks they do not need to be in self assessment, can still potentially apply to be taken out of self assessment. If HMRC agrees, the return and any penalties issued will be cancelled.

HMRC has confirmed that they have taken 273,000 people out of self assessment this year.

Please do get in touch if you have any concerns in this area.

## ADVISORY FUEL RATES FOR COMPANY CARS

New company car advisory fuel rates have been published to take effect from 1 September 2012. HMRC's website states:

*'These rates apply to all journeys on or after 1 September 2012 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 September 2012 are:

Engine size	Petrol	LPG
1400cc or less	15p	10p
1401cc - 2000cc	18p	12p
Over 2000cc	26p	17p

Engine size	Diesel
1600cc or less	12p
1601cc - 2000cc	15p
Over 2000cc	18p

Please note that not all of the rates have been amended and care must be taken to apply the correct rate.

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.

## SUNDAY TRADING HOURS REFORM

Currently shops over 280m<sup>2</sup> are only permitted to open for a maximum of six hours on a Sunday, between 10am and 6pm, although this restriction has been temporarily lifted, throughout the six week duration of the Olympics and Paralympics.

In response to this trial period there have been calls to change the laws, including support from the Institute of Directors, whose spokesman, Mark Wallace said:

*'We know there are people out of work or underemployed who desperately want more opportunities and we know there is an appetite among consumers to shop during normal hours on Sundays, so it is silly to have a rule that holds both groups back.'*

However, despite standing to gain financially from such a move, Justin King (CEO of J Sainsbury plc) said in a letter to the Telegraph:

*'Maintaining Sunday's special status has great merit for our customers and our colleagues, and relaxing Sunday Trading laws is certainly not a magic answer to economic regeneration. Sainsbury's has put in place extended hours at only 30 of its 1,000 stores during the Games period.'*

## HOLIDAY PAY AND SICKNESS CASE

The Court of Appeal has clarified the law regarding holidays and sickness.

Under current law employees may take their annual leave while they are off sick but they can also choose not to and must be allowed to carry over their leave so as not to lose their entitlement. However, following conflicting Employment Tribunal decisions employers were unsure as to whether they only had to permit 'carry over' where a worker had requested the 'carry over' of the leave during the leave year.

The appeal in the case of Larner was heard by the Court of Appeal in March and the decision has just been reported.

The Court of Appeal dismissed the appeal and held that the employee did not need to have requested leave during the leave year in order for it to be automatically carried over to the next year. This could mean that the untaken leave would be payable on termination of the employment. The Working Time Regulations could be interpreted in line with this so that all employers should comply with this rule.

This means that employees off sick for long periods will accrue holiday which will either be available to be taken if they return to work or will need to be paid should their employment be terminated.

Employers should manage cases of sickness absence as proactively as possible and may also wish to review the position and perhaps set time limits on the utilisation of carried over holiday as part of the contract. Unused leave would only remain available for a limited time (say a year).

If you would like any advice in this area please do get in touch.

## TESCO FACES POTENTIAL FINES FOR ILLEGALLY EMPLOYING FOREIGN WORKERS

According to the Telegraph, Tesco is facing a fine of up to £200,000 for illegally employing foreign workers. According to the report:

*'Twenty foreign students of primarily Bangladeshi and Indian origin were arrested for working longer hours than their visas permitted, seven of whom have since been deported. Although the workers had the right to work in the UK, their visas were only valid for up to 20 hours a week during term time, and the students had worked between 50 and 70 hours. A further 15 students are undergoing investigation during the Home office crackdown on 'visa abuse' to which Tesco is said to be 'cooperating fully' with the UKBA.'*

The UK Border Agency will now decide whether to issue the supermarket with a notification of liability and a fine of up to £10,000 per illegal worker.

A UKBA spokesman said:

*'We received information that some staff members were working in the UK illegally at Tesco.com on Factory Lane, Croydon. In response officers carried out an operation in full cooperation with the company shortly after 3am on Saturday 21 July 2012. Twenty individuals have been arrested and now face removal from the UK.'*

*'The operation was part of an ongoing campaign to tackle visa abuse which has seen over 2,000 offenders removed since the beginning of May.'*

*'The employer now needs to provide evidence that it was carrying out the legally required checks to avoid a fine.'*

A Tesco spokesman said:

*'In cooperation with Tesco, the UK Border Agency visited our dotcom store in Croydon in July. As a result of this visit, a small number of staff were found to have breached the terms of their working visas.'*

*'We continue to cooperate fully with the UK Border Agency as they look into this issue.'*

*'We take our responsibilities as an employer very seriously and do not condone illegal working of any kind. We have a comprehensive system for ensuring all the correct procedures are followed in this area which has been externally audited and generally works well. We have now taken additional steps to ensure an incident of this nature does not happen again.'*

For information on the legal requirements visit UK Border Agency

### LISTED PLACES OF WORSHIP GRANT SCHEME

The government announced in the Budget 2012 that the zero rate of VAT for approved alterations to listed buildings would be withdrawn, with effect from 1 October 2012. However, at the same time it was announced that the Listed Places of Worship (LWP) grant scheme would be extended to cover approved alterations to listed places of worship.

The extended scheme will come into effect on 1 October 2012. The Department for Culture Media and Sport has confirmed that detailed guidance and new application forms will be available on the LPW scheme website in late September 2012.

If you would like any further information please do get in touch.

### HMRC LAUNCH NEW P46 FOR EMPLOYERS

HMRC have created a single page version of form P46 called P46 (Short) which enables employers to collect necessary information from new employees who do not have a form P45.

Employers are required to submit the details electronically to HMRC so the form is used to gather the necessary information in order to make the online submission.

### COASTAL COMMUNITIES FUND

Communities Secretary Eric Pickles has announced that six seaside projects are the first to receive government backing to help their coastal towns to prosper. The funds should help create new jobs and boost local enterprises.

The £24 million Coastal Communities Fund was launched earlier this year to provide coastal towns with funds to help finance projects that can transform and diversify seaside economies.

The grants awarded are of up to £2 million each and can be used on projects that create local jobs, supports coastal tourism and development and that boost the inshore fisheries industry.

Next year the Coastal Communities Fund will be increased by £4 million to £28 million and is open to coastal towns across the United Kingdom and is funded by the Exchequer.

Communities Secretary Eric Pickles said:

*'There is huge potential in our coastal towns that goes way beyond them only being places we visit for seaside day trips and holidays. We are seeing opportunities being developed all the time by new industries and the Government is determined to help our coastal towns make the most of them.'*

*'This money will help those towns tap into these enterprises and create the skills and jobs that will benefit the whole community. We cannot afford to waste this chance which is why the Government is committed to increasing the fund next year.'*

*'The successful projects in this first round have enormous potential to make a real difference to their communities that will be far reaching. And this is just the beginning with our fund set to help many more coastal towns in the months to come.'*

### EMPLOYER EMAIL ALERTS

HMRC are reminding employers that they offer a free registration facility which enables employers to receive an email alert detailing changes in payroll procedures rather than a paper copy.

HMRC will issue the alerts three times a year when their web pages are updated. HMRC have confirmed that of the 1.3 million employers that they used to write to, over 470,000 employers have now registered for the alerts.

To register for the email alerts visit HMRC registration

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<sup>i</sup> *The articles in this newsletter are of necessity summaries of the topics covered. The publisher has taken all due care in the preparation of this publication. No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication can be accepted by the authors or the publishers. The publisher accepts no responsibility for the content of any material provided by third parties or for the content of any hypertext site referred to in this publication. The Publisher accepts no responsibility for the content of any website of other document referred to in this publication.*