NEWSLETTER JANUARY 2013

REAL TIME INFORMATION

From this April, HM Revenue & Customs (HMRC) are about to start their single largest change to the PAYE system since its inception in 1944. RTI (Real Time Information) will require businesses to hold a greater amount of information with regard to their staff in order to be able to process their payroll. This information, under RTI, will be transmitted each time an employee is paid All employees, even casual staff's income, will be required by law to be reported. This will give HMRC a much clearer view of the amounts businesses, and individuals, owe to them and when it is due. Eventually this information will be used to make decisions on the new Universal Credits system which will be coming into force.

This new system will be more time consuming, and require accurate, timely submission of information. Incorrect or late submission, of either pay or employee data, will attract penalties.

As payroll, and pension legislation becomes more complex we would like to take this opportunity to offer our services as a confidential, professional payroll bureau service. You can rely on us to take the stress out of running your payroll, and leave you more time to do what you do best – running your core business.

To find out more, please contact us for an informal discussion about how we can help you.

TRAVELLING AND SUBSISTENCE EXPENSES

Directors and employees subject to any restriction their employers make can claim:

1. **Car mileage allowances**
   Car mileage allowances for journeys undertaken for business purposes in directors / employees private motor vehicle, but excluding ordinary commuting.

   Travel between an employee's home, or any other place that is not a workplace, and his/her normal place of work is ordinary commuting.

2. **Travel other than mileage allowances**
   Reimbursement of the costs actually incurred, when supported by receipts, on journeys undertaken for business purposes by road excluding mileage allowances, rail, air and sea, but excluding ordinary commuting.

   Minor business travel expenditure such as parking, road and bridge tolls and tube fares for which receipts are not available may be reimbursed providing that there is alternative supporting documentation to confirm that the expenses were necessarily incurred.

   Travel between an employee's home, or any other place that is not a workplace, and his/her normal place of work is ordinary commuting.

3. **Subsistence**
   The reasonable and necessary cost of a meal/snack and beverages incurred whilst undertaking travel the expenses of which are including in paragraph 2. The travel must occupy the whole or a substantial part of a working day encompassing the normal meal breaks. Claims must be supported by relevant receipts.

The reasonable cost when supported by the relevant receipts or invoices of accommodation, breakfast, lunch, if applicable and an evening meal (except where accompanied by a spouse or relative etc) incurred where there is a requirement to stay overnight in the course of such a journey. The travel can be either within or outside the UK but the director / employee must be working away on company business.

Excluded are the cost of videos, newspapers, beverages not complementing an evening meal and private telephone calls.

The maximum amounts of incidental overnight expenses that an employer may reimburse free of tax are:

(a) £5 per night for overnight stays anywhere within the United Kingdom (Great Britain and Northern Ireland) and
(b) £10 per night for stays outside the United Kingdom

HMRC CLOSE IN ON 'TAX CHEATS'

HMRC have launched an advertising campaign warning 'tax cheats' to declare all their income before it is too late.

The campaign is part of HMRC's targeted approach to help taxpayers pay the right amount of tax, at the right time. David Gauke, Exchequer Secretary to the Treasury, said:

'Most people play by the rules and pay what they owe, but HMRC is cracking down on those who don't. Using the £917 million the government has made available to tackle avoidance, evasion and fraud, HMRC is closing in on tax cheats.'

'It always makes sense to declare all your income and tax dodgers are simply storing up trouble for the future; getting caught means higher fines, and in the most serious cases criminal prosecution. There is an alternative. Simply visit the new website and make a fresh start.'

VAT REGISTRATION THRESHOLD NO LONGER DUE TO THOSE NOT ESTABLISHED IN THE UK

A decision in the European Court of Justice has confirmed that only businesses established in a Member State can benefit from its domestic VAT registration threshold.

As a consequence, from 1 December 2012, 'non-established taxable persons' (NETPs) will no longer be able to benefit from the UK VAT registration threshold. This means that they will be required to register for UK VAT when they make their first supply of goods or services in the UK regardless of the value.

NETPs already making supplies here will be required to register for UK VAT with effect from 1 December 2012.

As detailed in the HMRC guidance:

'From 1 December 2012, any non-established business which makes or intends to make taxable supplies in the next 30 days has 30 days from the date it formed that intention to notify HM Revenue & Customs (HMRC) that it is required to register for VAT. Businesses which become required to register in the UK on 1 December 2012 will have to notify HMRC of that fact by 30 December 2012.'

SIMPLER HEALTH AND SAFETY GUIDANCE

The Health and Safety Executive (HSE) has launched an online 'Health and Safety Toolbox' aimed at smaller, low-risk businesses. It is hoped that the Toolbox, which can be accessed from the right hand side of the HSE's home page, will make it quicker and easier for small businesses to find the information that applies to their industry. This should enable them to manage health and safety issues themselves, without the need to use health and safety consultants.

Employment Minister Mark Hoban said:

'Small and low risk businesses should be focusing their time on growing and becoming a success not having to waste precious time and money on unnecessary bureaucracy. This Toolbox will make it quick and simple for businesses to discover everything they need to know about health and safety.'

TENFOLD INCREASE IN ANNUAL INVESTMENT ALLOWANCE

The shock announcement of the Autumn Statement was the tenfold increase in the amount of the Annual Investment Allowance (AIA).

The AIA provides a 100% deduction for the cost of plant and machinery purchased by a business up to an annual limit which is currently £25,000 for expenditure incurred from April 2012. The Chancellor announced that this limit will rise to £250,000 for a period of two years for expenditure incurred from 1 January 2013.

Where a business has an accounting period that straddles the date of change the allowances have to be apportioned on a time basis.

Where a company has a 12 month accounting period ending on 30 June 2013 the AIA will be £137,500 (£25,000 x 6/12 + £250,000 x 6/12).

However for expenditure incurred before the 1 January 2013, rules will limit the maximum figure available. The maximum allowance will be the AIA that would have been due for the whole of the accounting period to 30 June 2013 if the increase in AIA had not taken place. This would have meant that the company would have been entitled to £25,000 for the 12 months and so this is the limit for the six months to 31 December.

The rules for accounting periods straddling 1 January are complicated and this is without the additional complications that arise if part of the accounting period commences prior to April 2012 (as yet another AIA limit needs to be factored in).

The main point to appreciate is that expenditure incurred after 31 December 2012 may give a full tax write off but expenditure incurred before the 1 January 2013 may not give this result.

PERSONAL ALLOWANCE FOR 2013/14

For those aged under 65 the personal allowance will be increased from the current £8,105 to £9,440. This increase in the personal allowance is greater than the amount previously announced and is part of the plan of the Coalition Government to ultimately raise the allowance to £10,000.

For basic rate taxpayers this increase in the personal allowance should result in a tax saving next year of £267.

The reduction in the personal allowance for those with 'adjusted net income' over £100,000 will continue. The reduction is £1 for every £2 of income above £100,000. Next year the allowance ceases when net adjusted income exceeds £118,880.

Tax band and rates 2013/14
The basic rate of tax is currently 20%. The band of income taxable at this rate is being reduced from £34,370 to £32,010 so that the threshold at which the 40% band applies will fall from £42,475 to £41,450.

Additional rate tax payers
The 50% band currently applies where taxable income exceeds £150,000 but the rate will fall to 45% next year.

Tax bands for 2014/15 and 2015/16
For 2014/15 and 2015/16 the increase in the higher rate threshold will be capped at 1%. Over the last few years the value of the higher rate threshold has fallen so a small increase should be welcome.

PENSIONS SAVING

It was announced in the Autumn Statement that for tax year 2014/15 onwards:

- the annual allowance for pensions tax relieved savings will be reduced from £50,000 to £40,000
- the standard lifetime allowance for pensions tax relieved savings will be reduced from £1.5 million to £1.25 million
- a transitional 'fixed protection' regime will be introduced for those who believe they may be affected by the reduction in the lifetime allowance.

Legislation will be introduced in Finance Bill 2013 to make these changes.

The Government considers that these measures are expected to affect only the wealthiest pension savers as 98% of individuals currently approaching retirement have a pension pot worth less than £1.25 million which is the revised level of the lifetime limit. Annual contributions made by 99% of pension savers are below £40,000, the average annual contribution being around £6,000 per annum.

A SIMPLER TAX SYSTEM FOR SMALLER BUSINESSES

The Chancellor is to proceed with proposals to make the tax system simpler for small unincorporated businesses from April 2013. Where a business has a turnover up to £77,000 it will be able to calculate its profits on a simplified cash basis. In addition it will not have to distinguish between revenue expenditure and capital expenditure. A business will be able to continue to use this basis until its turnover reaches £154,000.

Flat rate expenses will be available for some types of expense including:

Cars, vans and motorcycles
For cars or vans the rate for the first 10,000 business miles is 45p, after which the rate reduces to 25p. For motorcycles the rate is 24p

Business use of a home
Provided certain conditions are satisfied, the following monthly rates will be allowed:

Business use in a month	Deduction
25 hours or more	£10
51 hours or more	£18
101 hours or more	£26

The new rules are not quite as simple as the Government would have us believe. Whilst the actual accounting treatment may be simpler it will still be necessary to have regard to tax rules for the deductibility of some expenses. There will also be transitional rules for existing businesses wishing to opt into the new system.

STATUTORY RESIDENCE TEST

HMRC have announced that legislation will be introduced in Finance Bill 2013 to put the rules which determine an individual's tax residence on a statutory basis. The new statutory residence test will come into force from the start of the 2013/14 tax year.

The new legislation includes circumstances such as the situation where a tax year is split into a UK part and an overseas part. The rules also cover the taxation of certain income and gains arising during a period of temporary non-residence.

HMRC has published draft guidance to assist individuals on the application of the statutory residence test and on eligibility for overseas workday relief.

REMINDER TO THOSE WITH HIGH INCOME AND CHILD BENEFIT

HMRC are reminding Child Benefit recipients with higher incomes that they have a month to decide whether to stop receiving the benefit or to pay a charge on it through self assessment.

Lin Homer, HMRC's Chief Executive, said:

'Over 680,000 people have already looked at information on HMRC's website that explains the changes and what steps those affected can take. It is really easy to use and will help families come to a decision.'

The High Income Child Benefit Charge (HICBC) is being introduced from 7 January 2013. It will mainly apply to a taxpayer who has 'adjusted net income' in excess of £50,000, where either they or their partner is in receipt of Child Benefit. The effect of the charge is to claw back some or all of the Child Benefit paid. Where both partners have income in excess of £50,000 the charge will apply to the partner with the higher income.

Adjusted net income, which is broadly gross income less pension payments and gift aid payments, has the same meaning as for the withdrawal of the personal allowance for taxpayers with income above £100,000.

Where a taxpayer has adjusted net income of £60,000 or more then the charge has the effect of cancelling out the Child Benefit paid. A sliding scale charge operates where income is between £50,000 and £60,000.

The charge will apply to the Child Benefit paid from 7 January to the end of the tax year. However, the income taken into account will be the full income for 2012/13.

Child Benefit claimants will be able to elect not to receive Child Benefit if they or their partner do not wish to pay the new charge.

ADVISORY FUEL RATES FOR COMPANY CARS

New company car advisory fuel rates took effect from 1 December 2012. HMRC's website states:

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

Engine size	**Petrol**	**LPG**
1400cc or less	15p	11p
1401cc - 2000cc	18p	13p
Over 2000cc	26p	18p

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

Please note that not all of the rates have been increased, so 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.

2013/14 STATUTORY PAYMENTS

HMRC have announced the following statutory payment rates for 2013/14. These rates are still subject to Parliamentary approval and will be confirmed by HMRC before the start of the new tax year.

Statutory Maternity Pay (SMP)	£136.78 per week
Ordinary Statutory Paternity Pay (OSPP)	£136.78 per week
Additional Statutory Paternity Pay (ASPP)	£136.78 per week
Statutory Adoption Pay (SAP)	£136.78 per week
Statutory Sick Pay (SSP)	£86.70 per week

CHARITIES AND GIFT AID

HMRC will introduce a new online service which will enable Charities and Community Amateur Sports Clubs (CASCs) to submit repayment claims electronically, Charities Online, in April 2013.

It will replace the current R68(i) Gift Aid and tax repayments claims form and will be a way for charities and CASCs to claim Gift Aid, tax repayments on other income and Gift Aid Small Donations Scheme top-up payments by using an online form.

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