

NEWSLETTER MARCH 2013

EMPLOYMENT RIGHTS – STATUTORY LIMITS

The limit on the amount of the compensatory award for unfair dismissal is set to increase from 1 February 2013. The current maximum of £72,300 is to increase to £74,200 due to inflation.

The maximum amount of a week's pay for the purpose of calculating the basic or additional award of compensation for unfair dismissal or redundancy payments will be increased to £450. This increase on the previous limit of £430 applies from 1 February 2013.

PAYE CODING NOTICES

HMRC are issuing PAYE tax codes for 2013/14. These new coding notices, which are due to be issued between January and March 2013, will be used against employees' pay from April 2013 onwards. It is important that these coding notices are checked carefully, as an incorrect code will result in too little or too much tax being deducted from pay or pension payments.

If you are unsure whether your coding notice is correct and would like some further guidance please do get in touch.

Good news for many

The majority of taxpayers will see an increase in their tax code as the personal allowance (for those born after 5 April 1948) increases from £8,105 to £9,440.

Those individuals with simple tax affairs (just one employer with no reliefs or benefits or tax underpayments brought forward) will generally not receive a coding notice. Their current coding of 810L will be automatically uplifted to 944L following general instructions to employers. Basic rate taxpayers will be better off with a tax saving of £267 for 2013/14.

Although the personal allowance is increasing, the point at which taxpayers start to pay the higher rate of 40% tax on their taxable income is decreasing (from £34,370 to £32,010). This means that higher rate taxpayer will generally benefit from a tax saving of £62.

The withdrawal of the personal allowance for those with income over £100,000 income limit applies for 2013/14. The reduction in the personal allowance is by £1 for every £2 of adjusted net income above the income limit. Adjusted net income for these purposes is broadly all income after adjustment for pension payments, charitable giving and relief for losses. Individuals with adjusted net income of at least £118,880 will not be entitled to a personal allowance for 2013/14.

START UP LOAN SCHEME FOR YOUNG ENTREPRENEURS EXTENDED

David Cameron has announced a boost to the government's Start-Up Loans Scheme, with funding being increased by £30 million to £110 million over three years. The upper age limit for applying will also be extended from the current 24 to 30 years old.

Start-Up Loans provide entrepreneurs with a range of support to get their business idea off the ground which includes access to a business mentor as well as funding of approximately £2,500.

STATE PENSION REFORM

The government have announced proposals for a new single tier pension.

The single tier reforms will restructure the State Pension into a simple flat rate amount from 2017 at the earliest. Those over State Pension age when the reforms are implemented will continue to receive it in line with existing rules.

The single tier pension will:

- be set above the basic level of means tested support. The amount will be set nearer implementation;
- replace the State Second Pension, contracting out and out-dated additions, such as the Category D pension and the Age Addition. The Savings Credit element of Pension Credit will also close to pensioners reaching State Pension age after the implementation of the single tier pension;
- require 35 qualifying years of NIC or credits for the full amount, with pro-rating where 35 years is not achieved. There will also be a minimum qualifying period of between seven and ten qualifying years;

- be based on individual qualification, without the facility to inherit or derive rights to the State Pension from a spouse or civil partner; and
- continue to allow people to defer claiming their state pension and receive a higher weekly State Pension in return. The deferral rate will be finalised closer to the planned implementation date. It will no longer be possible to receive deferred State Pension as a lump-sum payment.

The government will also carry out a review of the State Pension age every five years, based around the principle that people should maintain a specific proportion of adult life receiving the State Pension. The first review will take place in the next Parliament.

CHILD BENEFIT OPT OUT

The High Income Child Benefit Charge (HICBC) was introduced from 7 January 2013. It mainly applies 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 applies to the partner with the higher income.

Adjusted net income is broadly gross income less pension payments and gift aid payments. 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 applies 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 had the option to elect not to receive Child Benefit if they or their partner do not wish to pay the new charge.

According to details revealed to the BBC some 270,000 people have opted out of receiving Child Benefit. Apparently there was a late surge of around 80,000 during the weekend before the deadline of 7 January 2013.

Please visit the HMRC Child Benefit guidance link below for more details of the options available.

AUTO ENROLMENT TOOL

Under Pensions Auto Enrolment employers must:

- 'auto enrol' eligible employees into a pension scheme
- make employer pension contributions for them, and
- make deductions of employee pension contributions from the employees pay.

Although the rules came into force from October 2012, they only impact on the largest employers from that date, as few employers have a workforce of more than 120,000. For those employers with a more modest number of employees the start dates vary by number of employees and PAYE reference.

The Pensions Regulator has released a tool which details the start date for auto enrolment. To access the tool and check the start date for a particular PAYE scheme please use the following link.

PAYING HMRC BY BILL PAY

The ICAEW has reported that HMRC are aware that there are problems with the Bank of Santander's Bill Pay service which is used by many individuals to pay their self assessment tax liabilities by credit or debit card.

HMRC have issued a statement giving advice on other ways to pay and also confirming that payments made late because of this problem will not incur interest or penalties.

HMRC advised the ICAEW that:

'The Bank of Santander is having problems with their Bill Pay service that customers use to pay their tax by credit card or debit card. We are working with them to sort this out.'

There are other ways you can pay us. These are:

By Faster Payments. You can find out more at:

<http://www.hmrc.gov.uk/payinghmrc/selfassessment.htm#5>

At your bank

At the Post Office

By Debit/Credit card

More than just Accountants

call 01229 588077

www.jfhornby.co.uk

J F Hornby & Co
CHARTERED ACCOUNTANTS

You can find out more about these other methods of payment at: <http://www.hmrc.gov.uk/payinghmrc/selfassessment.htm>

Please continue to try to pay us, but if your payment is late because of the problems Santander is experiencing you will not have to pay a penalty or interest for late payment.'

TAX REBATE PHISHING SCAM

HMRC are warning taxpayers not to fall victim of scam emails sent by fraudsters. In 2012 taxpayers reported almost 80,000 tax rebate phishing emails and HMRC took action to close down 522 illegal sites.

The emails follow the same general format and promise a tax refund in exchange for personal, credit card or banking details. Those who respond risk opening their account to fraud and having details sold on to organised criminal gangs. The emails often link to a clone of HMRC's website to make the email appear genuine.

Gareth Lloyd, Head of Digital Security for HMRC said:

'HMRC does not email customers about tax refunds - we only ever contact customers who are genuinely due tax back in writing, by post.'

HMRC REPORT SELF ASSESSMENT STATISTICS

HMRC have reported that a record 9.61 million people submitted their self assessment tax return on time this year.

According to the HMRC statistics of the 10.34 million people in self assessment, 92.9% taxpayers met the return deadlines of 31 October 2012 for paper and 31 January 2013 for online returns.

Of the 9.61 million on time tax returns, 7.93 million (82.5 per cent) were sent online, which is a record number. The remaining 1.68 million (17.5%) were sent on paper.

Anyone who hasn't yet sent their 2011/12 tax return to HMRC will have already incurred a £100 late filing penalty. To avoid any further penalties, they should send their return as soon as possible, as well as paying any outstanding liabilities for the 2011/12 tax year.

The penalties for late Self Assessment returns are:

- an initial £100 fixed penalty, which applies even if there is no tax to pay, or if the tax due is paid on time
- after three months, additional daily penalties of £10 per day, up to a maximum of £900
- after six months, a further penalty of 5% of the tax due or £300, whichever is greater; and
- after 12 months, another 5% or £300 charge, whichever is greater.

There are also additional penalties for paying the liability late of 5% of the tax unpaid at: 30 days; six months; and 12 months respectively.

Please do contact us if you would like any help in this area.

HMRC WIN FURNISHED HOLIDAY LETTINGS TEST CASE

HMRC have been successful in a test case which considered the tax reliefs available for Furnished Holiday Lettings (FHL). Provided that certain conditions are met, FHL are treated as a trade for both income and capital gains tax purposes, often allowing access to valuable reliefs.

However, the inheritance rules (IHT) are different. Business Property Relief can allow up to 100% relief on business assets but FHL are not automatically included. For many years, HMRC allowed relief but have changed their policy and taken a test case, which they have won.

This means IHT would be due on the full value of an FHL.

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

SHARED PARENTAL LEAVE

Proposals to change the way parents can share maternity leave have been outlined as part of the Children and Families Bill.

The government plans to change the current arrangements which have been criticised by some employees as being 'inflexible'.

The Bill also introduces the extension of the right to request flexible working to all employees not just parents and carers.

Under the new system:

- Employed mothers will still be entitled to 52 weeks of maternity leave regardless of the length of their employment.
- Mothers can choose to end their maternity leave after the initial two week recovery period; working parents can then decide how they want to share the remaining leave.
- Fathers will have a new right to take unpaid leave to attend two antenatal appointments.
- There will be new statutory payment for parents on shared parental leave with the same qualifying requirements that currently apply to statutory maternity and paternity pay.
- Those who have adopted a child will be entitled to the same pay and leave as birth parents.

Please be aware that these changes are proposal at present. We will keep you informed of developments.

TACKLING LONG TERM SICKNESS ABSENCE

The government has announced proposals to introduce a new independent assessment and advisory service aimed at getting people back to work. The service will help businesses tackle long term sickness absence in the workplace.

The scheme is expected to save employers up to £160 million a year in statutory sick pay and increase economic output by up to £900 million a year.

The Minister for Welfare Reform, Lord Freud, said:

'Long-term sickness absence is a burden to business, to the taxpayer and to the thousands of people who get trapped on benefits when they could actually work.'

'So for the first time, all employers, big or small, will have access to a service that offers the early support they need to keep people in work and fulfil their aspirations.'

The independent occupational health assessment and advice service is expected to be up and running in 2014.

HEALTH AND SAFETY REFORMS

The government has announced that they have made significant progress in reforming Health and Safety requirements. The government has been working towards implementing some of the recommendations made in the Löfstedt Report in 2011 and the Young Report in 2010.

Steps taken to date include:

- scrap or simplify more than half of health and safety legislation by 2014
- the clarification of Portable Appliance Testing (PAT) requirements and
- a reduction of one third in the number of inspections made by the Health and Safety Executive (HSE).

Professor Löfstedt said the government is *'supporting a more risk-and evidence-based approach to health and safety'*.

CHARITIES ONLINE GIFT AID SERVICE

HMRC have announced that claiming gift aid repayments will be quicker and easier for charities and sports clubs from April 2013.

HMRC are writing to 110,000 charities and Community Amateur Sports Clubs advising them that, from 22 April 2013, they can enrol to make repayment claims online, via the HMRC website using a new service, called Charities Online.

Charities will be able to get information on how to use the system from the HMRC website at www.hmrc.gov.uk/charitiesonline

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