

A R Lee & Co

CHARTERED CERTIFIED ACCOUNTANTS & REGISTERED AUDITORS

News from The Street

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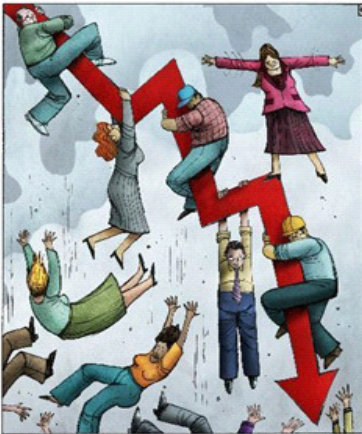
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Well, it's official.....

Neither the Government nor the Bank of England expect that we will suffer a double dip recession.

So that's ok then!



The poor GDP figures for the quarter ended December last year can perhaps be explained by the very bad weather we suffered in November and December, although the 3½% rise in manufacturing output was a welcome surprise. However

the retail sector suffered badly and the construction industry remains in the doldrums.

Inflation remains stubbornly high due to the continued increase in both food and oil prices and this will not be helped by the increase in VAT to 20% from 4 January this year. This means it now appears likely interest rates will increase earlier this year than originally expected and it is expected they will continue to increase fairly quickly to approximately 3% or 4%.

The banks are all saying they want to lend more money to small businesses, but the reality is they are imposing far harder terms and much higher interest rates. They are also continuing to reduce their exposure to under-performing businesses by withdrawing overdraft facilities, or converting them to loans at much higher interest rates.

They are also declining a higher number of applications for new loans.

In reality, very few of our clients actually want to borrow any money at present and, those that do, usually benefit from shopping around or looking for alternatives to the main clearing banks. Should you be in this position, we have a number of good contacts within the banks and we will be pleased to assist you to find the right lender if required.



We hope you will find the information in this newsletter useful, but if you have any matters you wish to discuss in more detail, then please let us know and we will be happy to advise you.

TAX CHANGES FROM 6 APRIL 2011

The Government has now issued more details of the changes that will apply from 6 April 2011 following the Emergency Budget last year and their subsequent consultations:

The personal allowance for those aged under 65 will increase by £1,000 to £7,475, but the income limit for basic rate tax is to be reduced by more than this, from £37,400 to £35,000. Higher rate tax will now be due when total income exceeds £42,475. The personal allowance will also be withdrawn at the rate of £1 for every £2 of income above £100,000 and will be lost entirely when income exceeds £114,950. A new rate of income tax of 50% will apply to taxable income above £150,000.

If your income is likely to be above any of these limits you may wish to consider:

- Deferring income to a later year if you are a director/shareholder of a company.
- Paying targeted pension contributions.
- Making Gift Aid contributions.

National Insurance Contributions will increase by 1% generally, but the starting point for employees and employers will increase significantly from £110 per week to £139 and £136 per week respectively. This will particularly help low paid workers.

The Government has announced a new tax free children's savings account following the end of the Child Trust Fund Scheme. Described as a 'Junior ISA', the new accounts will offer parents a simple and tax free way to save for their child's future.

Working and Child Tax Credits are to be replaced by a new Universal Credit over the next two parliaments commencing in 2013. Child Benefit will be withdrawn from households that include at least one higher rate taxpayer by 2013.

Relief for pension contributions will be limited to £50,000 per year, although unused relief for the previous three years can also be used. The requirement to purchase an annuity by age 75 is to be dropped and the IHT charge that currently applies to any pension funds remaining on death is to be removed in most cases.

Corporation Tax for large and small companies is to be reduced from 28% and 21% to 27% and 20% respectively. The rate for large companies will continue to reduce annually until it reaches 24% by 1 April 2014.

HMRC are to be given the power to demand security from employers for PAYE that is seriously at risk due to the employer's past history or financial position. Similar powers already operate in respect of VAT.

WORKING AND CHILD TAX CREDIT CHANGES FROM 6 APRIL 2011

Prior to the introduction of the new single Universal Credit, the Government have made the following changes to the current system of Working and Child Tax Credits:

- * The rate at which Credit is withdrawn when income exceeds relevant limits is to be increased from 39% to 41%, thus reducing the level of income at which all benefit is lost.
- * The additional payment of £545 for any child born in the tax year is abolished.
- * The current limit of three months for backdating a claim is to be reduced to one month from April 2012.
- * The limit for ignoring increases in income is reduced to £10,000 and, from April 2012 to £5,000. Also from April 2012, reductions in income of up to £2,500 will be ignored when recalculating entitlement.

EMPLOYMENT NEWS

Revised Statutory Rates

From 1 February 2011, the maximum weekly redundancy payment limit increased from £380 to £400 and the rate of Lay Off Guarantee pay to £22.20 per day.

From 3 April 2011, the minimum level of maternity, paternity and adoption pay will increase to £128.73 per week.

Default Retirement Age

The Default Retirement Age (DFA) of 65 is being phased out over a transitional period running until 30 September 2011. The last day employees can be compulsorily retired using the DRA is 30 September 2011, for which six months' notice must be given by 30 March 2011. Notice can still be given between 31 March 2011 and 5 April 2011, but some compensation may have to be paid for giving short notice. No new notifications of retirement using the DRA can be issued on or after 6 April 2011.

Maternity & Paternity Rules

The Additional Paternity Leave Regulations 2010 will come into force for babies due on or after 3 April 2011. These regulations allow fathers to take up to six months additional paternity leave (APL), where the mother of the child is returning to work and is not taking the last six months of her maternity leave entitlement. This new entitlement is in addition to the two weeks paternity leave already provided for by existing legislation.

APL can be for a minimum of two and a maximum of 26 weeks and the father will receive the remainder of the mother's statutory maternity pay. All contractual benefits, apart from pay, continue during the APL.

Equality Act 2010

The new Act came into force on 1 October 2010 and will offer protection to individuals who are discriminated against on the grounds of their sex, race, age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, religion or belief and sexual orientation. These are called 'protected characteristics'.

Employees will not need to show they have a protected characteristic themselves and can claim under the new Act if they can show they have been treated less favourably because they associate with someone who has a protected characteristic.

Claims can be made on the basis of perception of a protected characteristic. So, if an individual is discriminated against because it is believed they are gay, even though they are not, this is potentially discriminatory.

The Act prohibits the use of pre-employment health questionnaires before a job offer is made, although generic health questions can be asked once an offer is made.

Employers will be liable if their employees are harassed by people they don't employ such as external suppliers or customers. Employers can no longer insist employees do not discuss their own pay with each other.

If you employ staff in your own business, you will need to review your procedures and documentation and ensure they are compliant with the new Act. Please remember that if you are a member of our Fee Protection Scheme, you are entitled to free legal advice in respect of employment law issues.

Latest Fuel Rates

New rates for both Income Tax and VAT were announced from 1 December 2010:

Engine Size	Petrol	Diesel	LPG
1400cc or less	13p	12p	9p
1401cc to 2000cc	15p	12p	10p
Over 2000cc	21p	15p	15p

HMRC say that due to rapidly increasing fuel prices, the advisory fuel rates will be updated again on 1 March 2011.

HMRC BUSINESS RECORDS CHECKS

HMRC has announced they intend to commence a programme of Business Records Checks (BRCs) starting in the second half of 2011. They will be reviewing the adequacy and accuracy of records kept by small and medium size enterprises (SMEs). They will use existing law regarding record keeping requirements and penalties will be charged of up to £3,000 for any failure to comply. Initial enquiries by HMRC suggest that poor record keeping is a problem in about 40% of SMEs.

The new checks will be risk assessed and industry sectors will be targeted where HMRC has experienced problems in the past. This is expected to mean that cash based businesses will experience more robust and intrusive investigation than previously.

Please let us know if you wish to discuss any aspect of your current record keeping and we will be happy to advise you.

HMRC COPY FORMS AND LETTERS

In order to save money, HMRC has been steadily reducing the number of copy forms and letters they send to us as your agent. This includes Self Assessment Statements, PAYE Coding Notices and letters informing you that you must start or stop submitting Tax Returns.

We already have the ability to view your Self Assessment Statements online and HMRC hope to enable us to see more details online in the future, but, in the meantime, could you please send us copies of any important documents you receive from the Revenue, as we may well need to know the details.

And finally.....

Tax collectors in south India came up with a novel solution to deal with late and slow payers. The Daily Telegraph reported that 'ten strong' teams of wedding drummers were being paid to set up camp outside the homes of the defaulting taxpayers, with the order to continue playing until the individuals paid up.

The scheme was implemented in the city of Hyderabad, which was owed £625,000 in unpaid taxes. 'This made a damned big racket' said TSR Anjaneyulu, A Municipal Tax Commissioner, 'and the neighbours approve because they get to see who hasn't paid up'. There were 20 groups at work and the money poured in.

Perhaps the Debt Management and Bank Unit of HMRC should consider introducing the historic practice of 'rough musicking', which was used in the past in the UK to identify the homes of troublemakers and malcontents.



POSSIBLE SERVICE DISRUPTION

During March we will be replacing all our computer equipment and this may mean we will occasionally be offline and unable to immediately respond to emails. We would ask for your patience and understanding while this essential work is carried out.