

# A R Lee & Co

CHARTERED CERTIFIED ACCOUNTANTS & REGISTERED AUDITORS

## News from The Street

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The year ahead will be a challenging one and we expect in May the country will vote in a General Election.

Whatever political party is elected, we expect a second Budget will almost immediately be announced and we will only then be told what the new Government is really going to do in order to reduce public debt.

It is strongly expected that we may well see increases in both VAT and Capital Gains Tax, in addition to the increases already announced in Income Tax and National Insurance.

As a country, it is inevitable that a larger proportion of what we produce will be taken in tax, but it remains to be seen if our fragile recovery can overcome the combined effect of a reduction in Government spending and an increase in taxation.

We hope that it can, but if you are concerned about your tax position, please do talk to us in case there is anything more that we can do to help reduce it.



In this issue of our regular newsletter, we highlight those matters that we believe will be of most interest, or importance, to our clients.

These seem to be dominated by the requirement to file PAYE and VAT returns online and this is something we must all become quickly used to. Please let us know if you need any help or advice with the changes necessary.



Finally, if you are happy with the service we provide, please do tell your friends and colleagues, as our best source of new business is personal referrals from existing clients.

We are always happy to talk to any potential new clients about how we can help them and their businesses, so please do recommend us whenever possible.

# EMPLOYMENT UPDATE

## Online Annual Returns

All employers will be required to submit their Annual Returns online for 2009/10 and you will not therefore receive a paper copy in the post. Instead, you will simply receive a letter confirming you are required to submit the Return online.

There are a few exceptions, but these are very limited and will only rarely apply. Do let us know if you need any help or advice to submit your Return online.

## PAYE Payment Penalties

New penalties will be applied from May 2010 if monthly PAYE payments are not made on time unless a pre-agreed time to pay arrangement has been entered into with the Revenue.



The penalties will range between 1% and 4% depending on the number of late payments in the year. Additional penalties will be charged if liabilities are outstanding for a further six and then twelve months.

## Employment Law Guidance Programme

The Department for Business Innovation and Skills (BIS) has improved, updated and placed all the employment content from its website onto the Business Link website at:  
[www.businesslink.gov.uk/employingpeople](http://www.businesslink.gov.uk/employingpeople)



By visiting the site you can access free-to-use, legally compliant guidance, online tools, pro-forma letters and agreement forms, to help better understand and manage your responsibilities as an employer.

## PAYE Coding Notice Errors

In July 2009, the Revenue launched a new PAYE service that introduced a single national computer system in the place of the previous 12 regional databases.

Unfortunately, this has directly resulted in the issue of a very large number of incorrect PAYE Coding Notices for 2010/11, many of which relate to past employments.

The Revenue has promised to sort this problem out, but if you are not sure whether your Coding Notice for 2010/11 is correct, please do ask us to check it.



## Employment Status and Revenue Enquiries

The Revenue is stepping up the number of new enquiries they are making and they are using their new beefed up powers to obtain information.

They are particularly keen to stamp out what they consider to be false self-employment and this does not just relate to the construction industry, but to all sectors of the economy.

If your business engages self-employed individuals on a prolonged or permanent basis it is absolutely vital that your procedures and paperwork are extremely well drafted and fully reflect the actuality of the arrangements. Failure to do this properly can be extremely expensive and in some cases can ruin an otherwise profitable business.

Please let us know if you would like to discuss or review your present arrangements and we will be pleased to help.

## New Sick Notes

With effect from 6 April 2010, GPs will be introducing a new type of sick note which will enable them to state one of two options; either that the employee is unfit for work, or may be fit for work taking account of the GP's stated advice.

Employers will need to be careful when considering the advice of the GP and will need to decide if they can facilitate an early return of the employee by making reasonable adjustment to their duties.



There is a danger that if the employee wishes to return to work early, he or she may have an unreasonable expectation the employer can make the necessary adjustments. In the event of a dispute, the employee could try to pursue an action under the Disability Discrimination Act.

It is therefore important the employer consults carefully with the employee to determine whether they can accommodate any changes to facilitate a return to work. Employers may find they need professional advice in this respect and members of our fee protection scheme will be able to obtain this free of charge.

## PAYE Thresholds for 2010/11

There will be no increase in the basic personal allowance for 2010/11 which will remain at £6,475. The starting point for higher rate tax is also unchanged and will apply if total income exceeds £43,875.

NIC rates and limits are broadly frozen for 2010/11, although the lower earnings threshold for NIC increases from £95 to £97 per week.

## VAT CHANGES

### Cross-Border Supplies and Services

The standardisation of the VAT treatment of cross-border business to business supplies of services from 1 January 2010 has already caused much confusion.

Apart from a few specific exceptions, such supplies are now treated as being made in the customer's country and are therefore outside of the scope of UK VAT.

In theory, such supplies do not need to be included on your VAT Return, but HMRC ask for the value to be included in Box 6 for statistical purposes, unless you use the Flat Rate Scheme. However, they should **not** be shown in Boxes 8 and 9.

Problems have arisen because these supplies must now be included on the quarterly EC Sales List (ECSL) which may well bear no relation to the figure in Box 8 of the Return.

It is therefore vital that you understand precisely how such transactions should be coded in order for your accounting software to deal with them correctly.

### Business Mileage Records

If you claim tax relief or VAT back in relation to your business mileage it is extremely important that you maintain sufficient records to prove your claim in the event of a Revenue enquiry. Your records should at least show the date, destination and purpose of the journey, as well as the total mileage. Failure to keep adequate records can prove to be a costly mistake.



### Online Filing

All existing businesses whose turnover exceeded £100,000 during the four VAT quarters that ended in the year to 31 December 2009 are now required to submit their VAT Returns online for VAT periods commencing on or after 1 April 2010.



Those businesses who are affected by the new rules will have recently received a letter and detailed guidance from HMRC. If you are one of those businesses, then you will need to make sure you will be ready to submit Returns online as soon as possible as the process of registration can take several weeks to complete and should not be left until the last minute.

We are already experiencing a number of technical problems with HMRC's online VAT system and it remains to be seen how it will cope when everyone starts to register.

You will also need to make sure you will be able to make your payments electronically and you will need online or telephone banking to do this, which may also take time to set up.

## LATEST FUEL RATES

New rates for both Income Tax and VAT were announced from 1 December 2009.

Engine Size	Petrol	Diesel	LPG
1400 cc or less	11p	11p	7p
1401 cc to 2000 cc	14p	11p	8p
Over 2000 cc	20p	14p	12p

## WORKING TAX CREDITS

Many people who are eligible for working tax credit (WTC) are missing out because they do not realise they are eligible to claim. WTC is payable to people who are in work and on a low income and you do not have to have children to qualify.

You can claim WTC if:

- You are aged 25 or over and work at least 30 hours per week;
- You are single and earn up to about £13,000 per year. If you're living with a partner, you could claim if, together, you earn up to just under £18,000 a year;
- You may also qualify even if your circumstances are different if you are disabled, or over 50 and returning to work.

Sometimes it can pay to make a protective claim if you have any reason to believe your income might suddenly reduce in the future, as claims can only be back-dated three months.

## PENSIONS & LIFE ASSURANCE UPDATE

### Life Assurance

If you currently pay regular life assurance premiums, it may be worthwhile asking for an up to date quotation for identical cover. Premiums increased considerably during the period when AIDS was an issue, but have reduced more recently. In many cases, the current cost of cover can be reduced.

If you do not currently have an independent financial adviser (IFA) then we can refer you to several suitably qualified advisers if requested.

### Age Changes

On 6 April 2010, the minimum age to access pension funds is to be increased from 50 to 55.

If you are currently under 55 and intend to draw down a lump sum or regular pension from your existing fund before you are 55, please do speak to your pension adviser as soon as possible.

### State Pension

Also, from 6 April 2010, the age at which women will reach State Pension Age (SPa) will gradually rise from 60 to become the same as men (65). The changes will be phased in between 6 April 2010 and 6 April 2020 and will affect women born between 6 April 1950 and 5 April 1955. All women born on or after 6 April 1955 will now reach SPa at age 65.

Currently, employees who are over SPa do not have to pay employee's National Insurance Contributions (NICs). As SPa gradually increases, employers will need to be very careful that the correct NICs are deducted and they will need to make sure they hold accurate dates of birth.

## STAFF NEWS

Congratulations to Laura who passed her driving test in January with only one minor fault on an otherwise clean sheet, which was a very good result!



We are pleased and relieved that Yvette has made a full recovery after undergoing a fairly major operation in September last year, returning to work in October.



Anneka, who is currently on maternity leave, is hoping to return to the office on at least a part-time basis in May and we look forward to welcoming her back.

