

Payroll changes

ARE YOU READY?



Over the next few years there will be changes that will impact employers financially and will increase the administrative burden of employing staff.

ALTERATIONS TO THE PENSION TIMETABLE

This time last year we highlighted the Government's plans to introduce pensions for all employees.

Briefly recapping, in October 2010 the Government confirmed that, depending on the number of employees, employers would be obliged to automatically enroll their eligible employees into a qualifying workplace pension scheme between October 2012 and October 2016. The Government also confirmed that it was extending the phasing in period for the payment of the minimum pension contributions.

In response to the continuing economic woes of the country the Government has now decided to put back the staged dates for the auto-enrolment of employees for companies with less than 250 employees.

Companies with between 50 and 249 employees will be assigned new auto-enrolment dates between 1 April 2014 and 1 April 2015. Firms with less than 50

employees will be assigned auto-enrolment dates between 1 June 2015 and 1 April 2017.

The minimum contribution levels will now be phased in over time as follows:

Period	Employee	Employer	Total
Before 1.10.17	1%	1%	2%
From 1.10.17 to 1.9.18	2%	3%	5%
From 1.10.18	3%	5%	8%

The contribution rates apply to eligible earnings (including inter alia salary, overtime, commission and bonuses) between £5,564 and £39,853 per annum.

The Department for Work and Pensions (DWP) has insisted that it will adhere to the latest timetable regardless of the state of the economy.

ACTION PLAN

Although, for the majority of our clients, enrolment dates are still some way off, we would advise clients not to ignore these changes and to look at the following:

- Employers who have an existing pension scheme should contact their pension provider to determine if their existing scheme will meet the eligibility criteria for a qualifying workplace pension. Employers without a qualifying pension scheme will need to set up such a scheme and may want to consider using the National Employment Savings Trust (NEST) as a simple, low cost option. Much more information will be released by the Government in due course.
- Employers should assess the additional cost and start to budget for the changes. They should identify which of their employees will be eligible for the workplace scheme (allowing for employees who may wish to opt-out), and calculate the likely future cost of the pension contributions by employee.

REAL TIME INFORMATION

Real Time Information (RTI) is a priority Government programme intended to improve the operation of PAYE for individuals, employers and HMRC. HMRC will be running pilot schemes for the introduction of RTI reporting between April 2012 and April 2013 and intends to make RTI reporting compulsory for all employers by October 2013. Instead of reporting employees' earnings and deductions to HMRC annually, employers will be required to report each time they run their payroll. HMRC will therefore have up to date

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information for all employees, which will enable them to ensure that more employees are paying the correct level of income tax and National Insurance. The information will be shared with the DWP so that it can correctly calculate an individual's entitlement to the Universal Credit.

As part of the switch to RTI, the details of employees held by HMRC and employers will have to be aligned. In order to assist in the smooth transition to RTI HMRC has requested that employers review the accuracy of the information they hold on their employees. Particularly troublesome data errors include:

- missing or incorrect dates of birth
- missing or incorrect first and last names.
- missing or incorrect National Insurance numbers.

Employers are urged to ensure that such information is taken from official documentation such as a passport or birth certificate.

HMRC envisages that most employers that have not joined the RTI system during 2012-13 will do so in April 2013, and that RTI will be routinely operating by no later than October 2013. Employers will be notified of the obligations by HMRC in due course.

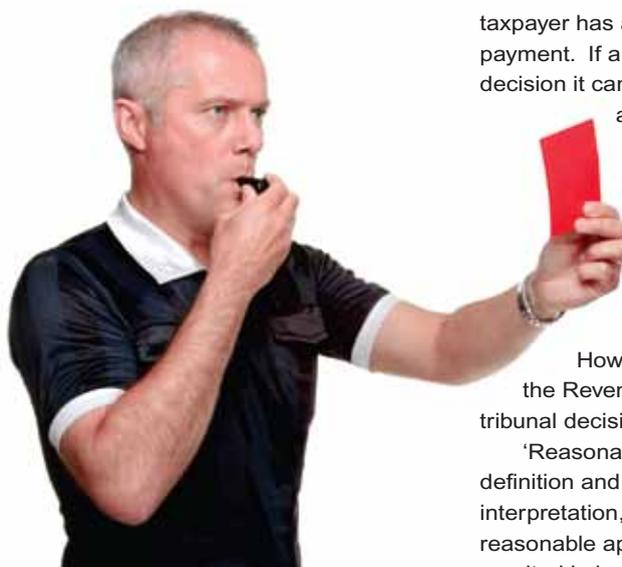
IN CONCLUSION

The changes mean that employers will need to have systems in place in plenty of time and ensure that their payroll staff are aware of what is required, as there will no doubt be penalties for non-compliance. Businesses will need to build in extra costs when looking at budgets and pay reviews.

At Baker Chapman & Bussey we assist many of our clients with payroll matters, from occasional advice to the processing of and filing of returns. Should you have any queries with regard to the forthcoming changes please email jackie@bakerchapman.co.uk or andrew@bakerchapman.co.uk.

A new era

IN TAX AND PENALTIES ADMINISTRATION



The 2010/11 tax year saw a new era in the administration of tax and penalties. For example, monthly/quarterly PAYE payments must be cleared by the Revenue by the 'in year due date' (rather than allowing use of the final deadline of 19 April following the tax year end).

As a result more taxpayers and especially employers, are finding themselves with penalty demands. We also find that the Revenue has not been prompt in notifying tax payers that they have missed a deadline. A typical example concerns the 2010/11 end of year payroll returns, which were due for filing by 19 May 2011. Although a £100 penalty applies for each month overdue, the Revenue did not send out notices about returns not being filed until September, at which time they were levying penalties of £400. If taxpayers who had overlooked their paperwork had received a reminder in June - and had acted upon it - they would have only been penalised £100.

In respect of late payments, the penalties are often disproportionate when compared to the amount of tax at stake.

It is possible to appeal against penalties and they may be waived if the

taxpayer has a reasonable excuse for late payment. If a taxpayer disagrees with the decision it can then go to tribunal. The accountancy profession is increasingly finding that fewer penalties are waived on first appeal and more cases are going to tribunal, some of which result in favour of the tax payer.

However we are now finding that the Revenue is appealing against tribunal decisions.

'Reasonable excuse' does not have a definition and is therefore open to interpretation, although an example of a reasonable appeal might be a fire that resulted in loss of records.

TIPS

- File and pay on time.
- Keep copies of submission reports and other evidence to prove that attempts were made to file/pay on time.
- If you are unlikely to pay in full by the due date call the HMRC business support line and explain your circumstances. In many cases, talking to the Revenue beforehand can mean they will waive penalties, especially for a one off. We can help you with this!
- If you think you have a case to appeal then we can help you to do so. The Revenue needs to be made aware that some of their current practices are neither reasonable nor commercial.

The system appears to be getting one-sided and whilst the Revenue denies that generating more money is a motive, the fact remains that, in the current climate, penalties are a cost that SME's could do without.

Contact us for advice and assistance if you are facing the threat of penalties. We have had some outstanding success in minimising client liabilities.

Case study

WHAT HAPPENS IF I DON'T COMPLETE MY TAX RETURN?



A letter from the Revenue querying tax payments is enough to make most people panic. The Robinsons were no exception!

We were approached by the couple because they had received letters from HMRC asking why they had not submitted personal tax returns declaring income received from rental properties. In addition, the Revenue was querying their self-employment income and demanding that they provide information so that tax liabilities could be ascertained.

Receipt of these letters created a great deal of anxiety in the Robinson household! Over the years, the couple had been careful with money and had used a small inheritance to kick-start a portfolio of residential properties during the 'buy to let' boom. But with interest payments and costs now exceeding rental income, the Robinsons did not believe they owed any tax. However, as we pointed

out, how was the tax-man to know that! They also had a small amount of income from self-employment but believed that this would be covered by their personal allowances.

Because the initial correspondence had been ignored, the Revenue was now chasing the Robinsons for a response and in turn they were having sleepless nights imagining what horrors may be in store for them!

Our first response was to reassure Mr and Mrs Robinson that seeking professional advice was the right course of action. The Revenue is usually happier to accept information from a professional adviser than from taxpayers themselves and we were confident that we could conclude the matter swiftly.

Secondly, we explained in plain English the consequences of a failure to make tax returns. At the time, the applicable penalties were limited to any tax that had been underpaid but this has

since changed - see the article entitled 'A New Era' on the previous page. As the Robinsons were making a loss on their rental income no penalties would apply but the non-disclosure of their self-employment income would lead to some small penalties.

We informed the Revenue that we were working with the Robinsons to resolve the issue and provide a comprehensive response. Our contact meant that the Robinsons stopped receiving worrying letters, whilst we were able to pre-empt some of the questions that we knew the Revenue would ask, such as "how were the property portfolio and losses funded?"

The Robinsons had made a number of errors in their records that we were able to resolve before they went under the scrutiny of the Revenue. Had the information been submitted in its original form, it could have led to the detail being examined with a fine tooth-comb! In addition, we were able to identify reliefs, such as wear and tear allowance, of which the Robinsons were not aware.

The matter was drawn to a prompt conclusion with penalties reduced to the lowest possible level. As well as saving money in tax and penalties, our intervention put an end to those sleepless nights and allowed the Robinsons to get on with their lives knowing that their taxation was being handled professionally. Today, they are regular clients.

The morals of this story are clear:

- Always notify the Revenue of new sources of income.
- Don't stick your head in the sand – problems won't go away on their own.
- Seek professional advice – it will lower your stress levels as well as your tax bill!

Come and talk to us if you are worried about any aspect of your tax. We welcome contact from individuals and businesses - whether you are already a client or new to the firm. Contact Jackie Frost on 01206 715000 or jackie@bakerchapman.co.uk.

Repayment Deadlines

If you think you may be owed tax by the Revenue come and speak to us. The table below shows the dates by which you must submit a claim:

	Tax Year End	Deadline
Income Tax		
Income Tax under self-assessment	5.4.08	5.4.12
Overpaid Income Tax on employment pension or interest	5.4.07	31.3.12
Overpaid Income Tax on employment pension or interest	5.4.08	31.3.12
NI Contributions		
Overpaid due to having more than one job or are both employed and self employed	No time limit	
Repayment of self-employed Class 2 because earnings below small earnings limit	5.4.12	31.1.13
Other overpaid NI (normally)	5.4.06	5.4.12

For VAT registered entities you have four years from the end of VAT accounting period to which the input VAT related.

If you think you may have overpaid tax get in touch. We will be able to explain the correct procedures and help you with your claim.



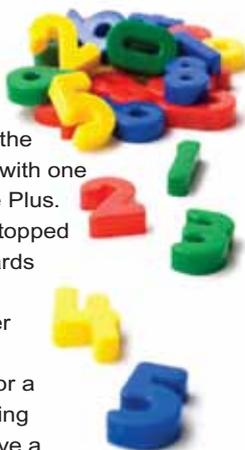
NI Numbers AND LETTERS

For many years, HMRC has notified individuals of their National Insurance number for the first time by sending them a plastic NI number card.

In 2010, as part of the Government's spending challenge, it was announced that HMRC would stop issuing cards and send letters instead. The Government estimate's that this will save approximately £1 million per annum.

From July 2011, those requesting a National insurance number for the first time were issued with one by letter via Jobcentre Plus.

HMRC has now stopped sending NI number cards altogether. Anyone needing a new number (adults and juveniles approaching age 16) or a reminder of their existing number will now receive a notification letter. Employers are advised that both letters and cards are acceptable.



Online VAT

IT'S NOT FOR EVERYONE!

Most VAT registered traders have been filing VAT returns online for a while now. For quarters starting after 1 April 2012, online filing will be compulsory for those previously exempted, i.e. those with annual turnover of less than £100,000, and such entities will need to allow time to register for online filing. Payments must be made electronically, which includes paying by bank giro credit, however also allow time for a payslip booklet to be issued.

The good news is that you get an extra seven days to file and pay. Surprisingly, the only exemptions to online filing are businesses subject to insolvency proceedings and businesses run by a practicing member of a religious society whose beliefs prevent them from using computers.

Olympics

GANGMASTERS' WARNING

HMRC is warning employers who plan to take on more staff for the Olympic and Paralympic Games to check their 'labour providers'. These 'labour providers' are agencies that supply temporary workers to meet seasonal and market demand and are sometimes called 'gangmasters'.

Businesses which may be affected include those in catering, food processing, construction, hotels, leisure and security.

HMRC has warned there is a risk that employers could unknowingly hire workers who are in the UK illegally or are earning below the National Minimum Wage. This could result in enquiries by HMRC and costs for the business, damaged reputation and even prosecution.

Marie-Claire Uhart, Director of Specialist Investigations, said: "HMRC has found problems with fraud and unpaid taxes in the labour provider field and this might increase as companies employ more casual labour for the Games. Businesses that use labour providers can help prevent these forms of tax abuse...by being alert and asking the right questions."

Childcare Help

HMRC has updated its guidance on employers helping with childcare costs.

The update reflects the change to the rules which means that where a new claimant enters into a scheme from 6 April 2011 the amount of exempt childcare is restricted for higher rate taxpayers to £28 per week and for additional rate taxpayers to £22 per week.

The amount available to basic rate tax payers and those in relevant schemes prior to 6 April 2011 remains at £55 a week.

Baker Chapman & Bussey
Magnet House, 3 North Hill, Colchester CO1 1DZ
Tel: 01206 715000 Fax: 01206 715010

Braintree House, 18 Bocking End, Braintree CM7 9AA
Tel: 01376 559000 Fax: 01376 559005

mail@bakerchapman.co.uk www.bakerchapman.co.uk

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