

WHEELERS WORDS



Wheeler's Chartered Accountants and Tax Consultants

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Winner or Loser?

Chancellor presents complex tax formula for High Earners

The 2012 Budget contained a range of measures that will impact on those in the higher earnings bracket. The reduction in the highest marginal rate from 50p to 45p for earnings over £150,000 has been widely reported, as have the increases in basic personal tax allowances – but will high earners be better or worse off at the end of the day?

The good news is that personal allowances have gone up to £8,105 for a person under age 65. However, the news that the Chancellor intends to phase out the age-related allowances in the 2013/14 tax year came as a shock to most of us – going forward, the allowance of £10,500 for those aged 65 to 74 will be restricted to those born after 5 April 1938 but before 6 April 1948 and the higher allowance of £10,660 will be restricted to those born before 6 April 1938. In practice this means that no new entrants to these age brackets after 6 April 2013 will benefit from an enhanced personal allowance.

Another piece of less welcome news is the reduction in the basic rate limit – the amount after which higher rate tax becomes payable – from £35,000 to £34,370, so taxpayers will start paying higher rate tax earlier. For 2013/14, this figure comes down again to £32,245.

High earning parents are also to see their child benefit taxed according to their income. The new income tax charge will be introduced from 7 January 2013 and will affect taxpayers who receive child benefit and have an income in excess of £50,000. The charge applies even if it is the partner of the person who receives the child benefit whose income exceeds this level. Where both parents have income above this figure, then the income tax charge will only be levied on the partner with the higher income. For those who earn above £60,000, the tax charge will cancel out the child benefit payable. Those who don't claim it will not have to include it in their tax return, so the Government expects high earners to drop out of the child benefit system.

To work out what impact these changes will have on your tax situation, contact **Mary Plant** at mary.plant@wheelers-accountants.co.uk or call us on **01945 582547**.

BUDGET OVERVIEW

Mind your business taxes

Businesses were hoping for help from the Chancellor in his Budget, and there was a glimmer of light for companies. George Osborne reduced the main rate of corporation tax by 1% - down to 24% from April 2012. There will be further reductions of 1% for the next two years giving a rate of 22% from April 2014. There is no change to the small profits rate which remains at 20%.

Financial year ending	31 March 2013	31 March 2012
Taxable Profits		
First £300,000	20%	20%
Next £1,200,000	25%	27.5%
On profit over £1,500,000	24%	26%
Tax credit on dividends	10%	10%
Marginal relief fraction	1/100	3/200

The standard rate of VAT remains at 20% for the coming year, and the reduced rate stays at 5%. The threshold for VAT registration has gone up a little – from £73,000 to £77,000 from 1 April 2012 with the deregistration threshold increasing from £71,000 to £75,000.

The simplified reporting requirement for income tax Self Assessment returns will continue to be aligned with the VAT registration threshold.

The online VAT registration system is available now and registration will be required with effect from 31 October 2012, at which point some of the paper VAT forms will be withdrawn. From 1 December 2012, the VAT threshold for businesses not established in the UK will be removed.

HM Revenue & Customs now requires all businesses to do their VAT returns online and to make any payments due in respect of VAT electronically, with effect from 1 April 2012. There is no longer a facility to submit either the information or the payment other than through an online route and penalties of up to £400 could be levied if submission is late.

Wheeler's VAT teams can assist with the electronic filing of your VAT returns and with the payment process involved. To find out more, contact **Helen Garrett** at helen.garrett@wheelers-accountants.co.uk or call us on **01945 582547**.

Buying a car is expensive and many businesses would welcome the opportunity to recover the VAT they have paid on the purchase price. However, HM Revenue & Customs will only allow recovery when it can be proved that the car is only being used for business purposes.

For most business drivers, the company car is used for the commute between home and work and this immediately disallows any VAT recovery on the purchase of the car. Even if the car is only used for business purposes, if it is insured for private use and kept at home, then the VAT man is likely to deny any claim to recover the VAT. This isn't helped by the fact that business-only insurance for cars is not readily available, so proving sole business use can be difficult.

There are ways to ensure that a car that is truly only used for business purposes can be treated as such in VAT terms. A record of a board resolution, for example, that states that a vehicle is to be

bought for the business and that personal use will not be allowed, may well help the case, provided this is backed up by the facts and never used for personal travel. It would be good practice to maintain a detailed log to substantiate the 100% business use. Inclusion of a clause that restricts the use of company vehicles to business use only in an employee's contract of employment will also provide a strong argument.

If you think you have a case for reclaiming the VAT on your business cars and would like to know more, contact **Mary Plant** at mary.plant@wheelers-accountants.co.uk or call us on **01945 582547**.

VAT on Cars

Recovery Possible



Cookie Consent Is Your Website Ready?

May 2012 sees new rules come into force that require businesses to ask for consent to generate and store cookie data from their websites.

Cookies are the small nuggets of information that websites collect during your browsing session.

These might include log-on information, payment card details, browsing history (ie which pages you looked at) and other pieces of data that are personal to you.

Previous legislation only required that websites provided the option to 'opt out' of providing cookie data, but the Information Commissioner (ICO) now requires that users or subscribers must give their positive consent to this data being stored. Businesses must also provide details of the cookies used by the website, how much data is collected and whether or not it is stored by the business – or by third party organisations.

Many small and medium sized businesses will rely on their website provider for the functionality of their website and may not even be aware that cookie data is being collected. Ignorance is, of course, never a defence: all businesses should ensure that they are aware what data is being collected and what happens to that data.

Cookies are actually stored on the visitor's PC. They are small coded files of text and numbers that allow the site provider to identify you and to compile anonymous statistical data about how you use the website. Typically they will allow the site provider to authenticate user accounts without the need to sign in again or to keep track of a bunch of data being used during your visit to the site – travel booking details or online purchases, for example.

There are three main types of cookies: session cookies are those that collect temporary data for use whilst you are at a single visit to the site. They carry data forward and backward between the pages you visit and will expire at the end of the browser session – which means that the data collected is not stored beyond that point.

Persistent cookies are just that – they stay on your PC indefinitely so when you return to the site on another occasion, they remember who you are and what happened last time.

Analytical cookies collect browser data for analysis purposes. Google Analytics, for example – used in the background of many millions of websites – will use analytical cookies to record visitor traffic data.

To comply with the new rules, businesses should conduct an audit of all the cookies operating on their website, recording the purpose, content and expiry point of each one. Once the facts are recorded, you should provide information on your website about the cookies – and not tucked away at the bottom of a Terms and Conditions page.

A separate "Cookies Policy" page is a good idea – sample cookie policies are available online from organisations such as Business Link.

Just providing this information isn't enough. You will also need to get that essential consent from the visitor – he or she must tick a box or click a button to say yes, they agree to your use of cookies. This may mean that you need to provide additional functionality on the site, involving additional development costs for the business. The good news is that you only need to get this consent once, however many cookies there are on your site. However, you must give the option to opt out again if the visitor then wishes to withdraw consent.

The ICO will be investigating any potential breaches of the new rules – the best advice to businesses struggling to get their websites ready in time is to document the progress you are making to comply along with a timescale of when full compliance should be achieved. Talk to your website host or provider to ensure that you understand how these new rules impact on you.

A final word on websites in general: companies should remember that they are required by law to display the company registration number, the place of registration and the registered office address somewhere on their website.



REAL TIME Information (RTI) is on the horizon

April 2012 saw the start of a pilot project that will see employers passing PAYE information over the wires to HM Revenue & Customs (HMRC) every time they pay their employees.

The Real Time Information initiative aims to solve a range of issues not only for HMRC, but also for other Government departments who want to know who we are and what we earn – including, in particular, the Department for Work and Pensions (DWP).

The timetable for this project is tight: the pilot will run for a year until April 2013 at which point HMRC will be looking for most employers to start returning live information to them under the scheme. All employers are expected to be required to join up by October 2013 – just 18 months after the start of the pilot.

The stated intention of the project is to improve the accuracy of the tax we pay, eliminate those annoying tax code errors and to make it easier for HMRC to spot failures in compliance. In reality, it will also provide information to enable the DWP to calculate Universal Credit payments when these replace the current benefit payment framework and will go a long way to helping other departments, such as Border Control, to identify and locate every worker in the UK.

One of the first challenges for the project will be to match employee records with their HMRC identity. Larger employers (those with 250+ employees) will be asked to do this in advance of starting to send information through an Employee Alignment Submission (EAS) but smaller employers have the choice of using this route or simply waiting to see how well their first RTI transmission works. HMRC will analyse the EAS and send back a report identifying any issues.

There is a long list of data fields that employers will be asked to complete about their workers and it will be recommended that they complete as many as possible to ensure a good match. Some of the data fields are required whilst others are optional – a full list can be found at www.tinyurl.com/RTIDATA1 and include, for example, a passport number for new employees. Employers will be urged to check that the data they hold about their workers is both complete and accurate to minimise the risk of a mismatch.

For some employers once the initial matching process has been completed, transmitting data will be a simple task carried out by the payroll team each payday. However, there are many businesses which don't have a payroll department and whose employment arrangements will challenge the project framework. These might include those who pay casual workers on a daily basis or make IR35 payments as well as those who currently run a manual payroll. There may also be issues for one or two-man companies which pay their directors annually but which make payments during the year – directors' loan account repayments, for example.

The requirement will be for the data to be transmitted "on or before" the payment is made to the employee. This may prove difficult where employers use a third party to process their payroll in batches and payroll software providers may need to make changes to allow the right data to be transmitted at the right time.

Those who use a payroll bureau such as Wheelers will have the reassurance that data can be transmitted at the right time, but it will be important for the employer to authorise the bureau to submit the data on their behalf.

We are planning to run a seminar for employers later this year to help them prepare for this new requirement. If you would like details of this seminar when dates are confirmed, or if you would like to discuss how your business will be affected by the RTI requirements, please contact **Helen Garrett** at helen.garrett@wheelers-accountants.co.uk or call her on **01945 582547**.

Wheelers Partner Mervyn Baker to reduce hours

Partner Mervyn Baker has announced that he will be reducing his working time down to three days a week from 1 May 2012.

Mervyn merged his accountancy practice with Wheelers (then G A Wheeler & Co) back in January 1984 and has been at the heart of the firm ever since, taking on the role of Senior Partner in 2006. He has just turned 60 and feels that the time is right to take things a little easier. He will be in the office from Tuesday to Thursday each week and will continue to look after his clients' affairs with the support of the Wheelers team. Any of his clients wishing to speak with someone on a Monday or Friday should contact Helen Garrett or Debbie Chaplain.



Mervyn believes that clients will continue to receive the same high level of support that they have come to expect from Wheelers. Mervyn can be contacted at mervyn.baker@wheelers-accountants.co.uk or on **01945 584547**

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Welcome to our New Office!

Many clients and friends of Wheelers will already have visited us in our new offices in Old Market – if not, we look forward to you doing so soon. We'd like to thank everyone who helped to make the move go smoothly but also to say a special thank-you to Jo Warren for all her hard work before, during and after the move to ensure that we were able to relocate with little or no disruption to our clients.



You've hired, but can they be FIRED?

New workers with under two years' service can no longer claim unfair dismissal.

Taking on a new employee is a risk for any business and if things don't work out, it can get messy. Legislation changes over the past few years have been more about protecting the employee than making dismissal easier but there are times when a forced exit is the right solution.

Until recently, any staff member employed for more than a year could claim unfair dismissal but, as of 6 April 2012, he or she will need to have been in place for more than two years to qualify for such a claim.

Employees who join after this date will be subject to the new two-year rule, but any employee in place before 6 April will still be entitled to the one year qualifying period.

It is hoped that this will stimulate growth by increasing confidence amongst owners and directors of small and medium-sized businesses to take on additional staff.

Of course, dismissal for unlawful reasons – discrimination and other breaches of the worker's statutory rights – will always be wrong and workers who believe themselves to be victims of this type of dismissal will still be able to make a claim.

The Government has declared that it is looking to reduce the amount of bureaucracy that surrounds employment to help make the labour market more flexible. It is currently considering, for example, a scheme whereby employers would be allowed to dismiss staff members without the risk of a claim using



a "compensated no-fault dismissal" process that offered compensation similar to a redundancy payment to the affected worker. Clearly this could be contentious and, even if this becomes part of acceptable practice, employers would be well advised to get legal advice on every case where this is an option.

Another idea being promoted is that of "protected conversations" – frank discussions between employer and employee – about issues such as work performance or retirement that would be inadmissible in a claim. Added to that is the intention to change employment tribunal procedures to reduce and streamline the process.

Dismissing an employee will always be difficult unless there is a serious breach of the rules but the increase in the qualifying period of service will hopefully make employee management more employer-friendly.

Staff News

Corporate Manager, **Emma Booty** (wife of Wheelers' Partner Robert Booty) is expecting a baby in late June and plans to begin her maternity leave on 16 June.



Recession Creates Rise in Self-Employment

An increasing number of individuals are turning to self-employment when their employed status has come to a sudden halt. Where traditional self-employed people have been skilled tradesmen, specialists or consultants generating a full-time income, the new breed are finding what work they can, doing a range of jobs according to demand.

The Government no doubt welcomes the decision taken by this new wave of self-employed people as it helps to limit rising unemployment figures.

The problem with becoming self-employed through necessity is that the individual may not have the knowledge and experience to ensure that they can develop and grow their business in a planned and controlled way. Without some kind of entrepreneurial spirit driving them, they are simply filling in until they can find another employer to take them on.

Whatever the motivation, self-employment does bring a range of risks and responsibilities. Once you have registered as self-employed, you become responsible for keeping good records of all your financial

transactions and you need to ensure that you are maintaining your National Insurance contributions so that you qualify for your pension benefits when you retire.

The newly self-employed will also suddenly be required to complete an annual self-assessment tax return – something that many employees never have to do. For most it will be a simple process of working out what business expenses can be allowed against their income, but in some cases good advice about what can be claimed and what can't will be essential to optimise their tax position. There are a number of business allowances for capital expenditure that will reduce the tax due and strategies such as payments into a personal pension can ensure that tax relief opportunities are maximised.

If you are self-employed and have questions about your tax return, please contact **Helen Garrett** at helen.garrett@wheelers-accountants.co.uk or call her on 01945 582547.



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All views and information expressed within this newsletter are generic and should not be taken as any form of recommendation or advice specific to you. We strongly advise that you take professional advice before making any decisions based on this newsletter. The information is based on our understanding of current HMRC rules and practices (as at May 2012) which are always subject to change.