

NEWSLETTER JANUARY 2012

PENSIONS AUTO ENROLMENT

The Government has confirmed that pensions auto enrolment will commence in Autumn 2012 and all employers will remain within the scope of the rules.

However small businesses, those with less than 50 employees, will be given additional time to prepare for the implementation. The government have confirmed that no small employers are affected by the reforms before the end of this Parliament.

Minister for Pensions Steve Webb said:

'Our society and economy needs to be based on a foundation of saving, not debt. Automatic enrolment will help millions save, and to not act will leave people poorer in retirement. That is why I am confirming today that automatic enrolment will start on time and all employers will be part of it.'

We recognise that small businesses are operating in tough economic times so we are softening the timetable for implementation to give them some additional breathing space. This is a sensible step that ensures long term pension issues are addressed while meeting the short and medium term needs of small business.

We are committed to ensuring the employees of these small businesses get the chance to save and that is why no one will miss out.

Under the revised timeline, small business would begin automatically enrolling their staff in May 2015, instead of the current timing of April 2014. Half of all workers will still be automatically enrolled before the end of this Parliament.'

It is expected that further details will be announced and we will keep you informed of developments.

CAPITAL ALLOWANCES IN ENTERPRISE ZONES

Following the Autumn Statement at the end of November 2011, more information is now available in respect of the proposal to give 100% first year allowances on plant and machinery expenditure for use in some Enterprise Zone areas.

- The relief will only be available to trading companies.
- The plant must be new and represent an investment not a replacement of existing plant.
- The plant must be used primarily in designated assisted areas within Enterprise Zones.
- The allowance will apply for purchases made from 1 April 2012 up to 31 March 2017.

Some businesses and some types of expenditure are specifically excluded from the provisions.

SEED ENTERPRISE INVESTMENT SCHEME

The government has released more information on the new Seed Enterprise Investment Scheme (SEIS) aimed at smaller companies. The proposals include the following:

- The relief will initially run from 6 April 2012 until 5 April 2017 but may continue after that date.
- Income tax relief on a qualifying investment will be 50%. The relief is available to be set against any income tax liability that is due, whether at basic, higher or additional rate.
- Income tax relief will be withdrawn in certain circumstances including a disposal of the shares within three years.
- There will be an annual limit of £100,000 investment by an individual.
- A director may make a qualifying investment but not an employee or an associate of an employee.

- An individual may not hold more than 30% of the shares in the company.
- The issuing company must have been incorporated within two years of the date on which the qualifying shares are issued.
- The company must exist to carry on a qualifying trade.
- The gross assets of the company (including a proportion of assets of companies which hold at least 25% of the shares in the issuing company) must not exceed £200,000 immediately before the shares are issued.
- The issuing company must not have more than the equivalent of 25 full-time employees immediately before the shares are issued.
- The maximum amount which can be raised by a company through SEIS is £150,000 and this is an overall total not an annual limit.
- Subject to conditions, the disposal of SEIS shares will be exempt from CGT.
- Where an individual makes a capital gain in 2012/13 and invests an amount which is at least equal to the gain in qualifying SEIS shares before 6 April 2013 then the gain will be exempt from CGT. If the shares fail to meet the qualifications for SEIS for three years then the exemption will be withdrawn.

If you are interested in this new relief and wonder if it may be relevant to you or your business please do get in touch.

STATUTORY RESIDENCE TEST

The government has been consulting on introducing a Statutory Residence Test (SRT). The test which was expected to be introduced from 2012 has been delayed until 6 April 2013. More details are expected to be announced in the 2012 Budget.

There is currently no definition of 'residence' in UK tax law and yet the liability to income tax and capital gains tax (CGT) rests on knowing an individual's UK residence status for a tax year. Currently the determination of residence is based on old case law and, as a recent Supreme Court decision has shown, it can lead to significant uncertainty and large tax liabilities.

The SRT is expected to be based on three parts and an individual would consider each part in turn. If a definite answer on their residence status is found on the first part then there is no need to proceed further. Similarly if the second part gives a definitive answer there is no need to move to the third part. That final test then provides a definitive answer.

The parts and the conditions are as follows:

Part A – satisfy any one of three conditions and the individual is conclusively non-resident in the year.

Part B – satisfy any one of three conditions and the individual is conclusively resident for the year.

If no definite answer under Part B then proceed to Part C

Part C – here the rules combine the time spent in the UK and a number of connection factors which are deemed to link an individual to the UK.

Some individuals who are currently outside the UK, particularly those working abroad, will need to note that the new rules could change their residence status and they may wish to review plans for visits back to the UK and the impact of any potential connecting factors.

Please contact us if you have any concerns in this area.

HMRC TO ACCEPT FASTER PAYMENTS

HMRC have announced that they will now accept payments made using the Faster Payments Service. This will allow taxpayers to make faster electronic payments, typically via internet or telephone banking, enabling them to be processed on the same or next day.

HMRC advise that if you want make payments using this method you should contact your bank or building society to confirm the following:

- the services available to you
- whether there are any single transaction or daily limits on the amount you can pay
- their latest cut off times for making a payment.

They are also stressing that when making a payment to HMRC it is important to ensure that you are using the correct bank account details and reference number.

2012/13 STATUTORY PAYMENTS

HMRC have announced the following statutory payment rates which are due to take effect for 2012/13. These rates are still subject to Parliamentary approval and HMRC will confirm the rates before 1 April 2012.

Statutory Maternity Pay (SMP) £135.45 per week
Ordinary Statutory Paternity Pay £135.45 per week
Additional Statutory Paternity Pay £135.45 per week
Statutory Adoption Pay (SAP) £135.45 per week
Statutory Sick Pay (SSP) £85.85 per week

Please contact us if you would like any help with payroll issues.

HM REVENUE & CUSTOMS CONTACTS

If you have to contact HM Revenue & Customs their national contact details are:

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|---------------------------------------|--|---------------|
| Tax credits | HM Revenue & Customs Tax Credits Office Preston PR1 4AT | 0345 300 3900 |
| Child benefit | HM Revenue & Customs Child Benefit Office PO Box 1 Newcastle upon Tyne NE88 1AA | 0845 302 1444 |
| Income tax other than self assessment | HM Revenue & Customs Pay As You Earn PO Box 1970 Liverpool L75 1WX | 0845 300 0627 |
| Self assessment | HM Revenue & Customs Self assessment PO Box 4000 Cardiff CF14 8HR | 0845 900 0444 |
| Employers | HM Revenue & Customs Customer Operations Employers Office BP 4009 Chillingham House Benton Park View Newcastle upon Tyne NE98 1ZZ | 0845 714 3143 |
| Value added tax | HM Revenue & Customs Alexander House Victoria Avenue Southend SS99 1BD | 0845 010 900 |
| Corporation | The office advised by HMRC corporation tax is not handled on a national basis. | |

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