

# J F HORNBY & CO

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## NEWSLETTER SEPTEMBER 2008

### SELF ASSESSMENT INCOME TAX RETURNS

This firm has from the inception of self assessment filed clients returns electronically. The filing deadline for electronic tax returns is 31st January.

For taxpayers who submit their own returns the electronic filing date is 31st January. If a paper return is filed the filing date is 31st October.

### INCREASE IN NATIONAL MINIMUM WAGE RATES

**Employers must pay their workers a minimum amount per hour as defined by law. This amount is called the national Minimum Wage (NMW).**

#### Who is covered by the NMW?

NMW applies to all workers, with certain exceptions such as:

- those under the age of 16
- apprentices under the age of 26 during their first year of apprenticeship
- those who are genuinely self employed
- family members working in the family business
- people working and living as part of a family (e.g. au pair's)
- voluntary workers

**The new NMW rates from 1<sup>st</sup> October 2008 are:**

	£
<b>Adult Rate</b>	5.73
<b>Young Workers Rates:</b>	
<b>18-21 Development Rate</b>	4.77
<b>* 16-17 Year Old Rate</b>	3.53

\* 16 and 17 year old apprentices are exempt from the young workers rate

### ARE YOUR SAVINGS SAFE?

Few of us witnessed at first hand the Wall Street Crash of 1929 and many of us are of the opinion that few, if any, of us will witness such turmoil as has occurred in the world economy over the past weeks. The reasons for the almost unbelievable turmoil are complex and are probably only fully understood by relatively few people. The upheaval in the markets is linked to the collapse of the sub-prime market in the United States which, in turn created the so-called "credit crunch" caused by banks and other credit institutions restricting further borrowing. Finally, we recently saw the collapse of one of the world's best known banks, Lehman Brothers, followed by the intervention of the United States government to support the banking sector.

Whether we agree with the way in which Lehman Brothers was allowed to collapse whilst first AIG and then all banks were supported is a matter for much comment and debate. Such debate will include the UK government, first in relation to its support for Northern Rock, and latterly in relaxing the competition rules to allow for the take over of HBOS by Lloyds TSB.

In this article we will not discuss the political issues involved but will attempt to provide practical advice and guidance in relation to the steps to be considered in ensuring that cash savings are protected, in so far as we are able to do so.

Understandably many individuals are concerned about savings they have in UK banks. There is obviously the worry as to whether a UK bank could go into liquidation and our savings lost. Whilst no-one outside government can categorically state that the UK government would stand back and allow a UK bank to go under, it is extremely unlikely that this would occur due in part to the government's past support of Northern Rock and in part because of the approach taken by the United States government in assisting its banks.

However, in today's economic climate nothing is carved in stone and until the dust (and indeed the markets) settle and new legislation and regulations introduced in relation to banks and other financial institutions, it is best to be safe and to consider and utilise the existing safeguards

At the end of September 2007 the Chancellor announced that that the government was to increase the blanket guarantee on savings deposited with a retail bank to £35,000. Until this time savers had 100 per cent protection on just £2,000 of their deposits, with the subsequent £33,000 being only 90 per cent guaranteed.

That meant that a saver with a crisis-hit bank would be guaranteed to keep only £31,700 of his £35,000 savings - a situation which contributed to uncertainty among the general public about financial institutions.

As at today's date therefore a saver will be guaranteed to get up to £35,000 back if his bank fails. Money saved in an account registered in two names will result in up to £70,000 being guaranteed.

But be careful! You must remember that the guarantee is per institution not per account. If, therefore you had two accounts of, say, £50,000 each and your bank failed, you would only be guaranteed £35,000 in total.

You should also note that if you have savings with a bank and a loan from the same bank, the amount of your outstanding loan will be deducted from the £35,000 guarantee.

But perhaps the most important caveat to consider is that you are only guaranteed up to £35,000 from a separate "institution" as opposed to a separate bank. So, for example, if you deposited £50,000 with one bank and £50,000 with another bank, but these two banks were part of the same group, you would only be guaranteed £35,000 on your total savings of £100,000.

### THE RISE AND RISE OF THE CREDIT CARD?

With the recent demise of XL Airways and rumours abounding as to which airline will be the next to go under, questions are being asked not so much as to which airline to book your next holiday (or business trip) with but how you should pay for your trip. In this article we summarise the present rules relating to payment by credit and debit cards and specifically payment for overseas travel.

In today's turbulent financial times the credit card is emerging as the favoured method of payment for a number of goods or services. This is because, under section 75 of the Consumer Credit Act 1974 (CCA), if your purchase is in excess of £100 your credit card company will be jointly liable with any failed provider of the product or service to refund you your money. So, if you pay for a new washing machine by credit card and the supplier becomes insolvent then you will be reimbursed in full by your credit card company. You should note that there is an upper limit of £30,000 on the liability of the credit card company. The cover extends to credit card payments made to suppliers both at home or overseas and also to payments made via a website. However, you are not covered for any cash withdrawals using your credit card or for credit card cheques.

Let us now consider the debit card. With one main exception debit cards do not fall under section 75 of the CCA and so the card company will not have to reimburse you if the supplier fails. However, in the case of a Visa debit card you are automatically covered under Visa's chargeback rules. These rules allow Visa to claim any monies directly from the failed supplier's bank and pay these monies to you.

So what about your holiday flight? From the above facts it would seem only sensible to pay for any holidays or flights by credit card. But there is one exception. This relates in the main to the so-called low-cost airline (although this animal is fast becoming extinct – certainly in relation to hidden charges which many such airlines levy!). Because a number of these airlines charge extra for customers who pay by credit card, it may be more economic to pay by debit card and take out additional travel insurance if the premium on the additional cover is less than the charge for using a credit card.

Remember that if you are buying a package holiday through a tour operator (with or without going through a travel agent) you are automatically covered by the Atol scheme (Air Travel Organisers' Licensing). This will apply to the total cost of your holiday, including accommodation. So in most instances it may not be relevant whether or not you use a credit or debit card when purchasing such holidays as Atol will cover you (including the costs of getting you home if the operator folds whilst you are away). The danger is when you buy a holiday or flight directly from the airline (usually through its website) or from a travel agent who is making the booking on your behalf. In these instances you may not be covered by Atol and so you should always use a credit card.

### COMPANIES ACT 2006 – NEW RULES CONCERNING DIRECTORS

As most of our corporate clients will be aware, the Companies Act 2006 (the Act) is being introduced over a period of time, with many of its provisions now in force. The government has stated that all provisions will be in force by October 2009.

From 1 October 2008 a number of new provisions come into force, some of which may have practical implications for certain clients. These provisions include the requirement for all companies to have at least one director who is a natural person and for there to be a minimum age for directors.

#### **Requirement for a company to have at least one director who is a natural person**

Section 155 requires a company to have at least one director who is a natural person (ie an individual as opposed to another corporate body). Under the 1985 Act all the directors of a company could be other companies. This is no longer the case.

#### **Minimum age for directors**

Section 157 requires that any director of a company must be aged 16 or over. Sections 158 and 159 set out provisions relating to the appointment and resignation of under-aged directors.

### APPROACHING RETIREMENT – ADVICE FROM THE REVENUE

A number of clients are approaching retirement age and are naturally concerned that they have all their affairs in order when they retire, including such matters as claiming the correct amount of pension and income tax allowances.

These clients may be interested to know that HM Revenue and Customs (HMRC) has recently updated its leaflet IR121 "*Approaching retirement – a guide to tax and national insurance contributions*". This leaflet contains useful advice in relation to the following matters:

- National Insurance contributions
- Getting a State Pension forecast
- Claiming your State Pension

- Self Assessment
- Paying the right tax
- Income tax and income tax allowances
- Rates of tax
- Paying tax or claiming it back
- Working and getting an occupational pension
- Retiring abroad
- Inheritance tax

In addition to reading the above leaflet, those approaching retirement age may also find "*The Pensioner's Guide – Making the most of government help and advice*" published by the Pension Service of assistance. This Guide includes advice concerning such matters as:

- Winter Fuel Payment
- Pension Credit
- Free TV Licence for over 75's.

It also includes details of useful contacts.

## REDUNDANCY – KNOW YOUR RIGHTS

With the talk of global meltdown and those prophets of doom who forecast the failure of numerous companies, both large and small, it is all the more important that employees are aware of their rights should they ever be faced with redundancy due to the failure of their employer. In this article we shall confine our advice to redundancy arising due to the failure of the employer, and not for other reasons, eg being dismissed without justification.

If made redundant, your rights are twofold. Those rights under your contract with your employer and those rights that exist in legislation, ie statute.

If your employer goes into liquidation then any debts owed by the company have to be paid in a certain order with what are known as "preferred creditors" being paid first. Included in preferred creditors will be any wages or accrued holiday pay owing to employees. These amounts will include any commission or overtime, together with contractual bonuses. For this reason the liquidator will have recourse to any contracts of employment.

However, a word of warning. There is a statutory limit placed on the amount that can be paid to employees. Any amount due over and above this figure will rank with all other creditors and will not be preferred.

In addition to amounts paid by the liquidator, an employee who has become redundant due to the insolvency of his employer is also eligible for State Insolvency Compensation. There are various amounts that can be paid under this scheme and a number of constraints. For this reason it is important that the employee seeks expert advice to ensure that the correct amount is claimed and paid.

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*<sup>i</sup> The articles in this newsletter are of necessity summaries of the topics covered. The publisher has taken all due care in the preparation of this publication. No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication can be accepted by the authors or the publishers. The publisher accepts no responsibility for the content of any material provided by third parties or for the content of any hypertext site referred to in this publication. The Publisher accepts no responsibility for the content of any website of other document referred to in this publication.*