# NEWSLETTER MAY 2015

## FINES FOR THOSE WHO FAIL TO COMPLY WITH PENSIONS AUTO ENROLMENT

The Pensions Regulator (TPR) has issued 166 Fixed Penalty Notices of £400 to employers who failed to meet their obligations in the last quarter of 2014.

The number of employers approaching the date when they must confirm that they have complied with new workplace pensions duties (known as a declaration of compliance) is now beginning to rise significantly as Auto enrolment is rolled out across all employers. In future months, TPR expects to see more employers who, despite the message to prepare early, leave it too late or do not comply at all.

The Pensions Regulator's Director of automatic enrolment, Charles Counsell, said,

*'My message to all employers is that failing to declare within five months of your staging date means you risk being fined, which is why we recommend you start your automatic enrolment planning and preparation 12 months before staging.*

*It appears some medium employers waited for a prompt from the regulator before completing their automatic enrolment duties. Employers must complete all their duties including making their declaration of compliance to The Pensions Regulator.'*

*Experience to date also shows that employers should begin gathering the information they need to complete their declaration of compliance well in advance of their deadline.*

## REGISTRATION OPENS FOR NEW MARRIED COUPLES TAX BREAK

HMRC have announced that registration for the new 'Marriage Allowance' for married couples and those in civil partnerships is now open.

From 6 April 2015 certain married couples and civil partners may be eligible for a new Transferable Tax Allowance referred to by the Government as the 'Marriage Allowance'. The allowance will enable eligible spouses and civil partners to transfer a fixed amount of their personal allowance to their spouse. The option to transfer is not available to unmarried couples.

The option to transfer will be available to couples where neither pays tax at the higher or additional rate. If eligible, one partner will be able to transfer 10% of their personal allowance to the other partner which means £1,060 for the 2015/16 tax year which could save them tax of up to £212 a year.

Couples can register their interest to receive the Allowance.

The government estimates that more than four million married couples and 15,000 civil partnerships will be eligible for the tax break.

Chancellor of the Exchequer George Osborne said:

*'We made a promise to introduce a recognition of marriage into our tax system – and now we're delivering on that promise.*

*This includes updating the tax system so that it recognises marriage and civil partnerships.*

*Our new Marriage Allowance means saving £212 on your tax bill couldn't be simpler or more straightforward.'*

From April, HMRC will contact those who have already registered for the 'Marriage Allowance' to apply. People can register at any point in the tax year and still receive the full benefit of the allowance. It is also possible to claim the allowance after the end of the tax year where claimants are unsure if they will qualify.

Applying online is simple. One person in a couple will apply online to transfer the allowance to their spouse or civil partner, and HMRC will tell the recipient about the change to their Pay As You Earn (PAYE) tax code.

## CHARITIES DIGITAL SERVICE LAUNCHED

HMRC have launched an online registration service for charities.

Until now charities have been required to complete a paper form (ChA1). Approximately 15,500 new charities are registered each year.

Chief digital and information officer at HMRC, Mike Dearnley, said:

*'We are completely changing the way we work with our customers – including charities. Our new digital services are straightforward, easy to use and convenient. The charities service minimises the risk of making mistakes, so applications are less likely to be returned to the organisation'.*

All registration must now be completed online. Please contact us if you would like help with a charity.

## PAYE END OF YEAR – PAY ON TIME REMINDER

HMRC are reminding employers that with the end of the 2014/15 tax year approaching they will soon need to make their final 2014/15 PAYE (RTI) submission.

For most employers, the final submission will be their final Full Payment Submission (FPS) which advises HMRC about the very last employee payments for 2014/15 and this needs to be made on or before 5 April 2015. Details of how to make the final submission can be found on the GOV.UK website using the link below. Alternatively if you would like help with your payroll please do get in touch.

HMRC are advising that employers should ensure their payment reaches HMRC on time, which means that cleared funds should be in HMRC's account by the 20th unless employers are able to arrange a Faster Payment. For more details about paying HMRC electronically visit Pay PAYE tax.

## HMRC CONCESSION FOR LATE RTI RETURNS AND PAYMENTS

HMRC have announced that employers will not incur penalties for delays of up to three days in filing RTI returns. There is no change to the filing deadlines and employers should generally file their full payment submissions (FPS) 'on or before' each payment date unless a concession applies.

HMRC are also advising any employer that has received an in-year late filing penalty for the period 6 October 2014 to 5 January 2015 and was 3 days late or less, to appeal online by completing the 'Other' box and add 'Return filed within 3 days'.

In addition, to prevent unnecessary penalties being issued, HMRC will be closing around 15,000 PAYE schemes next month that have not made a PAYE report since April 2013 and which appear to have ceased.

HMRC will write to the affected schemes to tell them about the planned closure and what to do if they are, or should be, operating PAYE.

Employers with fewer than 50 employees are reminded that PAYE late filing penalties will apply to them from 6 March.

## ADVISORY FUEL RATES FOR COMPANY CARS

New company car advisory fuel rates have been published which took effect from 1 March 2015. Due to the reduction in fuel prices many rates have reduced this quarter between two and three pence so please take care to update your expenses payments. However, the guidance states: *'You can use the previous rates for up to one month from the date the new rates apply'*. The rates only apply to employees using a company car.

The advisory fuel rates for journeys undertaken on or after 1 March 2015 are:

| **Engine size** | **Petrol** |
|---|---|
| 1400cc or less | 11p |
| 1401 cc - 2000cc | 13p |
| Over 2000cc | 20p |

| **Engine size** | **LPG** |
|---|---|
| 1400cc or less | 8p |
| 1401 cc - 2000cc | 10p |
| Over 2000cc | 14p |

| **Engine size** | **Diesel** |
|---|---|
| 1600cc or less | 9p |
| 1601cc - 2000cc | 11p |
| Over 2000cc | 14p |

Other points to be aware of about the advisory fuel rates:

- Employers do not need a dispensation to use these rates. Employees driving employer provided cars are not entitled to use these rates to claim tax relief if employers reimburse them at lower rates. Such claims should be based on the actual costs incurred.

- The advisory rates are not binding where an employer can demonstrate that the cost of business travel in employer provided cars is higher than the guideline mileage rates. The higher cost would need to be agreed with HMRC under a dispensation.

If you would like to discuss your car policy, please contact us.

## BUDGET 2015

George Osborne presented the final Budget of this Parliament on Wednesday 18 March 2015.

In his speech the Chancellor reported 'on a Britain that is growing, creating jobs and paying its way'.

Towards the end of 2014 the government issued many proposed clauses of Finance Bill 2015 together with updates on consultations. Due to the dissolution of Parliament on 30 March some measures have been legislated for in the week commencing 23 March, whilst others will be enacted by a Finance Bill in the next Parliament (depending on the result of the General Election).

The Budget proposed further measures, some of which may only come to fruition if the Conservative Party is in power in the next Parliament.

The articles which follow summarise some of the key changes.

## PERSONAL TAX RATES AND ALLOWANCES

For those born after 5 April 1938 the personal allowance will be increased to £10,600. For those born before 6 April 1938 the personal allowance remains at £10,660.

The reduction in the personal allowance for those with 'adjusted net income' over £100,000 will continue. The reduction is £1 for every £2 of income above £100,000. So for 2015/16 there is no personal allowance where adjusted net income exceeds £121,200.

## TAX BANDS AND RATES FOR 2015/16

The basic rate of tax is currently 20%. The band of income taxable at this rate is being decreased from £31,865 to £31,785 so that the threshold at which the 40% band applies will rise from £41,865 to £42,385 for those who are entitled to the full basic personal allowance.

The additional rate of tax of 45% is payable on taxable income above £150,000.

Dividend income is taxed at 10% where it falls within the basic rate band and 32.5% where liable at the higher rate of tax. Where income exceeds £150,000, dividends are taxed at 37.5%.

## STARTING RATE OF TAX FOR SAVINGS INCOME

From 6 April 2015, the maximum amount of an eligible individual's savings income that can qualify for the starting rate of tax for savings will be increased from £2,880 to £5,000, and this starting rate will be reduced from 10% to 0%. These rates are not available if taxable non-savings income (broadly earnings, pensions, trading profits and property income) exceeds the starting rate limit.

This will increase the number of savers who are not required to pay tax on savings income, such as bank or building society interest. Eligible savers can register to receive their interest gross using a form R85.

## PROPOSED PERSONAL ALLOWANCES TO COME

The Chancellor announced that the personal allowance will be increased to £10,800 in 2016/17 and to £11,000 in 2017/18. The Transferable Tax Allowance will also rise in line with the personal allowance, being 10% of the personal allowance for the year.

The higher rate threshold will rise in line with the personal allowance, taking it to £42,700 in 2016/17 and £43,300 in 2017/18 for those entitled to the full personal allowance.

## PERSONAL SAVINGS ALLOWANCE

The Chancellor announced that legislation will be introduced in a future Finance Bill to apply a Personal Savings Allowance to income such as bank and building society interest from 6 April 2016.

The Personal Savings Allowance will apply for up to £1,000 of a basic rate taxpayer's savings income, and up to £500 of a higher rate taxpayer's savings income each year. The Personal Savings Allowance will not be available for additional rate taxpayers.

These changes will have effect from 6 April 2016 and the Personal Savings Allowance will be in addition to the tax advantages currently available to savers from Individual Savings Accounts.

The Personal Savings Allowance will provide basic and higher rate taxpayers with a tax saving of up to £200 each year.

## HELP TO BUY ISA

The government has announced the introduction of a new type of ISA, the Help to Buy ISA, which will provide a tax free savings account for first time buyers wishing to save for a home.

The scheme will provide a government bonus to each person who has saved into a Help to Buy ISA at the point they use their savings to purchase their first home. For every £200 a first time buyer saves, the government will provide a £50 bonus up to a maximum bonus of £3,000 on £12,000 of savings.

Help to Buy ISAs will be subject to eligibility rules and limits:

- An individual will only be eligible for one account throughout the lifetime of the scheme and it is only available to first time buyers.
- Interest received on the account will be tax free.
- Savings will be limited to a monthly maximum of £200 with an opportunity to deposit an additional £1,000 when the account is first opened.
- The government will provide a 25% bonus on the total amount saved including interest, capped at a maximum of £3,000 which is tax free.
- The bonus will be paid when the first home is purchased.
- The bonus can only be put towards a first home located in the UK with a purchase value of £450,000 or less in London and £250,000 or less in the rest of the UK.
- The government bonus can be claimed at any time, subject to a minimum bonus amount of £400.
- The accounts are limited to one per person rather than one per home so those buying together can both receive a bonus.
- As is currently the case it will only be possible for an individual to subscribe to one cash ISA per year. It will not be possible for an account holder to subscribe to a Help to Buy ISA with one provider and another cash ISA with a different provider.
- Once an account is opened there is no limit on how long an individual can save into it and no time limit on when they can use their bonus.

The government intends the Help to Buy ISA scheme to be available from autumn 2015 and investors will be able to open a Help to Buy ISA for a period of four years.

## PENSION FREEDOMS FOR THOSE WITH ANNUITIES

The Chancellor has announced a new flexibility for people who have already purchased an annuity. From April 2016, the government will remove the restrictions on buying and selling existing annuities to allow pensioners to sell the income they receive from their annuity for a capital sum.

Individuals will then have the freedom to take that capital as a lump sum, or place it into drawdown to use the proceeds more gradually.

Income tax at the individual's marginal rate will be payable in the year of access to the proceeds.

The proposal will not give the annuity holder the right to sell their annuity back to their original provider. The government has begun a consultation on the measures that are needed to establish a market to buy and sell annuities and who should be permitted to purchase the annuity income.

The government recognises that for most people retaining their annuity will be the right choice. However, individuals may want to sell an annuity, for instance to pay off debts or to purchase a more flexible pension income product.

We will keep you informed of developments.

## NATIONAL MINIMUM WAGE RISES

The National Minimum Wage (NMW) is a minimum amount per hour that most workers in the UK are entitled to be paid. NMW rates increases come into effect on 1 October 2015:

From 1 October 2015:

- the adult rate will increase by 20 pence to £6.70 per hour
- the rate for 18 to 20 year olds will increase by 17 pence to £5.30 per hour
- the rate for 16 to 17 year olds will increase by 8 pence to £3.87 per hour
- the apprentice rate will increase by 57 pence to £3.30 per hour

## PENALTIES

Penalties may be levied on employers where HMRC believe underpayments have occurred and HMRC 'name and shame' non-compliant employers.

If you have any queries on the NMW please get in touch.

## AUTO ENROLMENT GUIDANCE FOR SMALL EMPLOYEES

The Pensions Regulator (TPR) has launched a new step-by-step guide to help small businesses get ready for their automatic enrolment duties.

According to TPR the online guide has been written specifically for employers with between one and 50 staff.

The guide which is broken down into 11 steps, considers the legal requirements and what employers need to do to comply with their obligations. Executive director for automatic enrolment Charles Counsell said:

*'We are determined to do all we can to reach out to all small and micro businesses preparing for their automatic enrolment duties. We want to make the process as simple as possible so that employers can avoid the risk of non compliance.'*

*'Our new online 11-step guide is a key part of a wide package of measures we are rolling out to give more than a million employers all the information they need, written and produced in a way they makes sense to them.'*

*'Our message to employers is ensure you know when your automatic enrolment duties begin and start planning in good time. The regulator's website should be the first port of call for all employers and their advisers as it offers essential information about each task an employer will need to accomplish in order to comply and avoid penalties.'*

If you would like help with Auto Enrolment please do get in touch.

## BUSINESS RATES SYSTEM – HAVE YOUR SAY

The government has launched a wide-ranging review of national business rates in England.

HM Treasury's 'wide-ranging review' of England's non-domestic rates system will report its findings before the 2016 Budget. The Treasury's discussion paper invites responses from a wide range of stakeholders on issues such as commercial property use, how the rates system can be modernised, and whether business rates should continue to be based on property values.

Written responses will be accepted from the beginning of April until 12th June 2015.

Chief Secretary to the Treasury Danny Alexander said:

*'Our system of business rates was created nearly 30 years ago. Since that time, the worlds of commerce and industry have changed beyond recognition. I've been impressed by the representations made by the business community and I know that business rates are a considerable cost.*

*The government has taken measures to help businesses by capping rates and introducing reliefs for smaller businesses. But now the time has come for a radical review of this important tax. We want to ensure the business rates system is fair, efficient and effective.'*

## WARNING OVER PENSION SCAMS

Those approaching retirement are being urged to be aware of a rise in pension scams, as criminals seek new ways to defraud pensioners.
Savers have been urged to be aware of a rise in pension scams, as criminals seek new ways to defraud pensioners. A report produced by Citizens Advice looked at 150 cases where pensioners had fallen victim to fraudsters. The report identified common types of scams which include:

- encouraging pensioners to move their savings into a 'new' pension
- fake investment opportunities and
- offering apparently 'free advice' and support which actually costs money.

In some cases pensioners are charged a fee for a service that isn't required, while others are encouraged to part with personal information and bank details, either by email or phone.

Gillian Guy, Chief Executive of Citizens Advice said:

*'Scammers see pensioners as a prime target….'There are many people looking to benefit from the new pension rules, including scammers. Fraudsters can ruin people's retirement plans by taking a portion or all of a victim's pension pots.'*

The Pensions Regulator (TPR) has recently launched a campaign to alert people to the danger posed by fraudsters.

From 6 April 2015 individuals have more flexibility as to how they use their pension pot, including the option to choose to take all their savings as a cash lump sum. TPR has warned that scammers are exploiting this change by enticing those about to retire with promises of 'one-off investments' or 'pension loans' or 'upfront cash', most of which are bogus.

Individuals who believe they are being targeted by a pension scam should contact the Pensions Advisory Service on 0300 123 1047. The Financial Conduct Authority's website also has a list of known scams. Visit scamsmart.fca.org.uk.

## LACK OF AWARENESS OF VAT RULES

According to research 36% of the UK's smallest businesses are unaware of the rules governing VAT thresholds.

A third of the UK's smallest businesses are unaware of the rules governing VAT thresholds, recent research has revealed.

This lack of understanding could mean that approximately 780,000 businesses are at risk of being fined by HMRC.

Meanwhile, according to the research, 9%% of small businesses intentionally limit their trading in order to avoid reaching the VAT threshold.

Under the current rules, where a taxable person (for example an individual, company or partnership) has VAT taxable turnover of more than the current registration threshold of £82,000 in a rolling 12 month period or where turnover is expected to exceed the registration threshold in the next 30 day period then they must register for VAT.

It is important to monitor turnover, as there is a penalty for late registration in addition to the tax payable.

Please contact us if you would like advice on VAT issues.

## VAT FUEL SCALE CHARGES

HMRC have issued details of the updated VAT fuel scale charges which apply from the beginning of the next prescribed VAT accounting period starting on or after 1 May 2015.

VAT registered businesses use the fuel scale charges to account for VAT on private use of road fuel purchased by the business.

Please do get in touch for further advice on VAT matters.

## VAT RECOVERY ON CAR-DERIVED VANS AND COMBI VANS

HMRC have issued a list of makes and models of car derived vans and combi vans which VAT registered businesses can use to determine if the VAT paid on the purchase can be reclaimed as input tax.

The issue is that VAT will normally be claimable in full on the purchase of a commercial vehicle. However if the vehicle purchased is a passenger car VAT is not recoverable unless it is used 'exclusively for the purposes of a business'. Generally cars are therefore VAT 'blocked' and no input VAT is recoverable.

The VAT guidance states

*'Motor car means any motor vehicle of a kind normally used on public roads which has three or more wheels and either:*

*a) is constructed or adapted solely or mainly for the carriage of passengers; or*

*b) has to the rear of the driver's seat roofed accommodation which is fitted with side windows or which is constructed or adapted for the fitting of side windows'*

Whether or not a vehicle is commercial is not specifically defined but instead the definition of a car excludes:

- vehicles capable of accommodating only one person or suitable for carrying twelve or more people including the driver
- vehicles of more than three tonnes unladen weight;
- caravans, ambulances and prison vans
- special purpose vehicles such as ice cream vans, mobile shops, hearses, bullion vans and breakdown and recovery vehicles
- vehicles constructed to carry a payload of one tonne or more.

Many car-derived vans are not cars for VAT purposes as they have no rear seats, have metal side panels to the rear of the front seats and a load area which is highly unsuitable for carrying passengers etc.

HMRC have issued the clarification due to developments in the car-derived van market as some vehicles with a payload of less than one tonne, have 'blurred' the distinction between cars and vans.

If you would like help with this or any other VAT issue please contact us.

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