



NEWSLETTER MAY 2013

PERSONAL ALLOWANCE UP TO £10,000 FROM 2014/15

It has been confirmed in the Budget that the basic personal allowance will be increased from the current £8,105 to £9,440 for 2013/14. This increase is part of the plan of the Coalition Government to ultimately raise the allowance to £10,000 which will be achieved from 2014/15.

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. For 2013/14 the allowance ceases when adjusted net income exceeds £118,880.

From 2013/14 the higher age related personal allowances will not be increased and their availability will be restricted to people who were born before 6 April 1948.

2013/14 income tax bands

The basic rate of tax is currently 20%. The band of income taxable at this rate is £32,010 for 2013/14 so that the threshold at which the 40% band applies is £41,450 for those who are entitled to the full basic personal allowance.

For 2013/14 the additional rate of tax is reduced to 45%, rather than the 2012/13 rate of 50%. This rate will be payable on taxable income above £150,000.

NEW SCHEME FOR TAX FREE CHILDCARE

New tax incentives for childcare have been announced. To be eligible, families will have to have all parents in work, with each earning less than £150,000 a year and not already receiving support through Tax Credits or Universal Credit.

The relief will be 20% of the costs of childcare up to a total of childcare costs of £6,000 per child per year. The scheme will therefore be worth a maximum of £1,200 per child.

The scheme will be phased in from autumn 2015. For the first year of operation, all children under five will be eligible and the scheme will build up over time to include children under 12.

The current system of employer supported childcare will continue to be available for current members if they wish to remain in it or they can switch to the new scheme. Employer supported childcare will continue to be open to new joiners until the new scheme is available.

The Government will consult on the detail of the new scheme but it is expected that parents will be able to open an online voucher account with a voucher provider and have their payments topped up by the Government. Parents will be able to use the vouchers for any Ofsted regulated childcare in England and the equivalent bodies in Scotland, Wales and Northern Ireland.

The existing system of employer supported childcare is offered by less than 5% of employers and used by around 450,000 families. It provides an income tax and national insurance contributions (NIC) relief. The maximum relief is an exemption from income tax and NIC on £55 a week. This relief is per employee so if both parents are in employment the maximum exemption is £110 per week. In the new scheme the limit is per child.

ADVISORY FUEL RATES FOR COMPANY CARS

Updated company car advisory fuel rates have been published which took effect from 1 March 2013. HMRC's website states:

'These rates apply to all journeys on or after 1 March 2013 until further notice. For one month from the date of change, employers may use either the previous or new current rates, as they choose. Employers may therefore make or require supplementary payments if they so wish, but are under no obligation to do either.'

The advisory fuel rates for journeys undertaken on or after 1 March 2013 are:



Engine size	Petrol	LPG
1400cc or less	15p	10p
1401cc - 2000cc	18p	12p
Over 2000cc	26p	18p

Engine size	Diesel
1600cc or less	13p
1601cc - 2000cc	15p
Over 2000cc	18p

Please note that not all of the rates have been amended, so care must be taken to apply the correct rate.

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.

LOANS FROM A COMPANY TO SHAREHOLDERS

Draft legislation has been published which confirms an announcement made in Budget 2013 and which has effect from 20 March 2013.

A close company (which generally includes an owner managed company) may be charged to tax in certain circumstances where it has made a loan or advance to individuals who have an interest or shares in the company (known as participators). Loans and advances are also caught where they are made to an associate of the individual such as a family member.

The corporation tax charge is 25% where the loan is outstanding nine months after the end of the accounting period.

The new law will prevent the practise of avoiding the payment of the tax charge by repaying the loan before the tax is due (nine months after the end of the accounting period) and then effectively withdrawing the same money shortly after. This change may also prevent refunds of the 25% tax already paid where loans are redrawn shortly after.

This change may affect a number of owner managed companies and we will be happy to discuss this with you.

INCREASE IN NMW RATES

The Government has announced increases in the NMW rates which will come into effect on 1 October 2013:

- the adult rate will increase by 12p to £6.31 an hour
- the rate for 18-20 year olds will increase by 5p to £5.03 an hour
- the rate for 16-17 year olds will increase by 4p to £3.72 an hour
- the apprentice rate will increase by 3p to £2.68 an hour and



- the accommodation offset increases from the current £4.82 to £4.91.

Katja Hall, CBI Chief Policy Director, said:

'Pay restraint has been crucial in creating jobs in this tough economic climate.'

'The LPC has struck a careful balance in setting the rates given sluggish growth, particularly in recommending a cautious approach to youth pay.'

'The LPC will need to monitor the impact of raising the adult rate very carefully. Given average earnings this year are already lower than expected, we must make sure the minimum wage doesn't limit jobs in key sectors, by outstripping pay across the rest of the workforce.'

'The law is clear that employers must pay apprentices the legal minimum wage. It is right that ministers tighten up compliance and enforcement.'

HMRC LAUNCH MANAGING SERIOUS DEFAULTERS (MSD)

Following on from Managing Deliberate Defaulters (MDD) programme, under MSD HMRC will closely monitor the tax affairs of more individuals and businesses who have deliberately evaded tax for up to five years.

From 1 April 2013, HMRC is also extending the close monitoring of the tax affairs of those who deliberately choose not to pay what they owe. MSD replaces and expands the MDD scheme.

David Gauke, Exchequer Secretary to the Treasury, said:

'Increasingly, evaders are using contrived insolvency to evade tax, either through liquidation of a business or bankruptcy of an individual. It is only fair that someone who has deliberately tried to evade tax should face extra scrutiny from HMRC.'

'This measure, along with those announced in the Budget, demonstrates that we will crack down on people who don't pay what they owe.'

EMPLOYMENT PARTICULARS

The government has updated the template of written employment particulars.

The template is an example of a written statement of employment particulars which meets the requirements of employment law.

Where an employee is employed for more than a month the employer must give them a written statement of employment particulars.

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