



dauidnewton

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This newsletter is being sent out with our 2010 Budget Summary Booklets, and we will also have tax cards available, please let us know if you would like to be provided with any.

If you have any questions or concerns regarding the 2010 Budget, please do contact us, as always, we would be happy to help.

David Ink



PAYE PENALTY WARNING!

HM Revenue and Customs (HMRC) has announced that it is now in the process of sending out penalties to any employers who have not returned their 2008/09 P11D(b) annual return of Class 1A National Insurance contributions, which were due by 6th July 2009.

The penalty for late submission is £100 per 50 employees for each month the return is outstanding, this runs from the period 7th November 2009 to 6th March 2010. The penalties are in addition to those which were already issued in November 2009 for late submissions for the four months between 7th July and 6th November 2009.

Employers who have not yet filed their returns should send them without delay, please talk to us if you would like our assistance with this.



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A FOCUS ON FINANCE

by Sarah Braithwaite

DIVERTING SALARY TO PENSION

The Chancellor's decision to impose an additional tax on jobs by raising National Insurance Contributions has drawn attention to the advantages in members of occupational pension schemes agreeing with their employers that part of their salary should be paid as a pension contribution – an arrangement known as 'salary sacrifice'.

This reduces the NI charge for both employer and employee, and employers are often willing to increase the pension contribution by the amount of NIC they save. In addition, the contribution avoids income tax.

However, to be effective for tax purposes the arrangement needs to be on-going and evidenced in advance by an exchange of letters between employer and employee on the employer's headed notepaper.

If you need any help with this, please do contact us.

JOINT HOLDINGS AND INHERITANCE TAX

Two court cases underline the dangers of trying to avoid inheritance tax by placing assets in joint ownership.

The first case, *Sillars v Inland Revenue Commissioners*, in 2004, concerned a mother who on the advice of her accountant transferred her building society account into the joint names of herself and her two daughters, each of whom then declared the income received for tax purposes. On the mother's death the Revenue contended successfully that the account should be taxed in full because it had not been enjoyed to the entire exclusion of the mother.

In the second case, *Taylor v the Commissioners of Revenue & Customs*, the deceased had placed two building society accounts into the joint names of herself and her brother-in-law, on the basis that only one signature was required and the whole account would pass to the survivor. Again, the Revenue were successful in contending that the whole of the funds should be taxed on the lady's death.

The safer course in both cases would have been for the donor to gift part of their deposits to the donee so that they could set up their own building society account. The gift would then have fallen out of the charge to tax seven years after the date of the gift and there would have been no scope for the argument that the donor had retained a benefit. Please contact us for advice.



PENSIONS & TAX IMPLICATIONS

By Michael Best

In this issue we look at something which has proved a popular source of queries for our clients over the last couple of months, and that is the issues of pensions, specifically the potential tax implications of paying into a pension scheme.

Depending on your circumstances, there are a couple of options for paying into a pension:

If you are an individual, employed, self employed or in partnership you would pay into a personal pension or stakeholder scheme. You would pay net contributions after basic rate tax, and your pension provider would gain 20% tax relief from the government. Therefore, if you pay £80.00 per month into a pension, your pension pot is increased by £20.00, making the total £100.00.

There are additional benefits for higher rate tax payers (i.e. for those with income or profits greater than £43,875), the additional 20% tax can be claimed back on your tax return. From a tax point of view, this can make pensions very attractive for higher rate tax payers, as income which was previously taxed in the 40% bracket becomes taxable at 20%, to the level of the pension contributions made in the year.

The issue of tax and pensions is particularly prevalent at the moment as a result of the changes which will come into force on 6th April relating to people with very high incomes, over £150,000. They will be taxed at a new top rate of 50%. For incomes over £100,000, the erosion of personal allowances means this income will be taxed at an effective rate of 60%.

A potentially popular tax planning tactic of putting money into a pension scheme to effectively bring income down from the 50% tax bracket has been foreseen by the government and stopped. A clearly good strategy of making a large pension contribution and then claiming higher rate

relief will no longer be possible. People with incomes of greater than £130,000 will be able to claim tax relief on a maximum £20,000 pension contribution per annum. No relief will be available on amounts in excess of this and the individual will continue to be taxed at the higher rate.

This does not affect the position with regards to earners with incomes of £43,675 to £130,000 who will continue to see tax benefits as described earlier.

The second way of paying into a pension applies to limited companies. A company makes an employer contribution and can claim Corporation tax relief on the pension contribution at 21%, 29.75% or 28%, depended on profits. The limit for such a contribution £245,000 and the tax can be claimed on the full amount. Compare this to the situation above regarding individuals and businesses and a clear anomaly in the system becomes apparent!

Some of our client's are also using pension contributions, particularly in limited companies, with profits and contributions much lower than the £245,000 maximum mentioned above; it's not just something which highly profitable companies can benefit from.

Perhaps if you had not considered operating as a limited company and it is viable for you this may be an added advantage to looking at incorporating.



Employment regulations 'jeopardising' job creation

A report - 'Employment Regulation: Up to the Job?', based on a study by the British Chambers of Commerce (BCC), claims that complex employment rules are posing a threat to the competitiveness of UK business and the ability to create jobs. David Frost, the BCC's director general, said: "There is an emerging consensus that employment law is now weighted too far in favour of the employee. Many rights come from EU legislation, which is informed by and aimed at labour markets very different to our own. The result is that the UK and the EU are becoming increasingly uncompetitive due to the rising cost of labour."

The report said that employment law is too biased in favour of employees, and that basic workplace protections have been supplemented with burdensome rights to request, extended time-off provisions, and unreasonable health and safety restrictions.

It said; that the average waiting-time for a first hearing at an employment tribunal is 20 weeks, that employers find it very difficult to prove gross misconduct has taken place, and that employers are burdened with the same

responsibilities for ensuring the health and safety of home workers as they do for staff at their own premises. It states however that employees, are allowed to make claims against their employer without taking any advice on the merits of their claim.

Based on the findings of the study, the BCC put forward a series of proposals to change the burden of employment red tape, including making sure that employers do not have to wait more than 16 weeks for a first tribunal hearing. The law should be changed to allow employee dismissal if an employer 'reasonably believes' that a member of staff's actions constituted gross misconduct. Employers should only have responsibility for equipment they *provided* to home workers. And employees making claims must receive advice from either a solicitor or Acas before submitting a formal claim or complaint.

The BCC wants to see a three-year moratorium on new employment law in order to encourage job creation, as well as the dropping of plans for a 1 per cent increase in employers' National Insurance contributions.

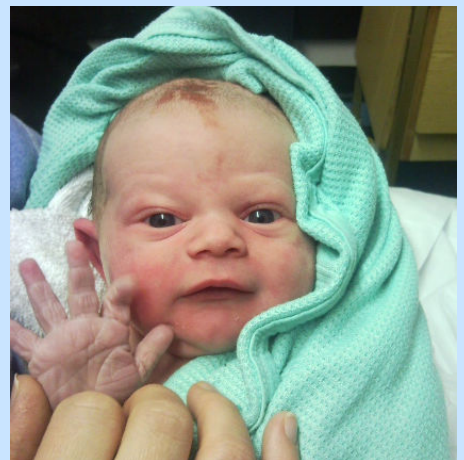
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CONGRATULATIONS

Steven & Rebecca Warboys on the birth of their first son, Jaymie Steven Patrick Newton Warboys, who was born on 15th January 2010, weighing 7lbs 9oz! Jaymie is a baby brother for Bethanie, Millie and Daisie.

AS ONE MATERNITY LEAVE STARTS, SO ANOTHER ENDS!

Karen Blackburn returned to work in March following on from her maternity leave, welcome back Karen!



Other news? We would love to hear from you, if you have any news which you think may interest our other clients, then please do let us know!