

PAYE/NIC UPDATES

Penalties for late payment

Just a reminder that penalties will be payable on PAYE payments not paid on time and in full during 2010/2011. The first penalty letters will be issued after 6 April 2011, and should you receive one it will tell you how much you owe and when to pay it by.

Penalties will not be payable if only one amount of PAYE is late in a tax year, unless that amount is more than six months late. However for two to four late payments the penalty will be 1% of the late amount, for five to seven late payments the penalty will be 2%, for eight to ten late payments the penalty will be 3% and for eleven or more late payments the penalty will be 4%.

Further penalties will be due where PAYE is over six months late, and again where it is over twelve months late.

The penalty letters will give details of how to appeal if you think the penalty is wrong, but do please speak to us for advice in these situations.

Online filing

A further reminder that all P35s and P14s for 2010/2011 must be filed online by 19 May 2011 regardless of the number of employees you have. Additionally, all notifications of new or leaving employees (forms P46 and P45) must also be filed online from 6 April 2011. If you need any assistance with online filing then please contact us.

Employers CD rom

If you are a small employer and have been using the Employers CD rom to process your payroll and calculate relevant deductions, you may realise you have not received a copy for 2011/2012. This is because the CD rom is no more, and instead it has been replaced

by a downloadable package called Basic PAYE Tools. Further details of this can be found on the Business Link website, alternatively we are able to run your payroll at a very competitive price, please contact us for more information.

The Future of PAYE – Real Time Information

From 2012, it is planned to bring a phased introduction of Real Time Information to the PAYE system. In effect, this will provide HM Revenue & Customs with details of deductions made from employees' salaries each time the payroll is run. It is currently hoped that the BACS system can be used to send the details, and the ultimate aim of the system is to simplify the process when employees change jobs, and to streamline the end of year reporting process. We will of course keep you updated on any changes as they happen.

PAYE dates

A quick reminder of important dates for PAYE over the next few months.

- **19 May 2011** – Payroll forms P35 and P14 for 2010/2011 must be filed electronically by this date.
- **31 May 2011** – Ensure all employees are given a copy of their P60 for 2010/2011.
- **6 July 2011** – Complete and submit forms P11D return of benefits and expenses for 2010/2011, and P11D(b) return of Class 1A National Insurance.
- **19 July 2011** – Pay Class 1A National Insurance for 2010/2011 (if paid electronically due date is 22 July).

RED NOSE DAY OR RED HAIR DAY?!

Always at the forefront of Perrys charity efforts to raise money for good causes, Tunbridge Wells partner Steve Hale was challenged to have his hair sprayed "Comic Relief red" to raise money for the recent Comic Relief day. Initially Steve was quite relaxed about this, until he realised his diary for that day included a formal Chamber of Commerce lunch which included an after lunch speech by Nigel Farage MEP and leader of UKIP!

Steve challenged the staff to pledge a total of £300 for him to go through with the deal, and this total was soon reached with the generosity of the staff and a few of Steve's fellow BNI members. After the lunch, Steve told of how his day had been.

"Well after 2 cans of red hair spray, the first was faulty and the dye ran down on to my shirt, one ruined white shirt, a shower that after washing off the first attempt looked like a scene from the Texas Chain Saw Massacre, being likened by Nigel Farage MEP to Danny Alexander of the Lib Dems famously referred to by Harriet Harman as a "Ginger Rodent" and to cap it all being told by a lady that I had never met before that I look like a *fatter* version of Chris Evans we, or should I say you, have raised the excellent sum of £345 for comic relief!"

Judge for yourself who Steve looked like, and our thanks go to him for encouraging us all to part with our money for a worthy cause.



City 34 Threadneedle Street, London EC2R 8AY T: 020 7256 9339

Mayfair 12 Old Bond Street, Mayfair, London W1S 4PW T: 020 7408 4442

Snodland 44 High Street, Snodland, Kent ME6 5DA T: 01634 245900

Tunbridge Wells 32-34 St John's Road, Tunbridge Wells, Kent TN4 9NT T: 01892 543900

West Malling 19-21 Swan Street, West Malling, Kent ME19 6JU T: 01732 870032

Wrotham The Square, Wrotham, Sevenoaks, Kent TN15 7AA T: 01732 882488

www.perry-company.co.uk

Perrys is registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales. This newsletter has been prepared as a guide to topics of current interest. It is only intended as a guide. In planning business or personal affairs you should always consult us before decisions are made. No responsibility for loss occasioned to any person acting or refraining from actions as a result of any authorised publication can be accepted by the Authors or Publishers. ©Perrys 2011

The Chorus

SPRING / SUMMER 2011

From Perrys Chartered Accountants

A BUDGET FOR GROWTH

On 23 March 2011 Chancellor of the Exchequer, George Osborne, delivered his second Budget statement. The Budget was intended to boost growth in the economy, with measures introduced to help businesses, and despite the fact the growth forecasts had to be downgraded, Mr Osborne said that the Government's fiscal plans were still on target. The main points of the budget are set out below.



Individuals

The tax rates and allowances for 2011/2012 had been previously announced. These included an increase of the personal allowance to £7,475 but a lowering of the threshold for 40% tax so that higher rate taxpayers do not gain from the increase, and a 1% increase on all National Insurance contributions.

It was announced in the budget that the personal allowance for 2012/2013 will be increased to £8,105, with a further cut to the threshold for 40% tax. Currently the 50% tax rate will remain, although the income generated by this rate will be reviewed by the Government, and there were no changes to the tapering of the personal allowance once income levels reach £100,000 per annum.

Businesses

One of the main surprises in the Budget was the reduction of the main rate of corporation tax. The initial 1% decrease had already been announced, but the Chancellor cut this by a further 1%, taking the main rate down to 26% from 1 April 2011. It is also intended to keep cutting this rate by a further 1% each year until it reaches 23% in 2014.

The small profits rate has been cut by 1% to 20% from 1 April 2011, but no further reductions to this rate were announced. Corporation tax profits that fall into the marginal rate band will also see a reduction to the marginal rate paid.

The Chancellor also announced that the small business rates relief holiday will be extended until October 2012, giving much needed relief to many small businesses.

There are no major changes to capital allowances for 2011/2012, with the decrease to both the Annual Investment Allowance to £25,000, and the rates of claiming capital allowances from 20% to 18% from April 2012, having been previously published.

VAT

No further changes to the rates of VAT were announced, but the registration threshold was increased to £73,000 and the de-registration threshold to £71,000. Other VAT thresholds relating to the flat rate scheme, and the cash accounting scheme, were not changed.

Approved Mileage Allowance Payment

The amount that can be claimed by an individual for using their own car or van for business purposes has been increased for the first time since 2002. The new rate of 45p per mile applies to the first 10,000 miles driven in a tax year and will be effective from 6 April 2011. The rate of 25p per mile for any miles over 10,000 in a tax year has not been changed.

Capital Gains Tax and Entrepreneurs Relief

The new annual exempt amount for capital gains tax was increased to £10,600 for 2011/2012. The rates of paying capital gains tax remain at 18% for profits in the basic rate band, or 28% for any profits over that amount.

The lifetime allowance for gains subject to entrepreneurs' relief has been increased to £10 million from 6 April 2011, with the rate of tax payable on these gains remaining at 10%. Entrepreneurs' relief can be claimed in many instances when disposing of a business or business assets, subject to certain conditions being met.

Fuel Duty

Although it was widely expected that the Chancellor would postpone the increase to fuel duty due in April, he went a stage further by reducing fuel duty by 1p per litre. However the planned increase of just over 3p per litre due in April has not been scrapped, only postponed until January 2012.

Time to pay

The Chancellor confirmed that HM Revenue & Customs will continue with the time to pay arrangements offered through the Business Payment Support Service. However it is imperative that help is sought before debts become due otherwise it is unlikely that agreements will be entered into.

Whether the Chancellor has succeeded in encouraging growth remains to be seen in the future, and do please contact us if you would like to discuss any of the above measures in more detail.

EDITORIAL

Welcome to the Spring/Summer 2011 edition of The Chorus, brought to you shortly after the Chancellor of the Exchequer delivered his second Budget. There were no great surprises in the Budget, designed to encourage growth in the economy, and our headline article looks at the main points that were raised.

In this edition we set out the details of additional paternity leave and pay, available to employees with children due on or after 3 April 2011, and how this would work. In addition we look at further current PAYE issues and changes that are coming up in the future.

You may have already read about HM Revenue & Customs commencing checks on business records from this summer, and whilst we don't know much about how this will happen, we tell you what we do know so far.

There is a short update on VAT issues, and details of mandatory online filing of all VAT returns which is likely to be introduced next year, and a few details with regard to the scrapping of the default retirement age which is currently being phased in.

As always if you have any questions or queries arising from any articles in this edition of The Chorus, then please contact us to discuss these.

HM REVENUE & CUSTOMS BUSINESS RECORDS CHECK

You may have read in the press that HM Revenue & Customs (HMRC) are to commence the Business Records Checks campaign in the summer of 2011. This is expected to be a good money spinner for HMRC who are going to potentially fine businesses where record keeping is not up to standard and as a result, the incorrect amount of tax is being paid by that business. It is likely that additional tax assessments will be raised as well as penalties being levied.

HMRC are expecting to check up to 50,000 businesses annually and will be targeting smaller businesses with less than 250 employees and turnover less than approximately £40m.

At the time of publication, we are still not fully aware of all the details of how the checks will work, and specifically HMRC have not yet decided what record keeping obligations businesses should have and what records should

be kept. They have also not confirmed the level of penalties to be levied and whether they will allow a "cooling off" period before penalties are charged to give businesses time to correct what they deem to be substandard record keeping.

However, what we do know is that HMRC have said the lost tax revenues from poor record keeping is no longer acceptable in the current economic climate, and they are estimating the checks will bring in extra revenue of approximately £600 million in 4 years, which averages £3,000 for each business that will be checked.

If you have any questions about exactly what records you should keep or whether your records are sufficient to ensure you pay the correct amount of tax then please contact us for advice.

CHANGES TO CLASS 2 NATIONAL INSURANCE DATES

If you are self employed and paying your Class 2 National Insurance contributions by direct debit you may be aware that the payment dates are changing to bring them in to line with self assessment payments. This means that the contributions will be due on 31 January and 31 July each year.

From 6 April 2011, if you pay by monthly direct debit, your payments will stop for a short period with the first payment for 2011/2012 being requested in August 2011. Monthly payments will continue as normal from then.

There will be a new option to pay by six monthly direct debits for those not wanting to pay monthly, and these would be collected in January and July each year.

ADDITIONAL PATERNITY LEAVE PROVISIONS

New provisions introduced on 3 April 2011 will give all eligible employees, usually fathers, the right to additional paternity leave and pay (APL&P). This right will apply to any employee whose partner is due to give birth on or after 3 April 2011, or they receive notification on or after that date of an adoption match being made with a child.



Additional paternity leave (APL) will allow the employee to take up to 26 weeks leave to care for their child but is only available if the mother or co-adopter has returned to work, with at least 2 weeks of unexpired statutory maternity leave entitlement remaining. The leave can be taken as a minimum of 2 weeks or a maximum of 26 weeks continuous leave and cannot therefore be taken piecemeal.

Only one period of APL will be available regardless of the number of children resulting from a single pregnancy.

APL can only start 20 or more weeks after the child's birth or adoption placement, and once the mother has returned to work following statutory maternity leave and/or has ended her entitlement to statutory maternity or adoption pay, or maternity allowance. The APL must end no later than the end of the 52nd week after the child's birth or adoption placement.

The eligibility criteria for APL&P are the same as for ordinary paternity leave, i.e. the employee must have at least 26 weeks continuous employment ending with the qualifying week which is the 15th week before the expected week of childbirth. However, additional notification will be required

in writing at least 8 weeks before the employee wishes the APL to commence. The employee must provide –

- Notice of when they wish the APL to start
- A declaration stating that they are taking the leave to care for the child
- A declaration from the mother or co-adopter stating various matters including the date of their intended return to work, and that they were eligible for statutory maternity or adoption pay or maternity allowance.

The employer can request additional information to support the employee's claim within 28 days of receiving the written notification. This can include a copy of the child's birth certificate, and the name and address of the mother or co-adopter's employer. The employee must then provide this further information within 28 days of the employer's request for the claim to be valid.

The employer is required to confirm the dates of the employee's APL and additional paternity pay within 28 days of receiving a completed notice from the employee. However if the employee wishes to change the dates of the APL they must give at least 6 weeks notice. Without the correct notice the employer does not have to accept the changes if they cannot reasonably accommodate the requested changes.

Additional rules apply in the event of the mother or co-adopter's death.

As with statutory maternity pay, employers will be able to recover some or all of the statutory paternity payments from HM Revenue & Customs depending on the size of their annual National Insurance contributions liability. Additional statutory paternity pay will only be paid during the mother or co-adopter's statutory maternity or adoption pay period, or maternity allowance period. This therefore runs for 39 weeks from the date the mother or co-adopter started receiving their pay.

Further information and the relevant forms for dealing with the leave can be obtained from the Business Link website.

VAT UPDATE AND RECAP

Flat rate scheme

With the increase to the standard rate of VAT from 4 January 2011 it is important to ensure you are using the new, and correct, percentage to calculate your VAT liability if you use the flat rate scheme. The flat rate percentages would have also increased, and much care must be taken when completing VAT returns that include both the old rate and new rate.

If you are a small business and not using the flat rate scheme, you may want to consider switching over to make your administrative burdens slightly less. You may join the scheme if your annual turnover is £150,000 or less, and you may find cashflow advantages to doing so. To help you work out whether it is worth joining the scheme, please contact us for more information.

Electronic VAT returns

Whilst all newly VAT registered businesses, and those with a turnover in excess of £100,000, have been completing electronic VAT returns for the past year, it will become mandatory for all businesses to file VAT returns and make VAT payments electronically from 2012 regardless of size.

Currently subject to consultation, this is likely to apply to VAT periods starting on or after 1 April 2012. There are various different methods of payment that can be used that qualify as electronic payment, the easiest being direct debit as this gives an additional few days for the payment to be taken and therefore a slight cashflow advantage.

If you need further information or require our help in completing your VAT returns online please contact your usual partner or consultant who will be able to assist with this.

PERRYS FEATURED CLIENT – WORLDWIDE WEALTH SERVICES LTD.

Nearing over 10 years of combined Forex trading experience to their name, Worldwide Wealth Services Ltd (WWS), a web based business headed up by Technical and Marketing Directors Duane Roberts and George Gair along with Business Development Director James Hurley, specialise in the automation of foreign exchange trading and associated computer hardware subscriptions.

No longer do you need to be a bank or have a net worth of a million pounds plus available to trade the foreign exchange markets (Forex)!

The Bank of International Settlements estimates that the average volume in the Forex market is around \$4 trillion a day, which makes it by far the largest financial marketplace in the world. Surprisingly, however, many novice investors and traders have never even heard of this market.

1996 saw the start of the Forex market opening up to the retail market with the average man and woman now having access to conduct their foreign exchange trading directly. Additionally with the advances of software technology and unprecedented internet speeds being available, many are now realising the potential to generate a passive income from a previously inaccessible market sector.

Having tested the world's top 6 marketed Forex robots (or Expert Advisors as they are known in the trade) and feeling a little disillusioned with the trading results, WWS set about creating their own and after spending 4 years in research and development in building their Forex Robot, MIDAS™ was launched. Since their launch in February last year, they are now finding themselves servicing customers from around the world. And now with one of the stars of Channel 4's 'Secret Millionaire' programme, Gill Fielding endorsing MIDAS™ by saying that "...the returns I am achieving by far exceed any returns I've ever achieved from any other of my investments during my 30 years of wealth creation". Not just a customer, Gill has now taken advantage of the company's White Label service!



James Hurley

MIDAS™ is a proprietary piece of software that enables would be and existing traders to automatically place and close trades 24 hours a day within the parameters the customer sets within it. This eliminates the need to spend the 10,000+ hours in education required to manually place regular successful trades and more importantly, significantly reduces the psychological aspects of trading, as MIDAS™ is a complete automated system.

When interviewed, James Hurley said 'Part of our growth plan was to ensure that every customer to MIDAS™ automatically became an advocate of our products and services. We knew there would be a lot of word of mouth business arising, we therefore ensured each and every customer automatically becomes part of an affiliate programme we designed, where they can receive regular monthly commissions for the lifetime of the referring custom they provide us.'

James went on to say, 'Part of our success is largely due to the team of established businesses we place around us. And it's with this regard we employed Perrys Chartered Accountants who have been fundamental in supporting us, from guidance on UK and international tax planning to VAT and annual returns, in fact the complete suite of services that Perrys offer are utilised. In turn it has played a major part in helping us realise a growth of over 300% in our customer base within the last six months alone. This ensured a solid foundation to moving forward and achieving our expansion plans, allowing us to keep focus on our areas of expertise. And as we continue with our aggressive growth plans, consultation is continually sought from Perrys on the options available to us, such as floating the company or preparing the company for sale at a later stage.'

You can learn more about MIDAS™ and the team behind it by going to - www.MidasRobot.co.uk

SCRAPPING OF THE DEFAULT RETIREMENT AGE

From October 2011, the default retirement age of 65 will be scrapped. This means that employers will no longer be able to dismiss staff just because they have reached the age of 65, although the employees will still be able to choose at what age they retire.

It is recognised that in certain jobs and professions it will be almost impossible to carry on working past the age of 65, such as air traffic controllers, or the police. Other manual jobs may also fall into this category, in which case the employer would be required to objectively

justify their reasons for keeping a retirement age in place.

From 6 April 2011 employers will not be able to hand out new notices of compulsory redundancy to employees who have reached the age of 65 under the current regulations. Between 6 April 2011 and 1 October 2011 only employees that were given notice of redundancy before 6 April 2011 can be compulsorily retired, and from 1 October 2011 these rules will no longer exist.