

The Chorus

WINTER 2010

From Perrys Chartered Accountants

VAT INCREASE TO 20%

It cannot have escaped anyone's notice that the latest increase to the VAT rate takes effect from 4 January 2011, when the main rate for VAT increases from 17.5% to 20%.

The previous increase a year ago will no doubt still be fresh in people's minds, and the mechanics of the change for VAT registered businesses will be broadly the same. Therefore, the old rate of 17.5% should be charged for any goods and services supplied up to 3 January 2011, and the new rate of 20% should be charged for goods and services supplied from 4 January 2011 onwards.

If you are using the flat rate scheme for VAT, when calculating the VAT to pay over to HM Revenue & Customs new rates will apply relating to income from 4 January 2010. Details of these new rates can be found on the HMRC website at <http://www.hmrc.gov.uk/vat/start/schemes/flat-rate.htm> and care must be taken when completing the first VAT return after the change to ensure the correct rates are used.

Any credit notes or refunds issued from 4 January 2011 must use the relevant VAT rate at the time of the original sale or invoice.



It should be noted that there are no changes to the lower rate of VAT, or to zero rated or exempt sales.

To work out your sales value increase and pass this on to your customers, you should multiply the current VAT inclusive price by 48/47, i.e. a net sale of £100 plus VAT would work as follows: $£117.50 \times 48/47 = £120$.

EMPLOYERS COMPULSORY PENSION SCHEMES FOR EMPLOYEES

As mentioned in the last edition of The Chorus, the new National Employment Savings Trusts (Nest) will be introduced in 2012. The scheme will apply to all employers, regardless of size, and unless a suitable company pension scheme is offered, all staff will need to be enrolled into the Nest scheme.

The automatic enrollment principle was established in the Pensions Act (2008) with the idea that saving for retirement becomes a norm in the future, and this was seen as the best way to ensure that pension contributions are made.

However, workers eligible for the scheme will have to be aged at least 22 years, below the state pension age, will have to be working in the UK, and will have to earn at least £7,475 per annum. Additionally, staff will not be automatically enrolled until they have worked for their employer for three months, however they can request to join earlier of their own accord.

As previously mentioned, small employers will not need to join the scheme at the start, as automatic enrollment will be phased in between 2012 and 2016 starting with the largest employers first. The Pensions Regulator will write to all employers approximately 12 months before they are due to join the scheme to advise them of their obligations. By 2017 employers will be required to pay a total of 3% contributions for the eligible staff enrolled in the scheme.

This will obviously be an additional cost as well as an administrative burden for many employers, especially small employers, and it is therefore important to be aware of the obligations. We will keep you updated with any changes and further developments as they happen.

For further details of changes to the tax relief on pension contributions please see page 3.

EDITORIAL

Welcome to the Winter 2010 edition of The Chorus. It is the end of another year that has seen many businesses continue to struggle with the limited growth in the economy. The Chancellor of the Exchequer gave his Autumn Statement at the end of November responding to the growth figures, and details of the contents of the Finance Bill for 2011 on 9 December 2010, however printing deadlines do not allow us to comment on those. The first Budget for 2011 will be delivered on 23 March 2011, and the next issue of The Chorus will be issued shortly after that to keep you updated with the pertinent points.

In this edition of The Chorus we remind you of the VAT increase to 20% which is due to take effect on 4 January 2011, and look at the implications of the new workplace pension scheme that all employers must contribute to starting in 2012.

In addition to the new workplace pension we look at changes to the limits on pension contributions, and various changes with HM Revenue & Customs. One of these changes is a cost cutting measure as HM Revenue & Customs are no longer sending copies of various documents issued to us as your accountant. It is therefore imperative that you let us have copies of any documents you receive from HM Revenue & Customs, and don't make the assumption that we have a copy, as we probably will not.

Finally, we have an article looking at the findings of the recent health and safety review carried out by Lord Young.

As usual, if you have any queries regarding any of the articles in this edition of The Chorus do please contact us, otherwise we would like to take this opportunity to wish you all a very happy Christmas, and a prosperous new year.



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HM REVENUE & CUSTOMS UPDATES

Copies of PAYE notices and other correspondence sent to agents and accountants

As part of their cost cutting measures, HM Revenue & Customs will no longer be sending copies of various documentation relating to individuals' tax affairs to their accountants or agents.

By discontinuing the issue of copies of PAYE notices and tax calculations to accountants, the Revenue will save approximately £1.25m. Other types of correspondence which we will not receive copies of, include letters confirming tax reference details and letters informing you that you will no longer have to submit annual tax returns.

We would therefore ask that if you receive any correspondence from HM Revenue & Customs relating to your personal tax affairs, you forward this to us as soon as possible in order that we can deal promptly with any issues that arise from it on your behalf.

Changes to penalties for late or non filing of contractor monthly returns from October 2011

Penalties levied for late or non filing of contractor monthly returns will change from October next year. The first monthly return that will be affected by the new regime will be the return for the month ending 5 November 2011.

Instead of the current system of increasing penalties for each month the return is late, the new system will charge the following, where a monthly return for the month ending 5 November 2011 and any subsequent period is filed late or not filed at all:

- A £100 fixed penalty will be levied immediately the return is late.
- A £200 fixed penalty will be levied two months after the filing date if the return is still outstanding.
- A tax geared penalty, which will be the greater of £300 or 5% of the amount of deductions shown on the return, will be levied if the return is still outstanding six months after the issue of the first penalty.
- A further tax geared penalty, again the greater of £300 or 5% of the amount of deductions shown on the return, will be levied if the return is still outstanding twelve months after the issue of the first penalty.

It should be noted that interest will be charged on any penalties that are paid late.

Further information regarding the new penalties, and the transition from the current system will be published nearer the time.

THE ELECTRONIC ERA

Payment of corporation tax

From 1 April 2011, all corporation tax and related payments will have to be made electronically. Related payments include any interest due on late payment of corporation tax or penalties due for corporation tax returns being filed late.

Electronic methods of payment include:

- Direct debit
- Payment by internet or telephone banking
- Payment by debit or credit card over the internet using BillPay
- Payment by CHAPS transfer
- Payment by bank giro
- Payment at the Post Office

Please remember that HM Revenue & Customs do not currently accept faster payments from banks, therefore three bank working days should be allowed for any payment to reach HM Revenue & Customs.

PAYE forms P45 and P46

All employers will be aware that end of year return forms P35, along with the P14s for the employees must be filed online now, regardless of the number of employees.

From 6 April 2011, all in-year forms including P45s and P46s must also be filed online, regardless of the number of employees. These forms are relevant when an employee starts or leaves an employment.

If you are not registered for PAYE services online, and will need assistance with filing these forms from 6 April 2011, please contact us for assistance.

PERRYS FEATURED CLIENT – ALLAN SINCLAIR RECEIVES AN MBE



Allan Sinclair, a client of the Snodland office, received an MBE for his services to the funeral industry in October last year.

Allan has had a long and interesting career in the industry and is also an expert in embalming, having entered the profession as a result of his grandfather and uncle being funeral directors. His career took a new direction after he trained to become an embalmer at the Lear School of Embalming in London, and he qualified as a member of the British Institute of Embalmers in 1965.

One of his first career milestones came in 1978 when he was asked to embalm the body of Jomo Kenyatta, Kenya's first president, and subsequently was an adviser at the funeral which was attended by many world presidents including Idi Amin, the infamous Ugandan military dictator.

Later in 1988 Allan was part of the National Disaster Team that served at the Lockerbie Bombing Disaster and the Piper Alpha Oil Rig Disaster.

Allan has had many professional highlights in his career which include becoming president of the British Institute of Embalmers in 1979, a Fellow in 1986 and a Master Fellow in 2006. In addition, he has been editor of the British Institute of Embalmers magazine, and was the national president of the British Institute of Funeral Directors from 2004 to 2005. Most recently, he became a Fellow of the British Institute of Funeral Directors at the end of last year.

With all these accolades it was no surprise that Allan was awarded an MBE, and on Tuesday 20 October 2009 Allan set off with his wife and two eldest sons for the proudest day of his life so far! Her Majesty the Queen presented Allan with his award in the Grand Ballroom at Buckingham Palace with his family looking on, and having been fully briefed beforehand, she was very interested in Allan's career, as it was a most unusual one for her to come across. Other family and friends met with Allan afterwards to share in the occasion, and to help him celebrate his day to remember!

Although now retired, Allan still works as an Independent Funeral Celebrant and uses Perrys to complete his tax returns. Allan has found the staff at Perrys to be very friendly and helpful, which is most important to him.

We would like to take this opportunity of congratulating Allan on his honour.

PENSIONS UPDATE

Pension contributions – reduction to Annual Allowance

The new Government have announced a reduction to the amount of pension contributions that can be made annually where tax relief can be claimed. Although this legislation is currently only draft, it is expected to be confirmed, and will go ahead from 6 April 2011.

What has changed?

From 6 April 2011, the amount of pension contributions that will be subject to tax relief in a tax year is being reduced from £255,000 to £50,000 per year. This total includes both employee and employer contributions for company schemes, and any contributions over the new limit will be subject to an annual allowance charge.

Is £50,000 the maximum contribution possible per year?

There will be no limit on the amount that can be saved each year into a pension scheme, but there will be a limit on the amount that is entitled to tax relief. In some circumstances, it will be possible to contribute over £50,000 in one year and not have to pay the annual allowance charge depending on the amount of contributions made in the previous 3 years.

Carry forward of unused allowance

If the pension contributions made in a year are less than the annual allowance of £50,000, no annual allowance charge will be payable. The annual allowance not used can then be carried forward. However there is a strict order in which the carried forward annual allowance can be used after the normal annual allowance, and that is with the earliest year first.

If no pension contributions are made during a year, that year will not have any unused allowance to carry forward.

With the reduction to the annual allowance, when looking at the 3 previous years from 2011/2012, the new limit of £50,000 will be used to calculate if there is any unused allowance. Any allowance not used after 3 years will be lost.

Example

If a contribution of £70,000 is made in 2011/2012, contributions in the 3 prior years need to be considered. Assuming these were –

2010/2011 - £30,000

2009/2010 - £25,000

2008/2009 - £20,000

there is unused allowance of £20,000, £25,000 and £30,000 from those years. When added to the current allowance of £50,000, a total

contribution of £125,000 could be made in 2011/2012 without incurring an annual allowance charge.

However, only £20,000 of unused allowance is needed in 2011/2012, and the additional £10,000 from 2008/2009 will be lost after 2011/2012.

How is the annual allowance charge calculated?

If contributions are made in a tax year in excess of the available annual allowance amount, including the unused brought forward allowance from the previous 3 years, a charge will be payable. The excess contribution is added to your total taxable income in that tax year and the tax charge is calculated such that any part of the contribution over the higher rate limit will be charged at 50%, any amount above the basic rate limit but below the higher rate limit will be charged at 40%, and any amount below the basic rate limit would be charged at 20%.

For example, if an excess contribution of £10,000 had been made, and taxable income for the year was £144,000, £6,000 of the contribution would be charged at 40%, and £4,000 at 50%, giving an annual allowance charge of £4,400.

How is this declared and paid?

The annual allowance charge is declared on the self assessment tax return and the tax paid at the usual times. An individual will be responsible for telling HM Revenue & Customs if they believe they have a charge to pay and they do not normally complete a tax return. Pension scheme administrators should be able to provide the individual with the information they need regarding any excess contributions made.

Anything else to note?

If an individual contributes to a number of different pension schemes, the annual allowance will apply across all the schemes in total. In this instance, it may be necessary for the individual to request details from pension scheme administrators of the amount of contributions paid into each scheme where each scheme amount is below the annual allowance limit.

Additionally, under the new rules there will be no protection from the annual allowance charge for existing patterns of contributions, and any individual who currently has enhanced protection will no longer have protection from any annual allowance charge.

There are added transitional rules that apply to the new scheme which are too complicated to detail here, and if you have any queries or concerns with regard to how these measures may affect you, please contact your pension adviser.

PERRYS WELCOMES NEW PARTNER!



We would like to congratulate Donna McCreddie on becoming a new partner of Perrys on 1 August 2010.

Donna has worked for Perrys since March 1992, starting as a trainee, and qualifying soon after. For the last eleven years, Donna has combined a hectic family life with her work, which now involves running the Wrotham branch, and heading up the specialist Perrys team that deals with doctors and doctors' surgeries. Donna is also our property expert, and she deals with a large number of clients with property portfolios, in addition to many local businesses and individuals.

We would like to take this opportunity of wishing Donna every success for the future.

THE NEW LOOK PERRYS CALENDAR FOR 2011

Enclosed with this edition of The Chorus will be your new look calendar for 2011. We have been asked by some clients in the past why the calendar was laminated and therefore not able to be recycled. For 2011, to address these environmental concerns we are going green, removing the laminate, in the hope that when you have finished with the calendar you will recycle it.

We have also been asked how we choose the picture every year for the calendar. Since 2006 we have run an annual competition for the staff of Perrys to put forward their own photos, and the winner is picked from the many photos submitted.

The picture for 2011 was taken by Lesley Sexton, a secretary in our Wrotham office, and we are sure you will agree it is a fantastic image, that is certain to brighten up your walls during the coming year!

If you have any comments, either positive or negative, about the new format of the calendar, do please tell us so that we can implement any other suggestions you may have in the future.

COMMON SENSE COMMON SAFETY

Prior to forming a coalition government, the Conservative Party instructed Lord Young of Graffham to complete a review of how health and safety is managed in the UK. Now, after months of speculation as to what the review would identify, it's been published. A full copy of the report that summarises the findings of the review, Common Sense, Common Safety, can be downloaded here: http://www.number10.gov.uk/wp-content/uploads/402906_CommonSense_acc.pdf

Highlights. The following are some of the key recommendations included in the report:

- The public feeling able to carry out good deeds such as clearing snow, without fear of being sued;
- low risk workplaces being given much clearer guidance on what is required;
- consultation on legislative reforms to consolidate and improve health and safety law;
- a voluntary accreditation scheme for health and safety consultants;
- pressure on insurance, claims management and personal injury law businesses to reform or be reformed;
- local authorities being less inclined to ban public events;
- schools finding it less bureaucratic to run school trips; and,
- public availability of food safety ratings for premises.

The plan. Unlike many other papers of its type, it includes a timetable for implementation. So, whilst the recommendations within it are proposals, rather than government commitments, it seems likely that real changes will happen in the not too distant future. In fact, the Health & Safety Executive (HSE), which takes the primary role in enforcing health and safety, which, incidentally, has welcomed the report, is already working on ways to turn these recommendations into reality.

Hot off the press. Almost as soon as the review was published, the HSE launched a new office safety risk assessment tool. The intention of which, is to allow businesses to complete a risk assessment of the activities that take place in their office, in a quick and easy manner. In fact, according to the HSE, the whole process should only take 20 minutes. So, does it work? Well not quite. Unfortunately, this process only takes a matter of minutes if you've spent time previously making sure your workplace is safe. For example, you've spent time setting up computer workstations properly.

However, despite its problems, we don't think that you should simply ignore this tool. Why? Because the HSE has spent time and money on it, you should expect its officers to promote its use. And, those who are seen to use it and seen to be making an effort to comply with the law, will be in a much better position than those who simply ignore their legal duties.

In the new year. Another of the key recommendations that will become a reality soon, is the introduction of a voluntary accreditation scheme for those in the health and safety consultancy business, i.e. those who advise others on what steps are necessary to comply with the law. The current plan is that the scheme will be managed by the HSE and is up and running in the New Year. When the scheme does go live, it should mean that if you buy-in support from those who appear on the list, you are pretty much guaranteed that they will be competent enough to offer sound advice on managing health and safety risks. Further information on the scheme can be found on the HSE's website: <http://www.hse.gov.uk>

This article was written by Simon Wakeham, Managing Director of HSE Advisor Ltd, (<http://www.hseadvisor.co.uk>) He is a Chartered Safety Practitioner with over 10 years of experience in supporting businesses in managing health and safety risks effectively.

THE THREE PEAKS CHALLENGE

In September a small group of Perrys staff undertook the Three Peaks Challenge to raise money for charity. The Three Peaks Challenge is a gruelling challenge which involves climbing Ben Nevis, Scarfell Pike and Snowdon in a 24 hour period.

The team of intrepid climbers made it to the top of each mountain in a quicker time than expected, however were hampered during the challenge by the bad weather conditions. They started with Ben Nevis in lovely weather conditions, but by the time they started at the bottom of Scarfell Pike it was pouring with rain, which made the rocks very slippery and dangerous.

The weather for the final climb to the top of Snowdon deteriorated, with gale force winds and torrential rain! However the climbers showed a good team spirit throughout to get everyone back to the bottom of the final mountain safely.

The weather conditions and the bad traffic driving between each mountain meant that the total time taken to complete the challenge was 27 hours, however the team managed to raise a staggering £1,647 for their

chosen charities of Care for the Family, and the Myles Miller Trust. Please go to www.perrysfundraising.co.uk for more information on these charities.

We would like to congratulate everyone that took part on a brilliant achievement.



NATIONAL MINIMUM WAGE INCREASE

There were increases to the National Minimum Wage rates on 1 October 2010 and the new rates are now:

- £5.93 per hour for workers aged 21 years and above;
- a development rate of £4.92 per hour for workers aged 18 – 20 inclusive, and workers aged 21 years and above, starting a new job with a new employer and doing accredited training;
- £3.64 per hour for all workers under the age of 18 who are no longer of compulsory school age, in England this is after the last Friday of June of the school year in which their 16th birthday occurs.

Note that the main rate now applies to 21 year olds for the first time, whereas previously this applied to workers aged 22 and over.

There is also a new Apprentice Minimum Wage of £2.50 per hour, applying to apprentices aged under 19, and those aged 19 and over in the first year of their apprenticeship.

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