

CHANCERY MANAGEMENT NEWS UPDATE

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On This Day In 1991

Edwin Land, the inventor of the Polaroid camera died aged 81 years.

Online Calculator For The Minimum Wage

Following our article on changes to the NMW last month, a minimum wage calculator has been launched by Government funded Business Link to help employers to comply with legislation that comes into force next month. National Minimum Wage (NMW) rates rose by 21p to £5.73 per hour for those aged 22 and over, the NMW rose by 17p to £4.77 for those aged between 18 - 21, and by 13p to £3.53 for those aged between 16 - 17 years all of which were effective from 1st October 2008.

However, from 6 April 2009 employers that failed to implement the statutory NMW must pay all arrears at the new rate, even if the work was done before the latest increase. Those who fail to do so face an automatic penalty of £5,000.

Employers can use the calculator to work out how much they should be paying staff for the current hours they work in addition to any arrears.

Employers can visit businesslink.gov.uk/nmw then click on the NMW entitlement rate and arrears checker.

Small firms are missing out because they undervalue the need for online customer care.

According to web host I & I Internet, nearly half of online consumers want to be able to resolve after sales issues directly through a website.

However, fewer than 20 per cent of small and medium sized enterprises offer this facility.

More than 80% of businesses believe there is little or no demand for online feedback, despite 47% of consumers saying that they choose retailers with online feedback facilities.

Oliver Mauss, chief executive of I & I Internet says: In a challenging economy firms that can resolve customer care issues swiftly online are likely to benefit from increased customer loyalty and spend.

Pensioners Should Query K Codes

HM Revenue & Customs have recently been issuing K codes for pensioners erroneously. K codes were originally introduced in the early nineties to increase the tax deducted from higher paid directors and employees in receipt of benefits.

Therefore, in the majority of cases K codes should not be applied to pensioners because even if they receive rental income which does attract the 40% tax rate they are very unlikely to be receiving benefits.

If you require more information or advice please do not hesitate to contact your payroll manager.

Paying Employees With No Bank Account

It is difficult to pay employees if they do not have a bank account. The most common solution for most employers is to issue such employees a cheque, but it is quite expensive for the employee to cash a cheque with some third party commercial outlets that are willing to do so. It is not practical for employers to pay such employees in cash and it is also risky for employees to walk around with large amounts of cash.

However, there are a few companies that now issue MasterCard or Visa debit cards which will accept payments by BACS. There is no cost to the employer at all. The employee does not have to pay any lump sum for the facility either but pays quite modest transaction charges when using the card.

The transaction charges are much lower than commercial cheque cashing fees. This facility also eliminates the high risk of walking around with high volumes of cash.

Cash can be withdrawn from most banks or cash machines although such transactions attract a higher fee than conventional retail transactions.

This facility is also attractive because the employee cannot build up a credit card bill because once the balance is nil the card cannot be used until the next salary payment is credited. Family or friends can also make payments direct to the card.

Salary Sacrifice Schemes

There are many advantages and disadvantages in operating salary sacrifice schemes.

Provided always the employee and employer has confidence in the particular pension product being operated it is usually beneficial to operate pension schemes on a salary sacrifice basis. If for example the salary is £2,000 per month and the employee pension contribution is 5% the employee can opt to sacrifice £100.00 by having £100.00 deducted from gross pay saving at least 20% tax and 11% National Insurance. Assuming the employer contribution is 10% (£200.00) then on the assumption the employer is willing to add the 6.4% being 50% saving of the employer National Insurance to the employee contribution the employee contribution will be £106.40 net equivalent to £133.00 gross on a stakeholder pension. The combined contribution will be £306.40 equivalent to £333.00 gross. Although the contribution counts as an employer contribution the employee has saved the total tax, 11% on the National Insurance contribution and in this example has enjoyed an additional 6.4% from the employer.

Higher paid employees will only save 1% on National Insurance but will benefit on the tax relief.

Employers need to ensure that employees on lower incomes choosing to make a salary sacrifice still receive the National Minimum Wage after the salary sacrifice.

Items that are allowed under salary sacrifice schemes that can prove to be a disadvantage are:

- Childcare vouchers
- Cycle to work schemes
- Car parking schemes

Although the childcare voucher scheme can be advantageous to the employee and the childcare vouchers are obtained by using the salary sacrifice made by the employee, once an employee

goes on maternity leave and that employee is only receiving SMP the cost of the childcare vouchers has to borne by the employer because it is considered a benefit and it is illegal to make any deductions whatsoever from Statutory Maternity Pay. Companies who pay Company Maternity Pay may deduct the amount of salary sacrifice if there is enough Company Maternity Pay to do so.

The cycle to work schemes can also be a disadvantage to both the employee and the employer because if an employer purchases a bike and the employee leaves and no longer wants the bike the company is left with the liability as the bike does not belong to the employee and a new employee that may be interested in the scheme may not necessarily want that particular bike.

Any savings made on employer National Insurance contributions could be eradicated for the reasons stated above.

Employers thinking of providing salary sacrifice parking schemes at the place of work could also find that the amount of spaces paid for on a quarterly basis could end up being empty if the employee(s) leave and other employees are uninterested in taking up the empty space(s).

Therefore, whilst salary sacrifice schemes may at first glance look attractive all the possible disadvantages require careful consideration by both the employee and the employer.

The Banknotes That Are Not Legal Tender

Scottish banknotes are not legal tender in England and retailers and others can refuse to accept them. In fact they are not legal tender in Scotland.

Bank of England notes are the only banknotes recognized as legal tender and only in England and Wales.

Banknotes issued by Northern Ireland and Scotland are not legal tender but are normally accepted in their own regions.

The term “ legal tender” is antiquated and dates back to the days when anyone who was owed money could insist being paid in cash with Bank of England notes.

If anyone has Scottish or Northern Ireland banknotes finding it difficult to use can exchange them at your bank.

New Ruling On Long Term Sickness

Following several disputes in general between employers and employees including HM Revenue & Customs regarding entitlement to accrued holiday following sickness leave, the House of Lords referred the case to the European Court of Justice (ECJ).

The ECJ responded in January 2009 and has ruled that even when an employee is away on long term sickness and has not attended work at all during the leave year they will still be entitled to accrued paid statutory leave.

An employee on sick leave for the whole of an annual leave year (holiday year), is entitled to a period of four weeks annual leave under the European Union Working Time Directive.

The ECJ has ruled that untaken holiday entitlement during a leave year when an employee has been away from work through sickness can be carried forward to another subsequent leave year.

Under current UK legislation, Working Time Regulations 1998 (WTRSI 1998/1833) bar untaken statutory leave under regulation 13 from being carried forward to the following year.

Employers can allow leave over the statutory minimum although this is unusual.

The ECJ has also ruled that when employment is terminated if there is any untaken leave at that time the employee is entitled to a payment in lieu for the leave year of termination (holiday period) and for any untaken leave carried forward from an earlier year.

The payment must be calculated to ensure the employee is in a position comparable to that which would have applied had the right to paid leave been exercised during the employment.

The Confederation of Business Industry (CBI) said the ruling was a “real blow” to employers

trying to keep jobs alive during the recession.

The CBI also said businesses suffer when staff take sick leave and they had hoped that a compromise could have been achieved regarding unused holiday time.

This judgment will result in staff being away from the workplace for longer and has created a problem for HR staff. They will now have to review and make changes to their policies and contracts of employment.

The final judgment will be given by the House of Lords later this year.

The Lords will have to decide whether paid holiday, under the Working Time Directive (WTR) can be taken while off sick and whether holiday pay claims are limited to the current year holiday entitlements or can go back to when the Regulations came into force in 1998.

New Rules For Tax Relief On Expenditure For Company Cars

Effective 1 April 2009 (6 April for unincorporated businesses), vehicles costing over £12,000 will be subject to major changes. These are far too complex to detail in this news update but if a company is planning to buy an expensive car it is advisable to do so before 1 April.

The rules for unincorporated businesses do not really change until 2014.

Companies that lease their vehicles will be subject to a 15% disallowance on cars with a CO2 rating of more than 160.

The State Pension Date

If a pensioner's birthday falls on a Tuesday, Wednesday, Thursday or Friday they will lose up to 6 days pay because the state pension is payable the Monday after the date of birth. However, the Department of Work and Pensions (DWP), have stated that when a pensioner dies the state pension does not cease until the Monday after the date of death.

Quotations of the Month

Never forget that the darkest hour is only 60 minutes.

When two people are under the influence of the most violent, the most insane, most delusive and most transient of passions, they are required to swear that they will remain in that excited, abnormal and exhausting condition continuously until death do them part.

A Jury consists of 12 people who determine which client has the best lawyer.

Confidence is the quiet, assured feeling you have just before you fall on your face.

If we want things to stay as they are, things will have to change.

Source: The CML collection

Statistics of the Month

Almost 7,000 convicted criminals applied to become teachers last year, including paedophiles, killers, kidnappers and brothel keepers. Source: The Daily Telegraph.

32% of people aged between 16-24 years have had a one night stand they later came to regret. Source The Guardian/Youth Net

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