

CHANCERY MANAGEMENT NEWS UPDATE

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On This Day In Previous Years

In 2007 England joined the rest of the UK in banning smoking in all enclosed public places.

1942 World War II: First Battle of El Alamein.

1990 East Germany accepts the Deutsche Mark as its currency, thus uniting the economies of East and West Germany.

1944 Bretton Woods Conference starts, establishing IMF & World Bank.

Minimum Wage Rises

The increase in the National Minimum Wage from £5.73 per hour to £5.80 per hour was welcomed by the CBI, the only business representative organization on the Low Pay Commission which recommends the minimum wage level to the Government. The CBI represents 240,000 businesses and accounts for a third of the private sector workforce in Great Britain.

John Cridland, the CBI Deputy Director-General, said: "This moderate increase recognizes that many businesses are struggling and helps protect jobs at a time of rising unemployment".

"The inflation-busting rise some unions had called for would have hit firms hard and put many lower paid workers on the dole".

Law firm Eversheds pointed out that the increase was in line with the recent Low Pay Commission report which tried to balance the need to earn enough and the need to be employed at all.

Many businesses had requested a total freeze on any increase this year and they will be very disappointed by the rise.

Conservative MP, Chris Chope published a Private Members Bill to allow workers to opt out of the minimum wage.

In response the unions, led by general secretary of the Labour Party Ray Collins, John Prescott's Wage Concern group and Udsaw, the shop and distributive union, have launched a campaign against Chris Chope's proposals.

Although the Employment Opportunities Bill is unlikely to be passed, it has caused alarm on the political left, prompting fears of the abolition of the National Minimum Wage should the

Conservatives win the next election. David Cameron has not commented about the bill.

Udsaw's General Secretary and member of the Low Pay Commission, John Hannet said: "The minimum wage provides income protection and security for millions of workers. It stops unscrupulous employers from driving down wages across the board".

John Prescott added: "We call on everyone who believes in fairness and social justice to join Wage Concern and help us kill this Tory Bill".

The British Economy

The Bank of England's latest Financial Stability Report states that the global credit crunch losses as at the end of March were £15 trillion, which according to various recent reports in the British press equates to half of the world's gross domestic product.

Various reports in the recent British press also stated that in Britain alone taxpayer support for the city now totals £1.26 trillion equating to 88% of our national output.

The Bank of England's latest Financial Stability report also states: "As long as these balance sheet vulnerabilities persist, there is a risk to the banking system from further economic or financial sector developments, which could in turn affect the lending and economic recovery".

The main cause of the current problems is due to the extent of the global recession.

Unemployment already exceeds 2.2m in Britain and is expected to trigger further loan defaults which will further no doubt cause a further reduction in banks' capital.

According to various press reports British banks accumulated loans and assets worth four times the country's entire annual output. The funding for this was maintained by the majority of lenders taking on huge liabilities many of whom borrowed to loan.

The difference between customer deposits and the loans taken at the peak equated to £800bn.

The Bank states that as state funding reduces the banks will have to find funding from elsewhere in the sum of about £500bn from now until 2013. If alternative funding is not achieved the banks will have to dramatically reduce their balance sheets.

Although stock markets have rallied to an extent, in our opinion due to its extent the current financial crisis will not be over until 2015.

New Restrictions To Pension Tax Relief

The proposal announced by the Chancellor, Alistair Darling, to restrict tax relief for pension contributions for higher earners from 2011 is, in the opinion of many major pension providers, yet another stealth tax and another major blow to pensions.

If the thresholds in the sum of £150,000 and £189,000 respectively are not indexed then more people would be affected.

Under the current market conditions it is also becoming increasingly hard to determine the value of the defined benefit pension expectation. This is because whatever value is expected/forecast when age 65 is achieved, in reality the actual pension will depend on how the actual salary is to grow during the years between now and retirement age. Current market conditions and the opinion of many pension providers indicate that those with the longest period from now to retirement age have the better chance of increases in salary and a higher pension fund.

Overseas Disability Claims

The Government has now accepted a ruling made by the European Court of Justice in June 2007, that it should accept claims for attendance allowance, disability living allowance, (care component) and carer's allowance from UK citizens living in Europe.

Last year the Department for Work and Pensions (DWP) accepted part of the ruling by allowing UK citizens who had successfully claimed these benefits to keep them if they left to live in Europe.

The Government will now accept claims for these allowances from UK citizens already in Europe.

The claimant must have a UK connection meaning that you must be receiving a UK state pension

or having adequate NI contributions to be able to claim sickness benefit.

Therefore, anyone who has had a claim refused should submit a new claim.

The ruling applies to the 26 EU countries and also applies to Gibraltar, Iceland, Liechtenstein, Norway and Switzerland.

The Equality Bill

The complete Equality Bill was introduced in the House of Commons on 24th April 2009.

If passed it will incorporate all legislation relating to discrimination. This includes: Age, disability, gender, civil partnership, marriage, maternity and pregnancy, race, religion or belief, sex and sexual orientation. This also includes direct discrimination meaning that it is open to claims for less favourable treatment that can be interpreted extremely widely. It therefore can now include indirect discrimination.

An employer could under the new rules, (if passed), now be held responsible for harassment to an employee by a customer or supplier.

The new rules will make it illegal for secrecy clauses in contracts of employment, and could affect confidentiality as it would be illegal to prevent employees discussing their pay to find out if differences exist.

If passed it is likely that the bill will receive Royal Assent in Spring 2010, coming into force in October 2010.

HM Revenue & Customs Deadlines, Fines & Penalties

HM Revenue & Customs (HMRC) was created when Customs and Excise and the Inland Revenue were merged. The merger of these two very large units occurred not long after the Contributions Agency (responsible for the administration of National Insurance), which used to be part of what is now known as the Department of Work and Pensions (DWP) was hived off to the Inland Revenue.

HMRC has very broad powers to ensure compliance. The organisation can issue penalties for failure to comply, charge interest on late payments and commence investigations on organisations and individuals.

In payroll the main returns with strict deadlines for the end of year are forms P14, P35, P11D and P11DB. The time scales for these forms to be correctly produced and submitted are 19th May and 6th July respectively. Pay As You Earn (PAYE) payments must be made by 19th of each month following the payment of salaries. For example, for salaries that were paid in April 2009 the PAYE tax and National Insurance is due to be paid by cheque to reach HMRC no later than 19th of May or 22nd of May 2009 if paying electronically. If the due date for payment is a non working day then payment is due the previous working day.

The tax year commences on 6th April and finishes on 5th April. Likewise each tax month commences on 6th of each month. Therefore if employees are paid weekly, two weekly or four weekly, the PAYE tax and National Insurance are due to be paid to HMRC in respect of all payments made to employees up to 5th of each month. Therefore, weekly payments made up to Friday 5th June 2009 must be paid by 19th June 2009 or 22nd June if paid electronically.

If the end of year forms P14 and or P35 are late HMRC will issue and pursue an automatic penalty in the sum of £100 for every month or part month that the return is late multiplied by the number of units of 50 employees. Therefore, an employer with 55 employees that failed to submit the end of year return until 21st June should expect a penalty in the sum of £400 being £200 for the two months and £200 for two units of 50 employees. For incorrect form P35 there is a maximum penalty of 100% of any additional tax found to be due.

If form P11D and P11DB are submitted after 6th July there is an initial penalty of £300 together with a daily penalty of up to £60 where an initial penalty has been imposed. In addition, any errors on the forms through negligence can attract a penalty of up to £3,000 per form. Therefore timely and accurate submission is therefore essential.

Individuals that are subject to Self Assessment returns must submit returns on paper by 30th September on paper or electronically by 31st January. However, as payment for Self Assessment is due to be paid no later than 31 January it is advisable to submit the return earlier for accurate

and timely payment. Payments on account for Self Assessment are due to be paid no later than 31st July each year. The penalty for a late Self Assessment tax return is initially £100. If a return is not made after three months the penalty becomes £10 per day up to 90 days. If the return is still outstanding for 6 months then the penalty will be 5% of the liability to tax the return would have shown had it been submitted with a minimum of £300 payable. If the return is still outstanding at 12 months the penalty will be 100% of the tax due if the withholding is deliberate and concealed.

If the information is deliberately withheld but not concealed the penalty will reduce to 70% of the tax due. All these penalties are subject to a minimum of £300.

There are proposals to increase penalties and interest and if and when these are implemented we will update.

Statistics of the Month

Half of British children aged 5 years to 9 years own a mobile phone. Source: The Times

28,000 people were caught illegally attempting to enter the UK from Europe last year; the number has trebled in the past five years. Source: The Independent

Unemployment in Britain now stands at 2.26 million, or 7.2%. 302,000 jobs were lost in the three months to April. Source: Daily Mail.

McDonald's is currently receiving more than 2,200 job applications every day to fill the 140 positions that become available daily. Applicants include graduates, former bank workers and teachers. Source: Daily Mail.

One in three women imprisoned in the UK is there for shoplifting, more than for any other crime. 80% will re-offend within two years of release. In 1997 there were 129 female shoplifters in prison; now there are 1,400. Source: The Guardian

Source: The CML collection

Quotations of the Month

If you cannot be kind, at least have the decency to be vague.

Boldness has genius, power and magic.

Do not let what you cannot do interfere with what you can do.

Hatred is like acid; it will eat into your soul and kill you before you die.

Starve the problems feed the opportunities.

In a consumer society there are inevitably two kinds of slaves; the prisoners of addiction and the prisoners of envy.

A smooth sea never made a skilled mariner.

Source: The CML Collection.

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