

CHANCERY MANAGEMENT NEWS UPDATE

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On This Day In Previous years

AD589 The death of St David patron saint of Wales.

1946 The British Government took control of The Bank of England and nationalized it after 252 years.

1947 The International Monetary Fund (IMF) began operations.

1969 Pirate radio 259 started broadcasting off the French coast.

1975 Colour television broadcasts began in Australia.

1977 Bank of America adopts the name VISA for their credit card.

Check Your Tax Code

According to recent reports in the media HM Revenue & Customs (HMRC) hid the truth about the issuing of incorrect tax codes for 2010-2011.

Apparently minutes of two meetings in September 2009 show HMRC knew of problems with the £140 million computer system. Despite this it went ahead with the issuing of tax coding notices and failed to warn taxpayers and employers payroll departments.

HMRC has made at least 15 key mistakes in tax coding notices caused by human and computer errors.

Student loans are also in a mess. Graduates who have paid off their loans could find that deductions are still being deducted from their salary again because the computer at HMRC is issuing duplicated notices instructing employers to deduct it for a second time.

Some employees have and continue to have hundreds of pounds deducted from their pay causing unnecessary hardship on already tight budgets.

In addition there are problems that were caused before the new system was introduced.

There are 116 million instances of National Insurance payments not credited to the people that paid them over several years.

Ten million P14 end of year records of tax payments sent from employers to HMRC have not been matched to the correct employer.

420,000 pensioners are not paying tax who should be.

On September 24 2009, minutes of HMRC's Employment Consultation Forum refer to defects in the live system that were not apparent during testing. The Payroll Consultation meeting five days later talks of teething problems and adds: The main issues have been around tax coding notices, age allowances for agent authorisation and work.

HMRC sends out 25 million tax coding notices each year that dictate how much tax employers and pension firms deduct from employees and pensioners each year.

Errors have already hit taxpayers through errors and it appears they will continue to do so.

Many people could be paying hundreds or thousands of pounds too much in tax whilst others may be paying too little and will end up with a huge and unknown tax liability.

At the time of printing this article there is less than six weeks until the new tax year begins on April 6 2010 and there is mounting fury that HMRC is insisting that taxpayers many of whom are elderly and vulnerable should be held responsible to check and calculate their own code.

Liberal democrat Treasury Spokesman, Vince Cable says: "It seems utter chaos reigns at HMRC, which is causing untold distress and confusion to thousands of people up and down the country".

Pensioners calling HMRC are being told that the tax must be correct because the computer says it is correct.

HMRC admits that a significant number of tax coding notices are incorrect because the data carried forward from the previous PAYE system does not match the data received from employers.

HMRC are supposed to be reviewing the situation and say they will issue revised notices of coding in due course.

Although the personal allowances are not expected to increase this year, it is normally a waste of time, because HMRC issue tax code notices based on the current tax bands and based on the taxpayers circumstances from the tax return and other information from the previous tax year and then reissue amended tax code notices as and when the tax bands change following a budget.

The Pension Postcode Lottery

Insurers are making cuts to pension payments in wealthier areas and giving more to pensioners in poorer areas. The five major providers of annuities (the annual income you purchase with the money in your pension plan) are now putting your postcode into the equation when calculating how much to give you.

This is because they believe people in wealthy areas such as Epsom in Surrey or Kensington in London have longer life expectancies than people living in Glasgow or B9 postcode in the Birmingham area.

The people from the areas considered wealthy can expect to receive as much as 7% less equating to as much as £10 per week less based on a pension of £7,000 per year.

Pre-Budget Report Part Two

Benefits And Expenses

Following an announcement in the 2009 Budget, it was duly announced in the 2009 Pre-Budget Report (PBR) that for the tax year 2012-2013 the graduated table of company car tax bands will be extended down to a new 10% band and all CO2 emissions thresholds moved down by 5g/km so that the 10% band will apply to company cars with CO2 emissions up to 99g/km. (Qualifying low emissions cars "QualiEC's" will therefore cease to exist as a separate category).

Company cars with CO2 emissions above 99g/km will have their appropriate percentage increased by 1% for every further 5g/km, so the range will be 10% to the same maximum of 35% in 1% steps. The appropriate percentage for cars with CO2 emissions of 125-224g/km will increase by 1% and there will also be increases for cars with CO2 emissions of 100-120g/km. The table extract shows the potential effect of these changes.

The appropriate percentage used to calculate the cash equivalent of electric cars will be reduced to 0% with effect from 6 April 2010. The reduction will apply for five years until 2015-2016.

The fuel benefit charge multiplier is to increase to £18,000 on and from 6 April 2010-2011.

Vans and Fuel

To help catalyse the markets for electric vans and subject to the Government confirming compatibility with state aid rules, a 100% first year capital allowance will be provided for the purchase of electric vans from 6 April 2010.

The annual flat rate benefit charge for vans will be reduced to nil for electric vans with effect from 6 April 2010 and the reduction will apply for five years until 2015-2016.

The van fuel benefit charge will increase to £550 from 6 April 2010.

Company car – CO2 emissions and percentages				
Tax Year 2009-2010	Tax Year 2010-2011	Tax Year 2011-2012	Tax Year 2012-2013	% of list price
<120	<120	<120	<100	10%
			100	11%
			105	12%
			110	13%
			115	14%
135	130	125	120	15%
140	135	130	125	16%

Workplace Canteens

Legislation will be introduced to restrict the statutory exemption for workplace canteens by removing the exemption when used in conjunction with salary sacrifice or flexible benefits arrangements. The legislation will become effective on and from 6 April 2011.

The proposed amendment will prevent the exemption from applying where the provision of free or subsidised meals is linked to a salary sacrifice arrangement or flexible benefits remuneration where the value of food and drink provision is commensurate with the amount of income given up.

Travel Expenses

The Government has announced that it is committed to addressing the problem of the potentially exploitive arrangements implemented for some workers paid at or near the National Minimum Wage (NMW).

HM Treasury, HM Revenue & Customs (HMRC) and the department for Business, Innovation and Skills will launch a consultation in 2010 inviting views on proposed changes to the NMW regulations and whether this is the best approach for tackling the problem.

Enterprise Management Incentives

HMRC released a document at the PBR setting out draft legislation to amend provisions covering enterprise management incentives (EMI) to ensure they comply with the appropriate guidelines regarding the provision of EU state aid.

The rule requiring a qualifying company's activities to be wholly or mainly in the UK will therefore be changed so that a company is only required to have a permanent establishment in the UK. The change will have effect in relation to EMI options granted on or after 6 April 2010.

Extra Statutory Concessions

HMRC is continuing to review its extra statutory concessions. Some, including the following two are being legislated to preserve their effect. The intention is to do no more than put the existing concessionary tax treatment on a statutory basis. ESC A10 – Lump sum payments paid under overseas pension funds and ESC A81 – Termination payments and legal costs.

Pensions Tax Relief

In the 2009 Budget a fundamental change to the tax relief provisions for contributions to individual(s) pension schemes was announced. From 6 April 2011, tax relief for individuals with an annual income of £150,000 or more will be tapered away so that for those earning £180,000 relief will be reduced to 20% the same as a basic rate taxpayer.

In the 2009 PBR it was announced that the income definition for the £150,000 threshold will include the value of employer pension contributions. Tax relief for those with incomes below £150,000 before the inclusion of employer pension contributions will not be restricted except for the existing annual and lifetime allowances.

The anti-forestalling threshold will be amended so that it applies to income £130,000 or over. The provisions will have effect for contributions paid under money purchase pension schemes or increases in the rights accrued under defined benefit pension schemes on or after 9 December 2009.

From 9 December 2009, the special annual allowance and tax charge applies to those with income over £130,000 or over for the tax year or for either of the two preceding tax years. However, the special annual allowance tax charge will apply only to additional pension savings over and above the individual(s) normal regular pension saving made on or after 8 December 2009. Those individuals who increase their pension savings on or after 9 December 2009 over and above their normal pattern of regular pension savings may be affected if their total pension savings in that year are over £20,000. In certain circumstances where contributions have been made less frequently than quarterly this limit may be increased up to £30,000.

The tax charge will not apply to any normal, regular ongoing pension savings arrangements that were in place before 9 December 2009.

Quotations for the Month

Think big thoughts but relish small pleasures.

Success is 10% inspiration, 90% last minute changes.

Know your limits but never stop trying to exceed them.

Speak the truth but leave immediately after.

Luck is when opportunity knocks and you answer.

Hope never abandons you; you abandon it.

Big shots are only little shots that keep shooting.

I destroy my enemies when I make them my friends.

Source: The CML Collection

Statistics of the Month

The average cost of raising a child until the age of 21 has risen to £201,809. That total includes the cost of food, childcare, pocket money, driving lessons, a first car, school trips, equipment and uniforms but it excludes private school fees. Source: The Times and The Week.

There are 700 varieties of cheese made in Britain. That is 100 more than in France. Source: Financial Times.

The average Scot consumes 12.2 litres of pure alcohol equivalent to 46 bottles of vodka per year, 25% more than the English and Welsh and enough to exceed the weekly guidelines for consumption all year long. Source: Daily Mail.

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