

CHANCERY MANAGEMENT NEWS UPDATE

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On This Day In Previous Years	Page 1
Company Cars And Vans	Page 1 - 3
Tax Obligations Of Older People	Page 3
Managing Phased Returns To Work	Page 3
Inflation High And Rising Fast	Page 3
Budget Expectation	Page 3 - 4
Areas With The Highest Average House Prices	Page 4
Quotations Of The Month	Page 4
Statistics Of The Month	Page 4

On This Day In Previous years

1880 The first pay telephone was installed.

1911 The first US group insurance policy was written.

1915 The first Zeppelin air raid took place over England.

1939 The first boxing match to be televised when Lon Nova defeated Max Baer.

1940 Tea and coffee was rationed in Holland.

1958 Charles de Gaulle was elected Premier of France.

Company Cars And Vans

It has not been widely reported, but over the last few budgets the Chancellor from the previous Labour Government has been tinkering with the benefits legislation associated with company vehicles that are made available to employees for private use.

This was the part of the previous Government's continuing efforts to encourage company car drivers to choose more environmentally friendly cars.

Changes have been announced that will affect the benefit in kind calculations across a number of years.

For the current tax year 2010-2011 the threshold for carbon dioxide emissions which sets the 15% rate has been reduced from 135 g/km to 130 g/km.

There is also an increase to the car fuel benefit multiplier from £16,900 to £18,000 and a matching increase in the van fuel benefit from £500 to £550.

The Chancellor also announced the introduction of a new category of low emission company cars that will be subject to a reduction to 5% of the list price company car benefit charge if the vehicle emits up to 75g/km.

That is similar to the qualifying low emission cars (QEC). That legislation was introduced for 2009-2010 for cars emitting less than 120 g/km attracting the reduced 10% of list price benefit.

The 5% charge is the minimum charge and that still applies to other types of vehicles that are considered to be somewhat green such as hybrid vehicles.

There is a negation of benefit for electric vehicles.

CHANGES FOR 2011-2012

Unless the new Chancellor makes any changes there will be a considerable simplification of the categorization of the different fuel types and associated rules to calculate the car benefit from 6 April 2011.

There will be no reductions for alternative types of hybrid.

The diesel surcharge will apply to all diesels including the type L diesels approved to Euro IV emissions limits and first registered before 1 January 2006.

The £80,000 limit for the price of a car for car benefit purposes will be removed.

The lower threshold, the CO2 emissions figure which sets the 15% rate, will be reduced from 130 g/km to 125 g/km.

The number of letters used to describe cars will be reduced to three.

E for electric cars as they are now.

D for all diesels.

A for all other types of car.

CHANGES FROM 2012-2013

Unless the new Chancellor makes any changes the special rule for Low Emission Cars will be abolished.

The lowest appropriate percentage will still be 10%, but will apply to cars with CO2 emissions of up to 99 g/km.

The rate for emissions of 100 g/km will be 11% and will increase by 1% for every 5 g/km to the current minimum of 35%.

CHANGES FROM 2015-2016

The appropriate percentage for zero emission cars reverts to 9% unless this figure is changed by any future announcement.

The special rules for cars with CO2 emissions not exceeding 75 g/km will be abolished.

CHANGES TO P46 CAR PROCEDURES

In 2009 HM Revenue & Customs announced that they no longer wanted replacement car information to be submitted on P46 car forms.

Most payroll professionals opposed this decision as the proposed change would have an adverse affect on employees tax codes if and when they chose to replace their company cars with greener ones as they are being encouraged to do.

Extensive lobbying by the Institute of Payroll Professionals, the Business Application Software Developers, the Institute of Chartered Accountants in England and Wales and the Confederation of British Industry has resulted in HM Revenue & Customs recently conceding that they will reinstate the facility to accept replacement car information from 2011-2012.

In the current tax year, 2010-2011, replacement car information can still be submitted to HM Revenue & Customs if the P46 car reporting procedures have been changed to report two P46 car events showing:

Car has been withdrawn

Car has been provided for the first time as a substitute to reporting one P46 car form with both the old car and the replacement car appearing on it.

Tax Obligations Of Older People

The House of Commons Committee of Public Accounts has published a report on how HM Revenue & Customs deals with the obligations of older people.

The Committee found that 1.5 million older people have overpaid tax because of discrepancies between HM Revenue & Customs records and those of their employers and pension providers. Also many older people do not claim the additional tax allowances available to them and many people do not arrange for income from their savings to be paid gross free of tax.

The Committee made several recommendations to HM Revenue Customs most notably that it should make it easier for older people to meet their tax obligations and claim their age related allowances and should reduce the level of error.

The Committee also wants HM Revenue & Customs to monitor the cost of helping older people with their tax issues and the quality of the service provided. It also wants HM Revenue & Customs to establish how many people are not claiming the age related allowances to which they are entitled.

Managing Phased Returns To Work

The new statement of fitness to work is now being used. The new forms allow doctors to state that an employee is fit to return to work but may state a phased return to work and/or altered hours and/or amended duties and/or the necessity for workplace adaptations.

If an employee normally works full time but is on a phased return to work and only works on a Monday and Wednesday it is easy to work out the salary which would normally be calculated from the consistent policy of the employer based on 260 days or working days of the month or year.

Although phased returns to work are not entirely new the fit notes that replaced the sick notes issued by doctors are likely to make phased returns to work more prominent.

The other issue is SSP appropriate for the non working days. It is a matter of opinion but the rules on SSP have not changed and therefore in this example there would not be enough continuous days for SSP to operate. Occupational sick pay is also to some extent an arbitrary matter.

It is indeed difficult to accept that a person is fit for work on a Monday and a Wednesday but sick on a Tuesday, Thursday and Friday. It is indeed questionable whether people advised to carry out a phased return to work should be considered sick.

Inflation High And Rising Fast

The annual rate of Consumer Price Inflation (CPI) rose to 3.7% in April, a seventeen month high. Analysts had forecast 3.5%.

Core inflation which excludes volatile energy and food prices climbed to 3.1%. The Retail Price Inflation (RPI) which includes housing costs which always used to be used prior to CPI, and is still used for pay increase negotiation jumped to 5.3% which is the highest rate since the late eighties when Nigel Lawson was Chancellor in Margaret Thatcher's Government.

If inflation continues to rise we are very likely to see an increase in interest rates and demand for pay increases.

Budget Expectation

After thirteen years of spending to the extent of building up one of the biggest deficits in the history of the UK, the age of austerity is coming.

People earning under £100,000 (above which there is currently no personal allowance can probably expect to see an increase in the personal allowance from £6,475 to about £7,500 from April 2011, as the coalition aim to gradually increase the personal allowance towards £10,000.

Unless the numbers change we already know from next April employees will pay another 1% on National Insurance increasing it to 12%.

Capital Gains tax will probably be increased to its previous level of 40%.

VAT is likely to increase to 20%.

There are plans to remove tax credits for the better off which is likely to affect people earning over £25,000 or over £40,000 per annum. The former figure stated by the Lib Dem and the latter figure stated by the Conservatives.

From April 2011 the earnings link for pensions is expected to be restored.

Areas With The Highest Average House Prices

London	£400,813	Hertfordshire	£304,166
Windsor & Maidenhead	£392,825	Oxfordshire	£298,648
South Gloucestershire	£366,651	Buckinghamshire	£282,263
Surrey	£347,825	Bath and North East Somerset	£277,614
West Berkshire	£326,493	Berkshire	£270,022

Quotations for the Month

Only dead fish swim with the stream.

Every day comes bearing its own gifts. Untie the ribbons.

If we could sell our experiences for what they cost us we would all be millionaires.

When your heart speaks, take good notes.

You have succeeded in life when all you really want is only what you really need.

Keep smiling, it makes people wonder what you have been up to.

If you wouldn't write it and sign it don't say it.

Source: The CML Collection

Statistics of the Month

Britons spend an average of 49 hours a year talking about the weather – or six months in a lifetime. Source: The Week/The Daily Mail.

The number of British teenagers studying a modern language has fallen by a third since 2004. Source: The Week/The Times.

In addition to announcing plans for widespread political reform in the first 10 days the coalition have: Scheduled an emergency Budget for 22 June, created a new office for Budget Responsibility and forecasting, launched an audit of all public spending led by Sir Alan Budd, cancelled Heathrow's third runway, cut Cabinet ministers pay by 5%, appointed Will Hutton to head a fair pay review, appointed Frank Field as an adviser on poverty and appointed ex BP boss Lord Browne to review university funding. Source: The Week.

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