

# CHANCERY MANAGEMENT NEWS UPDATE

Issue 08

01 August 2010

On This Day In Previous Years	Page 1
Accrued Holiday Pay	Page 1
Taxpayers Owed Up To £3 billion	Page 1 - 2
Tax Inquiry Offices Close	Page 2 - 3
Salary Sacrifice Schemes	Page 3
Whistleblowing	Page 3 - 4
Quotations Of The Month	Page 4
Statistics Of The Month	Page 4

## On This Day In Previous years

1902 The United States of America buys the rights to the Panama Canal from France.

1914 Germany declares war on Russia at the opening of World War 1.

1941 The first Jeep is produced by Willy's Truck Company in response to the army's call for a lightweight all terrain vehicle.

1944 Anne Frank makes the last entry in her diary.

1960 Islamabad is declared as the federal capital of Pakistan.

2001 Bulgaria, Cyprus, Latvia, Malta, Slovenia and Slovakia join the European Environment Agency.

## Accrued Holiday Pay

Employees on Statutory Maternity Leave are entitled to accrued holiday entitlement. The pro rata amount of holiday should be calculated from an annual minimum of 28 days (including bank/public holidays. If the contract of employment gives more than 28 days holiday per annum then the pro rata days should be calculated from the contractual holiday period including bank/public holidays). Accrued holiday pay entitlement will, in most cases, apply to other employees and should be calculated on the same basis.

## Taxpayers Owed Up To £3 billion

According to several articles in the national media the tax office is in shambles and it is estimated that millions of workers are out of pocket by £3 billion the spending watchdog has revealed.

HM Revenue & Customs were slated by the National Audit Office (NAO) for failing to make enough progress in reducing a massive backlog of cases dating back to at least 2007.

Up to 18.2 million cases were awaiting action in March, NAO chief, Amyas Morse, said in his report on HM Revenue & Customs 2009-2010 accounts. About half of these cases are likely to involve incorrect payments.

This could result in about £3 billion of overpaid tax being refunded and about £1.4 billion of underpayments being clawed back.

The exact amounts will not be known until all the cases are resolved and this does remain a very

significant challenge.

The problem could affect up to 15 million people, many of whom may not realize they owe or are owed substantial sums possibly running into thousands of pounds according to the NAO.

The problems emanated from the troubled introduction of a new computer system that allowed HM Revenue & Customs to combine National Insurance and PAYE income tax records.

Up to a further 7 million more recent cases of potentially over or under paid tax have yet to be processed as a result of delays in loading 2008-2009 returns on to the system.

Fiona McEvoy, of the Taxpayers Alliance, said: "HM Revenue & Customs is quick to come down on those who pay their taxes late but this enormous backlog and the billions owed to taxpayers show just how shambolic their own affairs are". "Unnecessary bureaucracy and an overcomplicated tax system are leaving many out of pocket at a time when few can afford it".

"It's more important than ever that the Revenue get their house in order and simplify their processes to avoid leaving so many people in financial limbo".

The computer system went live in June 2009, one year late. The delay led to extra costs of £33 million in efficiency savings.

Changes to the system added £78 million to the bill, bringing the total cost of the project, which is expected to save £532 million over five years to £389 million said the NAO.

Problems arose when many more tax codes were calculated than anticipated and a significant number of these were wrong.

HM Revenue & Customs only realized the full extent of the errors in January.

The problems delayed automatic checks on recent PAYE records and made it impossible to sort out the bulk of the backlog of cases from previous years.

Sources at the Treasury said: "This is a shocking indictment of the way the previous Government ran the tax system and shows their complete failure to get to grips with the problems they caused. It is certainly not a system that has been fair to the taxpayer".

A spokesman at HM Revenue & Customs said: "We have a lot of work to do to deliver the quality of service to which we are committed. Just like every Government department we are going to have to do more with less and this report will help us focus on those areas of our business that need to improve".

## **Tax Inquiry Offices Close**

There are 280 tax inquiry offices around the UK where tax payers can make an appointment for face to face advice. It has been a service particularly helpful and valued by many older people. They like to talk to someone face to face who can also look at their documents.

However, in March this year fifty eight offices had their opening hours cut. The Low Incomes Tax Reforms Group (LITRG) claims that some now only open once each week.

Another 157 offices are under threat as the Revenue consults on further cuts and those changes were announced before the recent Budget.

If HM Revenue has to bear the 25% cuts in its costs that other departments are threatened with, then inquiry offices could disappear altogether.

Robin Williamson of LITRG says the Revenue is wrong to assume that people do not want a face to face service. "Demand for a face to face service remains high but the inaccessibility and frequently poor quality of the service now provided by inquiry centres has caused that demand to flow instead to the voluntary sector".

Older people on low incomes who need help with tax can get it from Tax Help for Older People.

Qualified volunteer advisers are available throughout the UK. Call 0845 601 3322 to find the one nearest you. The service is free.

## **Salary Sacrifice Schemes**

Some details of the current allowable salary sacrifice schemes are listed below and although they allow the employer to reduce the cost of National Insurance and the employee to reduce the cost of tax and National Insurance these schemes are not necessarily as advantageous as they sound.

#### **CYCLE TO WORK**

The cycle to work scheme (CTW) allows an employee to pay the employer for a cycle hire by way of salary sacrifice saving tax and National Insurance but it is not a particularly cheap way of hiring a bike. The employee cannot acquire the ownership of the bike. Indeed if that did occur then the scheme could be considered a hire purchase arrangement and that would not qualify for tax or National Insurance relief. If the employee leaves, the employer continues ownership of the bike and may allow another employee to hire it.

The employer or the provider of the bike may offer the employee to purchase the bike at the expiration of the hire agreement. The purchase price must be the actual current market value of the bike to avoid a taxable benefit arising. Therefore, if the bike was £500 when it was new, if after 12 months it was sold to an employee for much less than £300 and it was found by HM Revenue & Customs they would argue and consider the sale was equivalent to a taxable benefit.

#### **BUS TRAVEL**

A travel permit is only for travel between home and work. It is only available for bus travel not train or underground travel and is not permitted for dual purpose travel such as bus and tube or bus and train.

The scheme is also restricted to a monthly bus ticket. An annual bus pass or ticket is not permitted. The money also has to be paid to the actual bus operator for the home to work route and not to a local authority or another train or bus operator.

#### **CAR PARKING**

Car parking at or near the employees place of work is one of the very few items that does not have to apply to all staff. The employer may select the members of staff for a car parking scheme.

#### **CAR LEASING**

An employer may offer their employees a car lease scheme by way of salary sacrifice provided it is considered a green car. A green car is any car with a CO2 rating of under 160 grams per kilometer (g/km). This type of scheme will not avoid any car benefit tax charges because the employee is hiring or leasing the car from the employer instead of a dealer. However, the lower the car emission rating the lower the benefit in kind tax charge will apply. For example for a car with a CO2 rating of 120g/km the car benefit will be based on 10% of list price instead of in the range of 15% to 35% of list price for other cars.

#### **CHILD BENEFIT**

Child care vouchers are also subject to salary sacrifice within the allowed limits. However employers should be aware that if an employee is on SMP with no other pay the benefit during that period must be borne by the employer.

### **Whistleblowing**

The main intention of the Public Interest Disclosure Act 1998 is to provide protection for workers who disclose information about their employer's activities which might otherwise be regarded as confidential. This information is normally protected either by an express term in the contract of employment or by the common law duty of fidelity which an employee owes to their employer.

Where an employee makes a qualifying disclosure, the employee is protected against unfair dismissal or detrimental action which falls short of dismissal, for example, a refusal to offer or promote training. The scope of the Act is wider than the protection of the employees.

The term worker used in the Act covers employees and third parties such as subcontractors and agency workers. To benefit from the protection of the Act, a worker must have a reasonable belief that a criminal offence has been committed.

A qualifying disclosure must also fall into one of the following categories:

The employee believes that:

1. A criminal offence has been, is being or is about to be committed.
2. The employer is failing to comply with their legal obligations.
3. A miscarriage of justice has occurred or is about to occur.
4. An individual's health and safety is being jeopardized.
5. The environment has been, is being or is likely to be damaged.
6. Information falling into any of the above categories has been, is being or is likely to be deliberately concealed.

It will be up to the tribunal to decide whether or not such a belief was reasonable.

#### Quotations for the Month

The future has a way of arriving unannounced.

Rudeness is the weak man's imitation of strength.

Envy slays itself by its own arrows.

In skating over thin ice, safety is in our speed.

Freedom is nothing else but a chance to be better.

The only real mistake is the one from which we learn nothing.

Goodness is the only investment that never fails.

Source: The CML Collection

#### Statistics of the Month

A five year old boy from County Dublin who was wrongly accused of pinching a bag of crisps from the budget supermarket Lidl has been awarded 7,500 Euros for "defamation of character". Tadhg Mooney, now aged six, had suffered "injury to his reputation" as well as distress and inconvenience, his barrister successfully argued at a Dublin hearing. Source: The Week.

The coalition: After 11 weeks in power week ending 31 July:

Announced a major shakeup of policing in England and Wales, which would include publicly elected officials to oversee each force and the creation of a new FBI style National Crime Agency.

Launched a review of Anti Social Behavior Orders and indicated that they might be scrapped.

Announced plans to give councils more power to curb 24 hour drinking.

Announced plans to boost wind power as part of its "energy statement"

Scrapped around 20 quangos, including the UK Film Council.

Source: The Week.

CHANCERY MANAGEMENT LIMITED  
1<sup>ST</sup> FLOOR EXCHANGE HOUSE,  
1 SELDEN HILL, HEMEL HEMPSTEAD,  
HERTS, HP2 4TN  
TEL: 01442 212686 FAX: 01442 230009  
E-MAIL: [cml@cmlpay.co.uk](mailto:cml@cmlpay.co.uk)  
WEBSITE: [www.cmlpay.co.uk](http://www.cmlpay.co.uk)