

## Welcome...

To August's Tax Tips & News, our newsletter designed to bring you tax tips and news to keep you one step ahead of the taxman.

If you need further assistance just let us know or you can send us a question for our [Question and Answer Section](#).

We are committed to ensuring all our clients don't pay a penny more in tax than is necessary.

Please contact us for advice in your own specific circumstances. **We're here to help!**

## August 2011

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## New Workplace Pensions Cost

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Another set of regulations is set to fall on the shoulders of all employers. This time it's a compulsory pension scheme for all employees.

This new pensions law is due to be introduced over four years from October 2012. The largest employers (120,000 or more employees) will be forced to sign up first. Those who employ less than 50 workers will be required to take part in the scheme from a date sometime in 2014 to 2016. The exact date will depend on your PAYE reference number.

Only one-man companies will be exempt, otherwise every employer who has workers in the UK will be required to enrol those workers in a pension scheme. There will be exceptions for workers aged under 22, over state retirement age or paid less than £7,475. Employees will have to take an active decision to opt out and sign a form to do so. The employer will not be permitted to induce employees to opt out, or to screen out potential employees who do not wish to opt out of the pension scheme.

Employers and employees will be required to make contributions to the pension scheme totalling **8% of the workers earnings**, including tax relief given on the employees contributions. The **employer must contribute at least 3%** of the workers' earnings. This level of compulsory contributions will be imposed gradually over five years to 2017.

Employers can use an existing pension scheme, set up a new one, or use the new low cost pension scheme established by the Government called NEST (National Employment Savings Trust). Where an existing scheme is used the employer will have to certify that it meets all the requirements for compulsory pension saving. Every employer will also be required to register with the pensions regulator.

To prepare for these new regulations talk to your pension scheme provider, if you have one. If you don't have a workplace pension scheme you need to plan to set one up as this can take some time to implement, and to start budgeting for the costs!

## VAT Initiative Starts

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Last month we warned you the Taxman was planning a campaign to encourage businesses to register for VAT. The Taxman is calling this campaign the 'VAT Initiative'.

To launch the VAT initiative the Taxman is writing to about 40,000 businesses whose turnover has apparently already exceeded the compulsory VAT registration threshold. Those businesses will be invited to register for VAT and pay over all the VAT owed since the date they should have registered, plus a **low penalty of only 10%** of the VAT outstanding. Those businesses that first exceeded the VAT threshold within the last 12 months may get away with a nil penalty, but it will be up to the Taxman to decide what level of penalty applies.

The requirement to register for VAT is based on total turnover in a **12 month rolling period and needs to be reviewed each month** to determine if the business needs to register immediately. The compulsory VAT registration thresholds of turnover in the past 12 months is...

From 1 April 2011: £73,000  
1 April 2010 - 31 March 2011: £70,000  
1 May 2009 - 31 March 2010: £68,000  
1 April 2008 - 30 April 2009: £67,000  
1 April 2007 - 31 March 2008: £64,000  
1 April 2006 - 31 March 2007: £61,000

The VAT initiative is also open to any business who has not received a letter from the Taxman, but believes they should have registered for VAT at some point in the past. If you want to take up the offer of low penalties for late VAT registration you need to tell HMRC you want to be part of this VAT initiative by 30 September 2011. We can assist you in doing this.

Once your notification has been processed you will receive a notification reference number (NRN), which you must quote on your application form to register for VAT (form VAT1). Without this notification number you will not be able to take advantage of the nil or 10% penalties on offer. The VAT1 form must be completed in paper form, (NOT online) and posted to the VAT initiative section to arrive by 31 December 2011.

Please talk to us before notifying HMRC of your intention to register for VAT. We can help you calculate any VAT due and any other tax owing on undeclared sales.

## Companies House Reminders

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You can now set up an email reminder service for your company or LLP at Companies House. Once you have registered you will receive timely emails to remind you of the due dates to submit the annual return and accounts for your business, and paper reminders will cease.

You can register up to four email addresses for each business. Each email address nominated will receive an activation email which must be acted upon within five days, so don't set up the email reminder service just before you go on holiday.

It will be possible to opt-out of the email reminder service and revert to paper reminders.

Of course if we look after these for you, we will remind you as well!

## Less Tax for Students

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If you are employing students over the summer months, don't forget to give them the HMRC form **P38S (2011)** to sign. This form allows the student to earn their full annual allowance of £7,475 from their holiday work before any tax is deducted.

The student must confirm they will return to full time study at a named college, school or university for a course that will continue until at least 5 April 2012. The student must also not have employment during term time.

The tax exemption does not cover NI contributions, so if the student's pay is at or above the earnings thresholds (£136 for employers contributions, £139 for employees contributions), you must deduct employees NICs and pay the appropriate employers NICs.

Remember the national minimum wage (NMW) rates do apply to students and part-time employees. For workers aged 18 to 20 inclusive the current NMW rate is £4.92 per hour. Only apprentices aged under 19 or apprentices in their first year can be paid the reduced NMW rate of £2.50 per hour.

### August Question and Answer Section

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**Q. I've heard I could reduce inheritance tax by leaving money to charities in my Will. How does this work? Do I have to leave a minimum amount?**



**A.** Any bequests to charities in your Will are free of inheritance tax (IHT). This means the executors of your estate will only pay IHT at 40% on the value of your estate after deducting the following:

- gifts to charities,
- gifts to your UK domiciled spouse; and
- your available nil rate threshold.

For deaths after 5 April 2012 it is proposed that the rate of IHT paid will be reduced to 36%, if at least 10% of the net estate is left to charity. Your net estate is the amount on which IHT would be charged without considering the charitable gifts. You may need to redraft your Will to ensure your estate qualifies for this tax discount.

**Q. I earn £30,000 p.a. taxed under PAYE, but also have a variable amount of rental income. I read that 40% tax applies above £35,000 but I've also been told I can earn £42,475 before paying 40% tax. How much rental income can I receive before paying 40% tax?**

**A.** The 40% tax rate applies in the current tax year (2011/12) on taxable income above £35,000. This is your total income (earnings, rentals and any interest or dividends) less your tax free allowance of £7,475 and any other valid deductions, such as expenses relating to your rental income. So you can have gross income before deductions of £42,475 (£35,000 + £7,475) before you have to pay 40% tax. However, you must declare any rental income you receive to HMRC.

**Q. My employees are occasionally required to work late in the evening. If I pay for taxis to take them home is that cost tax allowable for the business and will the employees be charged tax on the taxi fare?**

**A.** Where an employer pays for the travel costs of an employee for a journey between home and work (i.e. commuting), that cost would normally be a taxable benefit in kind for the employee. However, there is currently a particular tax exemption for late night taxis used when the employee is required to work past 9pm, and at the time the employee finishes work either public transport was unavailable or it would be unreasonable to ask the employee to use it, or car sharing arrangements have broken down. In this case the cost of the taxi is not taxable on the employee. But you can only use this tax exemption up to 60 times per year per employee. You need to keep accurate records of why each employee took a taxi to get home and the timing of those journeys.

This tax exemption for late night taxis is due to be abolished from April 2012, so you may need to reconsider your employees' travel arrangements in future. The cost of taxi journeys for employees on business or to or from work will always be tax allowable for the business.

### August Key Tax Dates

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**2** - Last day for car change notifications in the quarter to 5 July - Use P46 Car

**19/22** - PAYE/NIC and CIS deductions due for month to 5/8/2011



## Need Help?

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Please contact us if we can help you with these or any other tax or accounts matters.



In addition, if there's anyone else who you think would benefit from the newsletter, please forward the email to them or ask them to contact us to be added to the newsletter list.

## New Clients Welcome

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If you are not already a client and are interested in becoming one, we would love to come to meet with you to discuss how we can help and provide you with a competitive quote for our services.



All new client consultations are provided free of charge and without obligation.

## About Us

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Leavitt Walmsley Associates are based in Cheshire, offering local business owners and individuals a wide range of services.

All clients receive fixed fee and work delivered on time. Visit our website <http://www.lwaltd.com> for more information.

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