

TAX E-NEWS

Monthly Update – October 2010

chp

CLIFTON HOUSE
PARTNERSHIP

CHARTERED
ACCOUNTANTS

Incorporating Susan J Arthur & Co

Welcome to our monthly tax newsletter designed to keep you informed of the latest tax issues.

We hope you enjoy reading the newsletter and remember, we are here to help you so please contact us if you need further information on any of the topics covered.

HMRC COMPLAINTS HANDLING

Perhaps in response to ever-increasing numbers of complaints about HMRC's work, they have published online guidance on their complaints handling procedures.

We will always consider making a complaint on your behalf when it is justified, and what they have to say within the new guidance does give some hope that matters will improve (although continuing staff reductions will hardly help HMRC to improve the accuracy and speed of their operations). Included in the guidance are the following comments on delayed repayments:

"Recognise that taking the trouble to explain well and apologise is good customer service. It is not "being soft", "letting the side down", or "wasting time" (worrying that apparently they might usually think that!)"

They tell their staff to *"put themselves in the customer's shoes. Try to see the problem from their point of view"*.

No doubt you will feel these are very basic requirements within any business, and the fact that HMRC now feel the need to explain them to their staff is one of the problems!

PENSION SCHEMES – MORE DEVELOPMENTS

Quite apart from the introduction of restrictions to the maximum pension contributions coming in from next April (but with the exact details yet to be confirmed), more flexibility will be allowed in taking benefits from a pension scheme.

This is all due to what has happened in the annuity market over the past 20 years. For example, what do you think the pension would be (as a % of the fund value) given the following requirements?

- ◆ Male aged 65
- ◆ Pension increasing by 3% per annum
- ◆ On death, a pension of 50% going to the widow

The answer is that in 1990 that required package of pension benefits would pay you 11%, so that if the fund was worth £200,000 you would get a pension of £22,000. Take the same example now and you get a measly 3.9%, meaning a pension of £7,800. That's a staggering reduction of nearly 65%!

This is all due to a combination of (a) people living longer than ever, and (b) low interest rates. As a result there will be more opportunities made available to take benefits from your pension scheme without necessarily having to buy an annuity.

HMRC COST-CUTTING ALARM

HMRC have recently announced that as part of the drive to save costs they plan to stop issuing copies to tax agents of some mail which is sent to you as the taxpayer.

We are not alone in being supportive of the need to make cuts in Government spending, but at the same time being alarmed that this measure will result in far more additional work for HMRC, you and us as your agents. It will potentially lead to additional costs in excess of the amounts saved.

At this stage we would simply ask you to kindly send to us a copy of all communications you receive direct from HMRC in case we find that we do not automatically receive a copy. We can then take the necessary action on your behalf as always.

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CYCLE TO WORK SCHEMES

Have you introduced one of these schemes, or ever considered doing so? In the right circumstances (mainly depending on how far you have to travel from home to work, naturally enough) there are significant tax breaks available and they have now been made more flexible where the bicycle is sold to the employee later on.

There is a tax exemption that allows employers to loan bicycles and cyclists' safety equipment to employees as a tax-free benefit. The exemption can only apply if certain conditions are satisfied. These conditions include a requirement for the cycles or equipment to be available generally to all employees of the employer. This does not mean that every employee has to be provided with a cycle or equipment, just that the offer of cycles or equipment is open to all employees if they wish to take it up.

The bicycle exemption relates solely to bicycles that are not sold to the employee. However, an employer or a third party cycle provider may choose to offer the bicycle for sale to the employee after the loan has ended. If the employee is able to buy the cycle for less than its market value, the difference is liable to tax and to employer's Class 1A NIC liability. It can be difficult to establish the market value for that purpose, and in order to simplify valuation, HMRC have just published a simplified approach to valuing cycles sold after the end of a loan.

Where a bicycle is not sold to the employee and continues to be loaned beyond the original period set out in arrangement, the tax exemption continues to apply as long as the usual conditions continue to be satisfied.

NICs HOLIDAY FOR SOME EMPLOYERS

We now have full details of the promised scheme which lasts until 5 September 2013. If you start a new business outside Greater London, the South East and the Eastern regions of the UK, you should qualify for a holiday from employer national insurance contributions.

The holiday scheme applies to the first 10 qualifying employees that a new business employs in its first year of business, with a maximum saving of £5,000 in employer NICs in respect of each employee. It is available to new businesses in the form of incorporated businesses, sole traders and partnerships. It includes new trades, professions or vocations and also new charities that are trading as well as property and investment businesses.

We will be pleased to advise you fully by reference to your particular circumstances.

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Please contact a member of our Tax Team if you would like to discuss any of the issues raised.