

OCTOBER 2009 – ENEWS

In this month's enews we report on various issues including the announcement that tips no longer count towards employees pay for National Minimum Wage purposes.

Please browse through this month's articles using the links below and contact us if any issues or questions arise.

Tips don't count towards the NMW
Tax relief on nursery vouchers to be withdrawn
Scrappage Scheme
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31 October self assessment deadline
Online payroll starter and leaver forms
Royal Mail postal strike

TIPS DON'T COUNT TOWARDS THE NMW

As you may be aware the National Minimum Wage (NMW) rates increased from 1 October 2009 to:

- an adult rate of £5.80 an hour. This is payable to those age 22 and over.
- a development rate of £4.83 for those aged 18 – 21
- and for 17 year olds a rate of £3.57 an hour.

A change was made from the same date, to the elements of pay which can count towards the payment of the NMW rate. Tips, gratuities, cover charges and service charges do not count from 1 October 2009 towards NMW in any circumstances. This is a change to the previous rules which allowed such payments to count towards the NMW rate in certain circumstances.

As detailed on the Business Link website:

“...before 1 October 2009, tips, gratuities, service charges and cover charges did count towards the NMW as long as you paid them to your workers through your payroll. They no longer count towards the NMW, regardless of whether they are paid through your payroll or are given direct to workers by customers or a tronc master.”

If you have any queries on the NMW, or how this change impacts on your employees, please do get in touch.

Internet links: [Business Link Website](#) [Employer Bulletin](#)

TAX RELIEF ON NURSERY VOUCHERS TO BE WITHDRAWN

In his speech to the Labour Party Conference, the Prime Minister, Gordon Brown announced an extension of free nursery places, to be financed by the withdrawal of the tax and National Insurance (NIC) exemptions for childcare vouchers.

The proposal is that the provision of free nursery places will be extended to two year-olds (this would be on top of the existing free childcare available to three and four year olds). It is expected that 250,000 children will benefit from this by 2015/16.

However, the quid pro quo would be the eventual withdrawal of tax and NIC exemptions for employer provided childcare vouchers. Currently employees are exempt from tax and NIC on childcare vouchers provided by employers. The exemption is available on the first £55 a week of vouchers per employee, as long as a range of conditions are met. Any excess over the £55 is liable to tax and to NIC (both employees' and employers' contributions).

Under the proposals, it appears that from April 2011, employees who join an employer-supported voucher scheme will not be entitled to the current tax and NIC exemptions. Those already receiving vouchers will be unaffected until April 2015, when the exemptions for vouchers will be withdrawn completely.

More details are expected in the 2009 Pre-Budget Report.

Internet link: [Childcare vouchers](#)

SCRAPPAGE SCHEME

The Vehicle Scrappage Scheme is a voluntary scheme for motor dealers under which participating dealers give buyers a £2,000 discount off the purchase price of a new car (or certain types of small van) in exchange for scrapping their old qualifying vehicle. Funded by the government and manufacturers the scheme has proved very popular and according to the Department for Business Innovation and Skills (BIS) website 260,226 cars have now been scrapped under the scheme, which is set to run until February 2010.

An extra 100,000 (£100 million) has been added to the number of scrappage deals that the government will fund, taking it to 400,000 in total. In a change to the qualifying conditions, the age of the vehicle has also been adjusted to first registered on or before 29 February 2000 for cars or 28 February 2002 for vans.

For general information on the £2,000 scrappage discounts and other conditions visit the BIS website link below. For HMRC's views on the business tax and VAT implications of the car and van scrappage scheme use the HMRC link below.

If you have any queries on the tax implications of the scheme please do get in touch.

Internet links: [Scrappage website](#) [BIS website](#) [HMRC Brief](#)

PAYING PAYE ON TIME

HMRC are warning employers that from May 2010 they may have to pay a penalty if they do not pay their PAYE on time. These are generally due each month, on time and in full.

HMRC will implement late payment penalties for payments due from May 2010. From then on, employers may have to pay penalties if they make more than one PAYE payment late in a tax year. The new penalties will apply to all employers, including large employers (those with more than 250 employees) who currently are subject to a Mandatory Electronic Payment surcharge.

HMRC are advising employers to let them know if they are likely to have difficulty making a payment on time, so that arrangements can be made and penalties can be avoided. Their guidance states that where employers enter into 'time to pay' arrangements, before the liability becomes due, no penalty will be charged. Penalties for late payment start at 1% increasing to 4% depending on the number of late payments in the year. Extra penalties will be added where liabilities are outstanding for a further six and then 12 months.

Internet link: [Employer Bulletin](#)

31 OCTOBER SELF ASSESSMENT DEADLINE

HMRC are warning taxpayers who wish to file a paper (non electronic) tax return for the 2008/09 tax year, should generally reach them by midnight on Saturday 31 October 2009 (or be hand delivered by Monday 2 November).

However, due to proposed postal strike action, HMRC are further advising that returns:

- posted before the 31 October but not delivered by that date (proof of posting will be required) or
- hand delivered to a local tax office, if more convenient

will also not attract a late filing penalty.

The deadline for filing returns may be later in some circumstances for example:

- you received your tax return or a letter (called a 'Notice to File') telling you to file online after the 31 July
- there's no software available to file your tax return online for example Non-Resident Companies.

If you fail to make the paper filing deadline, please do get in touch if you would like us to help you file your return online.

Taxpayers generally have until 31 January 2010 to submit their self assessment return online.

Internet links: [HMRC guidance on tax return deadlines and penalties](#)
[Online filing guidance](#) [HMRC guidance due to proposed postal strike](#)

ONLINE PAYROLL STARTER AND LEAVER FORMS

HMRC are reminding employers with 50 or more employees that they should now be filing online their starter and leaver information online. The forms which need to be filed electronically, and should have been online since 6 April 2009, include:

- P45 (Part 1) – details of employee leaving
- P45 (Part 3) – new employee details
- P46 – details of employees starting work who do not have a P45
- P46 (Pen) – new pension details
- P46 (Expat) – details of those seconded to work either wholly or partly in the UK whilst remaining employed by an overseas employer

Penalties

HMRC advise that they will shortly begin issuing warning letters to those employers with 50 or more employees who are still not filing their starter and leaver forms online. These warning letters will refer to paper submissions made up until 5 January 2010 and will only refer to one paper submission.

From the start of the fourth quarter of 2009/10 (6 January 2010) HMRC will begin charging penalties to those employers with 50 or more employees who send HMRC starter and leaver notifications on paper. Penalties will range from £100 to a maximum of £3,000 depending on the number of paper forms sent in paper format.

The first penalty notices will be sent in April 2010. Although this is some time away it is important to check that employers are sending starter and leaver notifications online.

Internet link: [Employer Bulletin](#)

ROYAL MAIL POSTAL STRIKE

For the latest information on postal strike action please visit the link below.

Internet link: [Royal Mail website](#)