

DECEMBER 2009 - INTRODUCTION

In this month's enews we report on key announcements made in the Pre-Budget Report.

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

With best wishes for 2010.

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EXTRA NATIONAL INSURANCE BURDEN AHEAD

One of the significant announcements in the Pre-Budget Report earlier this month is a further increase in national insurance contributions (NIC) which is to take effect from 6 April 2011.

The NIC rates and limits are broadly frozen for 2010/11 at the 2009/10 figures, with a couple of minor exceptions.

An increase in the rates of NIC is proposed from April 2011 with an extra 1% being added to the rates applicable to employers, employees and the self-employed. The main rate of Class 1 (employee) NIC will be 12% and the Class 4 rate will be 9%. The employer rate will increase to 13.8%.

The additional rate of Class 1 and 4 contributions, payable on pay and profits currently in excess of £43,875, will also increase from the current 1% to 2%.

The government has announced that it will protect those at the lower end of the earnings scale by an increase in the point at which contributions become payable. It is therefore expected that employees paying the standard employee rate and earning below £20,000 will pay less NIC overall as a result of the change.

The government had previously announced that NIC rates would increase by 0.5% from April 2011. This further increase of 0.5% will represent a significant increase in costs particularly for employers.

Internet link: [HMRC pbrn1](#)

SPECIAL ANNUAL ALLOWANCE CHARGE – NEW LIMITS FOR 2009/10

In the Pre-Budget Report earlier this month changes were announced to the complex rules for the Special Annual Allowance (SAA) charge which affects those with substantial income who make significant pension contributions. The current rate of the SAA charge is 20% on excess pension contributions. The aim of the charge is to discourage individuals from making significantly higher pension contributions in anticipation of the removal of higher rate tax relief which will occur in 2011.

The main features of the charge are:

- It applies for 2009/10 and 2010/11 to individuals with relevant income in excess of £150,000 in either of those years or the two preceding years and where increased pension contributions have been paid after 22 April 2009.
- The total pension contributions paid exceed £20,000 (the 'SAA threshold'). A higher threshold of up to £30,000 may be possible depending on the level of contributions in previous years.
- The SAA threshold is reduced by the amount of so-called 'protected' contributions which are sums being paid at least quarterly under arrangements put in place before 22 April 2009.

It is now proposed to lower the threshold for triggering the SAA charge by reducing the relevant income limit to £130,000 with effect from 9 December 2009. Individuals will be affected by this if their relevant income in 2009/10 or either of the two preceding years exceeds £130,000. For 2009/10 only, protected contributions will include *any* contributions paid up to and including 8 December 2009.

The rules will catch one-off contributions made by employers as well as lump sum payments made by the scheme member. In either case the charge is on the individual.

If you think you may be affected by this change in the rules please do get in touch.

Internet link: [HMRC pbrn18](#)

BANK PAYROLL TAX

In a move designed to tackle certain remuneration practices that are considered to have contributed to 'excessive risk taking' in the banking industry, a temporary bank payroll tax of 50% is to apply to certain bonuses regardless of how they are paid. The tax will apply to the amount of the bonus which exceeds £25,000 for any individual employee and is applicable to banks, building societies and other related financial businesses.

The bank payroll tax will apply to all discretionary and contractual bonus awards made after the announcement of the measure on 9 December 2009, except for contractual bonus entitlements which existed at the time of the announcement, where the payer has no discretion as to the amount of the bonus. The initial charging period will run until 5 April 2010. However the government has indicated that this period of charge could be extended until other relevant provisions of the Financial Services Bill come into force.

This one-off tax is payable on 31 August 2010. It will not be deductible in calculating the institution's profit or loss for corporation tax or income tax purposes.

Internet link: [HMRC bank payroll](#)

OFFSHORE DISCLOSURE EXTENSION

HMRC is giving taxpayers with offshore investments more time to come forward under the New Disclosure Opportunity (NDO). The registration deadline, which was due to expire on 30 November 2009 has been moved to 4 January 2010 as some banks need more time to contact their offshore customers.

HMRC are reminding individuals that the NDO is the last opportunity for taxpayers to obtain 'favourable terms' when advising HMRC of offshore investments that they have never reported previously. HMRC are currently in the process of obtaining information from 308 UK banks regarding their offshore customers in an effort to ensure that everyone pays the right tax.

Dave Hartnett, HMRC's Permanent Secretary for Tax said:

"We know that some bank customers will not be contacted by their banks in good time for the original deadline of 30 November so in the interests of fairness we have decided to extend our deadline by a month to 4 January.

"I strongly urge anyone who has been hiding taxable assets offshore to go on line and register. The NDO is voluntary but from the start of the New Year we will begin to investigate those who were eligible to use the NDO but instead buried their heads in the sand. Don't let that happen to you."

"This is a great way to start the New Year – with the knowledge that your tax affairs are in order and the certainty that the penalty will be capped at 10%."

If you have any questions or concerns in this area please do get in touch.

Internet link: [HMRC press release](#)

CHANGES TO THE ADVISORY FUEL RATES FROM 1 DECEMBER 2009

To reflect the increase in fuel prices, HMRC have issued new advisory fuel rates for employees driving employer provided cars. These take effect for all journeys undertaken from 1 December, so employers using the advisory rates should advise affected employees and update any expense forms as soon as possible.

The advisory fuel rates may be used for journeys undertaken on or after 1 December 2009.

Engine size	Petrol	Diesel	LPG
1400cc or less	11p (10p)	11p (10p)	7p (7p)
1401cc – 2000cc	14p (12p)	11p (10p)	8p (8p)
Over 2000cc	20p (18p)	14p (13p)	12p (12p)

HMRC have in the past given employers a month's notice of changes to these rates. However, according to the HMRC guidance:

“After discussions with the relevant trade bodies, the month's notice previously given has been withdrawn for this change. Employers are not obliged to reimburse their employees for business fuel at these rates as long as they do not exceed them overall. Employers making or collecting payments at the superseded rate because they have not been able to change their systems in time may use their judgement on whether to make or require a second payment in respect of the same period in order to apply the new rate from its effective date. However, employers should note that under the normal rules, employees are only able to avoid the car fuel benefit charge if the amount they repay in respect of private fuel at least equals the amounts based on the rates as published.”

Other points to be aware of about the advisory fuel rates:

- Employers do not need a dispensation to use these rates.
- Employees driving employer provided cars are not entitled to use these rates to claim tax relief if employers reimburse them at lower rates. Such claims should be based on the actual costs incurred.
- The advisory rates are not binding where an employer can demonstrate that the cost of business travel in employer provided cars is higher than the guideline mileage rates. The higher cost would need to be agreed with HMRC under a dispensation.

If you would like to discuss your car policy, please contact us.

Internet link: [HMRC advisory fuel rates](#)

HMRC WARN OF MORE SCAM EMAILS

As the end of the year fast approaches HMRC are reminding taxpayers to be vigilant as scam emails have been reported. For details of their latest guidance on scam emails, more information on this and other scams together with a copy of the latest example visit the links below.

Internet links: [HMRC guidance](#) [Latest example](#)

TAX RELIEF ON NURSERY VOUCHERS

Gordon Brown had revised his proposal to withdraw the income tax and NI exemption on 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).

In a change to the original announcement Gordon Brown has now said:

'I have already made clear that no family currently in receipt of tax relief for their childcare vouchers will see any change in the support they receive. But following our discussions I can now also say that we will retain tax relief for new childcare vouchers issued in the future. However, there still remains a concern that a disproportionate benefit is accruing to higher rate taxpayers. So in order to ensure that this tax relief is given on a fairer basis to all families, we will ensure that all taxpayers get the same income tax relief as basic rate taxpayers do currently. This will take place from April 2011 and will not affect those receiving vouchers issued before that date.'

Under the revised proposals it appears that from April 2011, vouchers will not attract the full current tax and NIC exemptions as their tax relief will be restricted to the basic rate. Higher rate taxpayers will be liable to tax on the vouchers at their marginal rate of tax of 20%, being the difference between basic rate of 20% and the higher rate of 40%.

Vouchers issued prior to April 2011 will be unaffected by the change.

Internet link: [Number 10 website](#)

CROSS-BORDER VAT CHANGES 2010

HMRC issued some important guidance regarding the changes in the place of supply of services rules which take effect from 1 January 2010.

This guidance is part of a package of measures being introduced to simplify and modernise the VAT system for cross-border trading and to counter fraud across the EU. The measures include:

- changes to the basic place of supply of services rules
- changes to the time of supply rules
- European Sales List (ESL) reporting for supplies of cross-border services
- a new electronic refund procedure for VAT incurred in other EU Member States.

If you are unsure how these changes affect you or your business please do get in touch.

Internet link: [HMRC cross border changes](#)

BAD WEATHER ADVICE

The Institution of Occupational Safety and Health (IOSH) are warning people to be prepared for poor weather conditions when travelling. They have produced a few tips to help ensure that travel, whether it is for work or pleasure, remains safe despite the weather.

Their advice can be found by visiting the link below.

Internet link: [IOSH website](#)