

Date: 3 April 2013

Dear Client

## **Spring Newsletter**

Having waited for the budget before writing this newsletter, I have to report to you that the March announcement has made very little difference to most businesses.

However one piece of good news that was announced concerns the holders of old Equitable Life with profits policies. Former policy holders will be eligible for a £5000 ex gratia payment from the Government, with those policy holders now aged over 65 possibly receiving a further £5000. No details have been announced, and as always the devil will be in the detail, so my advice on this is that if you think you may benefit contact your independent financial adviser who will be advised of the details of this scheme.

Another point on pensions, for those of you who have a private pension, is that the maximum amount that can be taken out annually through a pension drawdown scheme has been increased by 20%. This means that for example if you had been drawing £5000 per annum under a drawdown arrangement, you will now be able to draw up to £6000.

## **Real Time Information (RTI)**

From 6 April this year businesses with employees earning above the lower earnings limit for national insurance which will be £109 per week or who have to deduct tax from their employees will have to report every payment that they make to the employee as the payment is made. This reporting is to be done electronically. For those of you who use our payroll service the RTI requirements will be taken care of as part of our normal payroll routines. If you have been using a manual payroll system however, you will no longer be able to process payroll in this way. If you use the basic HMRC payroll tool provided by HMRC, this has been upgraded to enable you make submissions for a payroll of up to 9 employees.

The practicalities of this mean that HMRC will be able to trace all payments made to employees. As HMRC will be aware on a weekly or monthly basis of the amount of tax and national insurance deducted from each employee, HMRC will actively chase employers for non payment of PAYE and NIC. There is a penalty regime with this system. However automatic penalties will not be applied until the 2014/15 tax year.

If you are a sole trader who includes a wife's salary expense in their accounts, which is below the lower earnings limit, I would suggest that the weekly amount of for example £100 is recorded in your books and records during the year so there is no argument about the deduction with HMRC.

Should you require any further advice on RTI and how it effects your business please give us a call, of course we would be more than happy to takeover your payroll processing for you.

### **Annual Investment Allowance**

The Annual Investment Allowance on expenditure from 1<sup>st</sup> January 2013 has been increased from £25000 to £250000. This to some extent compensates for the previous reduction in the allowance from £100000 to £25000! This I think is a genuine attempt to encourage investment in business expansion, and I hope your business will be able to benefit from it.

### **Allowances**

Although a great deal of noise was made about the personal allowance going up to £10,000, please be aware that this is not until April 2014. Your personal allowance for 2013/14 is £9440 and your first £32010 will be taxed at 20%, giving total earnings of £41450 before income is taxed at 40%.

The Capital Gains Tax limit for 2013/14 will also increase to £10900.

### **New Childcare Scheme**

Just before the Budget the Government announced a scheme to provide more help for the cost of childcare, worth up to £1200 per child each year, to be phased in from autumn 2015. In the first year, all children aged fewer than five will be eligible, but will build up eventually to include all children under 12. The scheme is to be available to families where both parents work with each having earnings of less than £150,000.

### **Employment Allowance**

The Chancellor also announced that from April 2014, all business and charity employers will be able to offset an annual allowance of £2000 against their employer's national insurance contributions. We welcome this measure but the details of the scheme have not yet been published and there will be terms and conditions attached.

I hope this has been of some interest to you, in my opinion the budget was very much a holding exercise. Have any of you actually benefitted from the 1p per pint drop in the beer duty which was greeted with such loud cheer by the government benches? I think that the impact of this budget will be similar and deliver very little. Wishing you all a prosperous year.

Yours faithfully



Andrew W. Hunt