

**SEPTEMBER 2008 - ENEWS**

This month we update you on the long awaited tax rebate for employed basic rate taxpayers.

We also include our usual round up of news. Please browse through this month's articles using the links below and contact us if any issues or questions arise.

- **Extra take home pay**
- **CBI forecast**
- **Temporary exemption on Stamp Duty Land Tax**
- **Fake HMRC emails**
- **Change to benefits system**
- **NMW rates to rise**
- **HSE don't ban this, that and the other**
- **Proposed strict new jobs list**

### **Extra take home pay**

For many employed individuals who are checking their payslip this month it should include a welcome bonus of a £60 reduction in their income tax deduction. The reason for this is the increase in the personal allowance which finally took effect for paydays from 7 September. Don't expect the bonus each month as the effect for October onwards will be a reduction in tax of £10 a month!

However not everyone will see the benefit as higher rate taxpayers, although benefiting from the increase in their personal allowance, will be paying more tax at the higher rate of 40% due to a change in the higher rate threshold.

As has been widely reported the increase in personal allowance from £5,435 to £6,035 means that the majority of basic rate taxpayers will be £120 better off for the current tax year. The increase is designed to compensate those taxpayers who were worse off following the removal of the 10% starting rate of tax from non-savings income.

HMRC published some guidance for both employers and employees on the changes and this can be found using the link below.

Please get in touch if you require any clarification of the new rules.

**Internet links:** [HMRC guidance](#) [Employee guidance](#) and [Employer guidance](#)

### **CBI forecast**

A CBI forecast has predicted a 'shallow recession' during the final part of 2008 and that growth in the economy in 2009 will be the lowest since 1992.

The CBI's latest economic forecast has revised its growth predictions for 2008 and 2009 due to the sharper than expected slowdown over the first half of this year. Their forecast takes into account the impact of weak consumer demand, high energy and commodity prices and the effects of the credit crunch.

Richard Lambert, CBI Director-General, said:

"Over the past year our forecasts for economic growth have been shaved lower and lower as the UK economy continues to struggle with the twin impact of higher energy and commodity prices and the credit crunch. Growth in 2009 will be feeble at best.

Having experienced a rapid loss of momentum in the economy over the first half of 2008, the UK may have entered a mild recession that will hopefully prove short lived. This is not a return to the 1990s, when job cuts and a slump in demand were far more prolonged.

The squeeze on household incomes and company profit margins from higher costs will begin to ease as the price of oil moves downwards and, although the credit crunch will be with us for some time, conditions are set to improve later in 2009."

Ian McCafferty, CBI Chief Economic Adviser, said:

"We now appear to be in a mild recession which will run to early next year. The outlook remains very uncertain, but we do not expect the falls in output to be prolonged, and should start to see signs of a recovery in the second half of 2009."

**Internet link:** [CBI press release](#)

### **Temporary exemption on Stamp Duty Land Tax**

In a move to help the property market and first time buyers, Alistair Darling has introduced a Stamp Duty Land Tax (SDLT) exemption or holiday for purchases of residential property from 3 September 2008 to 2 September 2009 (inclusive). The exemption effectively raises the current nil rate band of £125,000 (£150,000 in disadvantaged areas) to £175,000 for the period of one year only.

The effect of this increase is that where residential property is bought or leased (for in excess of 21 years) costing not more than £175,000, no SDLT will be payable. SDLT continues to be payable at 1% on property from £175,000 to £250,000 before the percentage rises.

The transaction must still be reported using the relevant return form SDLT1 even though no SDLT is payable.

**Internet links:** [HMRC guidance SDLT](#) and [SDLT calculator](#)

### **Fake HMRC emails**

HMRC are warning taxpayers that they are aware of a high number of emails being sent out offering a tax rebate. The warning confirms that HMRC do not email taxpayers advising them of tax rebates or invite them to complete an online form to receive a rebate.

The advice goes on to say that anyone receiving such an email should not visit the website contained within the email or disclose any personal or payment information.

**Internet link:** [HMRC fraud attempts](#)

### **Change to benefits system**

From 27 October 2008, in a change to the benefits system, Employment and Support Allowance (ESA) will replace the current state benefits (Incapacity Benefit and Income Support) which are paid to individuals on incapacity grounds. The new ESA will initially only be payable to new claimants.

According to government guidance

“... the principle of Employment and Support Allowance is that everyone should have the opportunity to work and that people with an illness or disability should get the support they need to engage in appropriate work, if they are able”.

Existing Incapacity Benefit or Income Support claimants will initially continue to receive their existing benefits, so long as they satisfy the entitlement conditions.

The change to the benefits system will have some implications for employers with the issue of a new SSP1 form. This form is used where an employee has reached their maximum entitlement to SSP. The changes to SSP1 are designed to make it quicker to complete, as less information has to be reported for benefit claims starting on or after 27 October 2008.

Another form the SSP1L (Leaver's statement of SSP), which is currently given to employees who leave within 8 weeks of claiming sick pay, will be discontinued from 27 October 2008.

**Internet link:** <http://www.dwp.gov.uk/esa/>

### **NMW rates to rise**

National Minimum Wage (NMW) rates are set to rise from 1 October 2008. The increased rates will be as follows:

Adult rate (workers aged 22 and over) will increase to £5.73 (from £5.52)  
Development rate for 18 - 21 year olds will increase to £4.77 (from £4.60)  
Young people's rate for 16 - 17 year olds will increase to £3.53 (from £3.40)

**Internet link:** [NMW rates](#)

### **HSE don't ban this, that and the other**

The Health and Safety Executive (HSE) are keen to dispel the myth that they are responsible for banning 'this, that and the other'.

They claim that there have been many reports of HSE and health and safety law, being responsible for banning all sorts of things including flip flops, knitting in hospitals, school sports days and even cuddly toys attached to dustbin vans.

According to the HSE they have banned very little outright, apart from a very few high risk exceptions, for example asbestos. They do however want to stress that sensible risk assessment principles should be followed.

HSE are encouraging anyone who encounters a 'ban' to check before believing it.

**Internet links:** [HSE myth of the month](#) [HSE Sensible risk principles](#)

### **Proposed strict new jobs list**

The UK Border Agency is proposing to introduce a new list of shortage jobs in order to better target migration at the needs of British businesses. The proposed list would reinforce the selective approach of the new points based system.

The recommended shortage occupation list is designed to introduce a larger set of work categories but would see the number of individual positions open to migrants reduced by 30%.

The Migration Advisory Committee (MAC), an independent panel of economists, was asked to review the current shortage occupation list. The recommendations will be tested before publishing the final list in October.

**Internet link:** [UKBA article](#)