

## **FEBRUARY 2009 - ENEWS**

This month, as we recover from the self assessment rush, we report that HMRC regard the increase in online filing as a great success. We also report that Chancellor Alistair Darling will be keeping us all guessing a bit longer, by making his Budget speech on 22 April this year.

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

- **Budget day confirmed**
- **HMRC announce self assessment filing record**
- **CBI predict deeper UK recession**
- **Marks & Spencer VAT win**
- **Beneficial Loan rate**
- **Employment Rights - Statutory limits**
- **Business Payment Support Services**
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- **Changes to the National Minimum Wage from 6 April 2009**

### **Budget day confirmed**

Chancellor Alistair Darling will present his Budget speech at 12.30pm on Wednesday 22 April 2009.

We will keep you informed of any further developments.

**Internet link:** [HMRC announcement](#)

### **HMRC announce self assessment filing record**

According to HMRC, a record number of taxpayers filed their 2007/08 self assessment tax returns online. 5.75 million returns were filed online by the 31 January 2009 deadline, beating last year's by over 50%.

On the busiest day, Friday 30 January, a record 390,000 returns were filed.

Mark Holden, Director of HMRC's Carter Programme, said:

"HMRC's Self Assessment online service enables people to do business with Government in the way we know they want to."

**Internet link:** [HMRC self assessment record](#)

### **CBI predict deeper UK recession**

The latest CBI forecast predicts things are going to get worse for the economy before they get better.

According to the CBI press release:

"...it will take until the second half of next year until the impact of interest rate cuts, falling inflation, the relative weakness of sterling, plus the fiscal boost, start to have a stabilising effect.

The rapidly deteriorating global economy and the continued difficulties UK businesses are facing in accessing credit will push the economy deeper into recession in 2009."

CBI predictions include:

- the recession will last throughout 2009;
- the economy is expected to contract by 3.3%;
- unemployment will reach close to 2.9 million by the end of the year; and
- the economy is expected to stabilise early next year with the recovery building throughout 2010.

To read more about the CBI's predictions visit the links below.

**Internet links:** [CBI press release](#) [CBI forecast](#)

### **Marks & Spencer VAT win**

Marks and Spencer (M&S) won a landmark victory last year in the European Court of Justice (ECJ). The case concerned whether or not HMRC were correct to limit the amount of VAT they repaid to the company after their chocolate teacakes were reclassified as a cake rather than a chocolate biscuit. The issue of cakes and chocolate biscuits is an important one as cakes are zero rated rather than standard rated. The case dates back many years.

HMRC only repaid M&S 10% of the output tax it had overpaid on sales of chocolate teacakes on the grounds that the other 90% had been suffered by the customer and so M&S would be 'unduly enriched' if it was all repaid. The ECJ ruled in favour of M&S and the case was referred back to the House of Lords.

The House of Lords has now confirmed that HMRC will not contest this issue further and that M&S are due their refund. This opens the way for other claims of this nature. If you think that this case may have implications for your business, please do get in touch with us.

**Internet links:** [Parliamentary judgment](#) [Times online article](#)

### **Beneficial Loan rate**

HMRC have announced a reduction in the beneficial loan rate of interest from 6.25% to 4.75% from 1 March 2009. This is the rate of interest which is used to calculate the value of the benefit provided to employees where they receive a cheap or interest free loan from their employer.

This loan interest, along with other benefits and expenses provided to employees, should be reported to HMRC on a form P11D.

Please do get in touch if you require help with the completion of these forms which are completed on a tax year basis.

**Internet link:** [HMRC guidance](#)

### **Employment Rights - Statutory limits**

The limits on payments and awards made to workers in certain situations increased from 1 February 2009, where the event giving rise to the entitlement to the payment arose on or after this date. The increased limits affect statutory redundancy payments and compensatory awards for unfair dismissal.

The main increases include the:

- minimum compensation for unfair dismissal - £4,700 (£ 4,400)
- limit on the amount of the compensatory award for unfair dismissal £66,200 (£63,000)
- maximum amount of a week's pay for the purpose of calculating the basic or additional award of compensation for unfair dismissal or redundancy payment - £350 (£330).

The Business Link website includes a useful calculator.

**Internet links:** [Statutory instrument](#) [Business link calculator](#)

### **Business Payment Support Services**

According to Government figures, over 60,000 businesses have agreed time to pay tax arrangements with HMRC which total more than one billion pounds.

The Business Payment Support Service, which was introduced last autumn, provides a 'fast track' service that offers support to those needing more time to pay their tax bills. Terms can be quickly agreed over the phone.

The Right Honourable Stephen Timms, Financial Secretary to the Treasury, said:

"I'm delighted that HMRC's Business Payment Support Service is proving such a huge success, already providing a cashflow boost worth over a billion pounds to UK businesses.

This service is delivering the kind of tangible support that business needs at this time. I would urge any business anticipating or experiencing difficulties paying their tax to call the helpline and get a quick response tailored to their specific needs."

If you would like to discuss the Support Service in relation to your own tax affairs, please feel free to contact us.

**Internet link:** [News Direct press release](#)

### **Employment Law Guidance Programme**

The Department for Business, Enterprise and Regulatory Reform Employment Law Guidance Programme is designed to help employers save time and money when complying with their employment law obligations.

The Businesslink website provides free advice and online tools on a range of employment issues, including:

- the Employee Organiser - an interactive tool aimed at businesses planning to take on new employees;
- maternity, paternity and adoption guidance and interactive tools;
- flexible working schemes and associated ready-made forms to help produce written notices of decisions, etc;
- a downloadable written statement of employment;
- updated National Minimum Wage guidance, including an online calculator;
- working time guidance; and
- a redundancy calculator and guidance.

**Internet links:** [HMRC employers bulletin](#) [Business Link](#)

### **Changes to the National Minimum Wage from 6 April 2009**

The National Minimum Wage (NMW) rules have been with us for some years and require minimum rates of pay for certain workers. The government is now getting tough with those who do not pay the NMW.

From 6 April 2009, a new automatic penalty will be raised on employers where HMRC find NMW arrears. Penalties will range from £100 to £5,000 in addition to any arrears of pay owed to the workers. The most serious cases could lead to a criminal sentence or an unlimited fine.

Several changes are also being made to the powers of investigating officers such as the ability to remove NMW records from an employer's premises.

To read more about the NMW rules please see the links below.

**Internet links:** [HMRC - National Minimum Wage](#) [www.berr.gov.uk](http://www.berr.gov.uk)