

MAY 2008 - ENEWS

This month has been a busy month as usual. We update you on the government's plans to compensate those individuals who are worse off following the income tax rate changes.

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.

- **10% tax rate climb down**
- **Take care what information you post on the internet**
- **Health and safety risks caused by hangovers**
- **Flexible working extension**
- **SMP and salary sacrifice arrangements**
- **Update your Will**
- **Payroll changes and personal allowances**
- **Drive to help women boost their state pension**

10% tax rate climb down

We live in quite amazing times in the world of tax. Over a year ago, in Gordon Brown's last Budget speech as Chancellor, the so-called 'abolition' of the 10% starting rate was announced. The government's reason for this was, and still remains, the simplification of the tax system.

Of course, the 10% rate hasn't been 'abolished', it merely does not apply to all forms of income anymore. The income it may still apply to, depending on your circumstances, is savings and dividend income but not pension, earned, property and other income.

It became clear that, if earnings were taxed at 20% basic rate and not the old 10% rate, there would be many losers – around 5 million of them, unfortunately most of them being the lowest earners in the country.

So, following extensive media coverage, and potentially faced with a back-bench revolt and the possibility that the Finance Bill would be compromised, the new Chancellor Alistair Darling has announced

- an increase in the personal allowance of £600, from £5,435 to £6,035; and
- a reduction in the basic rate limit of £1,200, from £36,000 to £34,800.

These changes mean that basic rate taxpayers will benefit by £120 per tax year whilst the position of higher rate taxpayers will be unchanged.

Provisional announcements indicate that the changes will not take effect for employees until September.

Internet link: [BBC website](#)

Take care what information you post on the internet

It has been reported in the Daily Express that tax inspectors are searching social networking sites for potential tax evaders, who may be 'advertising' their wealth or assets which may lead HMRC to believe they have 'hidden' remuneration.

Taxpayers are being warned to be careful about what personal information they post on social networking websites as officials prepare to scour the likes of Facebook and Bebo for tax evaders. The article claims that HMRC's Irish counterpart has already started to browse social networking websites.

Internet link: [The Daily Express website](#)

Health and safety risks caused by hangovers

According to a new survey conducted by Norwich Union Healthcare, 77% of employers believe alcohol is the main threat to employee wellbeing and a big contributor to employee absence.

Employers concerns are apparently not without good reason, as a third of employees said they have arrived at work with a hangover. 85% of those admitting to working with a hangover confirmed it affects their performance and mood.

Internet link: [Workplace law article](#)

Flexible working extension

The government has announced plans to extend the right to request flexible working to parents with children up to the age of 16.

The flexible working regulations give employees the right to request changes to their working hours or location. The regulations currently apply to parents of children under the age of 6, or 18 if disabled, and also to carers of adults. Employers can refuse requests as long as they have a valid business reason. Details of the current regulations are available on the ACAS website.

The right to request flexible working will be extended to those with children up to the age of 16. The government will now consult on implementing the proposals.

The Department for Business Enterprise and Regularity Reform review of flexible working found that small businesses are more likely than larger businesses to accept flexible working requests.

Internet links: [BERR report](#) [Press release](#) and [ACAS flexible working guidance](#)

SMP and salary sacrifice arrangements

HMRC have published some guidance on the complex area of salary sacrifice and entitlements to both statutory maternity pay and continuing non cash benefits during maternity leave.

The guidance covers areas such as calculating maternity pay entitlement for those individuals who receive childcare vouchers. It also includes guidance on entitlement to non cash benefits during maternity leave.

To read more about this complex area, please visit the link below or do get in touch.

Internet link: [HMRC guidance](#)

Update your Will

The Law Society has warned that thousands of Wills could need updating as a result of rising care and nursing fees which force the elderly to sell their assets, in many instances their homes, to pay for care. The home is generally the largest asset left to loved ones.

Andrew Holroyd, Law Society President, said:

'Many people get their solicitor to include their home in their Will but with more people selling up to release capital for care fees, many Wills will be outdated. There will not be a home to leave to loved ones.'

Research conducted for the Law Society in October 2007 revealed that 57% of people did not know if they had an up-to-date Will or not.

According to government estimates the average care home fees are £450 a week. For many the level of their pensions will not cover the fees and people in need of care have to make up the shortfall.

For guidance to ensure that your Will is tax efficient please do get in touch.

Internet links: [Press release](#) and [Law Society guidance](#)

Payroll changes and personal allowances

Chancellor Alistair Darling has announced an increase in the personal allowance of £600 and an adjustment to the higher rate threshold (the total of the personal allowance and basic rate limit) as reported in the earlier article, '10% tax rate climb down'.

HMRC have issued guidance to employers advising them that they should not make any adjustments to employees' tax code numbers and should continue to use the allowances and guidance published in May 2008. This means that employees will not see the impact of these changes yet.

HMRC have advised that they will be issuing details in the next few weeks of how and when the changes will be implemented. We will keep you informed of developments.

Internet link: [HMRC guidance](#)

Drive to help women boost their state pension

Women pensioners could boost their state pension or even be in line for a windfall payment under special terms.

But they need to act quickly as the arrangement, which allows people to pay for missed National Insurance contributions, will be unavailable in less than two years.

Women who have gaps in their National Insurance record for years between April 1996 and April 2002 are entitled to 'buy back' the missing years at a special rate. Any improvements in State Pension are backdated to when women first drew their State Pension and could result in a lump sum pay out.

Pensions Reform Minister, Mike O'Brien, said:

'Generous rules enable women to boost their pension or to receive a backdated sum, typically about £1,400. Whilst making voluntary National Insurance contributions won't be suitable for everyone, we want to give people the right information to help them make a choice.'

Internet links: [Pensions service website](#) [Pensions service advice](#) and [Press release](#)