

## **JUNE 2008 - ENEWS**

This month we report on mileage payments with the current climate of ever increasing fuel prices.

We also turn our attention to some potential pitfalls with the up and coming sporting events. Even if you or your employees haven't been glued to the football, Wimbledon is upon us and the Beijing Olympics are only a month away.

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.

- **Advisory fuel rates**
- **HMRC warning on scams**
- **Illegal working**
- **Employees' mileage payments**
- **Tax Freedom Day**
- **National Minimum Wage and tips**
- **Surfing at work**
- **Tax credits renewal**
- **Increase in personal allowances**

### Advisory fuel rates

To reflect the increases 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 July 2008 so employers wishing to use the new rates should advise affected employees and update any expense forms as soon as possible.

Engine size	Petrol	Diesel	LPG
1400cc or less	12p (11p)	13p (11p)	7p (7p)
1401cc – 2000cc	15p (13p)	13p (11p)	9p (8p)
Over 2000cc	21p (19p)	17p (14p)	13p (11p)

HMRC are supposed to give employers a month's notice of changes the Advisory Fuel Rates (AFR). However according to the HMRC guidance:

'the recent fuel price increases which justify these AFR changes have happened very rapidly. In these unusual circumstances we are mindful that an implementation date of 1 July might mean that drivers will be incurring higher fuel prices before the new rates become effective. Consequently, where employers are able to do so, HMRC is content for the new rates to be implemented immediately ie from 1 June.'

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 them to claim a deduction if employers reimburse them at lower rates. Such claims should be based on 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:** [Advisory fuel rates](#)

### HMRC warning on scams

HMRC have updated their guidance on scams. HMRC have become aware of a new ruse to persuade unsuspecting taxpayers to complete a form detailing their bank or credit card details. The form implies that a tax refund may be due and that this will be paid straight into their bank account.

Taxpayers need to be vigilant about any emails asking for bank details.

**Internet Links:** [HMRC press release](#) and [HMRC example](#)

### Illegal working

For many years, there have been requirements for employers to verify the identity of their workers in order to prevent illegal working. Penalties under the Immigration, Asylum and Nationality Act 2006 were increased from 29 February 2008 and the Home Office UK Border Agency website has been updated to show a list of employers fined since the introduction of the revised penalties. The website which lists employers fined, by region, will be updated on a monthly basis.

From 29 February 2008, the Immigration, Asylum and Nationality Act 2006 increased the civil penalty which can be imposed on an employer to a maximum of £10,000 (previously £5,000) for every illegal worker employed in the UK. It also introduced a new criminal offence of knowingly employing an illegal worker, with a maximum penalty of two years in prison or an unlimited fine. Details of the current requirements are set out below.

Employers can avoid both a civil penalty and committing a criminal offence by checking, on recruitment, that workers have a right to work in the UK. To obtain this protection, employers must make the checks before the worker starts work.

There are two lists of acceptable documents for checking identity. List A contains items such as a British passport, which have no time limits on working in the UK. List B contains a list of documents which carry restrictions on the amount of time individuals will be able to spend in the UK. A significant change is that since 29 February 2008 employers now have to carry out annual checks for those workers whose documents appear on List B, such as work permit holders.

Please do get in touch if you would like any advice in this area.

**Internet Links:** [Home Office Guidance](#) and [Home office list of employers fined](#)

### **Employees' mileage payments**

As you may be aware there is a statutory system of tax and NIC free mileage rates for business journeys in an employee's own vehicle. These mileage payments are known as 'Authorised Mileage Allowance Payments' (AMAP).

The statutory rates for the current tax year are:

#### **Rate per mile**

Up to 10,000 miles	40p
Over 10,000 miles	25p

Employers can pay up to the statutory amount without generating a tax or NIC charge. Where employers pay less than the statutory rate (or make no payment at all) employees can claim tax relief on the difference between any payment received and the statutory rate.

The Chartered Institute of Taxation (CIOT) has asked the government to look again at the level of AMAP as the rates have remained unchanged since 2002. The AMAP rates are designed to cover the full cost of the business travel, which includes depreciation of the vehicle, servicing and insurance costs. Fuel is clearly a major part of the costs and with the significant increases in fuel prices recently the rates should perhaps be reconsidered.

Colin Ben-Nathan, Chairman of the CIOT's Employment Taxes Sub-Committee, said:

'We ..... suggest that with the recent significant increase in fuel costs it is time for Ministers to look again at the statutory AMAP rates of 40p/25p per mile for those using their own cars for business travel.'

It will be interesting to see if the government makes any changes to the rates. We will of course keep you informed.

**Internet Link:** [CIOT article](#)

### Tax Freedom Day

This year 'Tax Freedom Day' fell on June 2. The statistics make interesting reading in that the average UK taxpayer spends more than five months of the year working for the government as opposed to working for themselves.

According to the Adam Smith Institute, which pulls together the statistics, government spending is set to reach £600 billion, being £10,000 per person in the UK, twice as much as in 1997. To read more on the statistics please use the link below.

Please get in touch if you would like to ensure you are not paying more tax than is necessary.

**Internet link:** [Adam Smith article](#)

### National Minimum Wage and tips

An Employment Appeal Tribunal has ruled in HMRC's favour in the case of Annabel's Restaurant and Nightclub. The case concerned the payment of tips through a 'tronc', which is an arrangement which sometimes operates in the restaurant industry. The 'tronc' which operates as a separate independent payroll, run by a 'troncmaster' is used by some restaurants as a means of distributing tips or service charges paid by customers. HMRC have argued successfully that where the tips are paid in this way they do not count towards national minimum wage (NMW) entitlement.

However, it should be noted that where tips are paid along with wages through the main employer payroll then the tips and service charges distributed **do** count towards the NMW.

A spokesperson for the Department for Business said:

'It is essential that all UK workers receive the pay they are entitled to and that everyone earns at least the National Minimum Wage. Equally, it's important that tipping is fair and we are already examining what options are available to help ensure transparency.'

Annabel's Restaurant may seek permission to appeal the Judgment.

The main rate of the NMW is currently £5.52 per hour increasing to £5.73 from 1 October 2008.

The development rate for employees between 18 and 21 years old is currently £4.60 increasing to £4.77 from 1 October 2008.

16 and 17 year olds must be paid a development rate which is currently £3.40 per hour increasing to £3.53 from 1 October 2008.

**Internet Links:** [Press release](#) and [BERR website NMW rates](#)

### Surfing at work

According to the CBI the average UK office worker spends 95 minutes of their working week surfing the web for personal use. This they estimate costs the economy £10.6 billion a year.

The research showed that many employers are supportive, in principal, of staff visiting non-work related websites. Employers regard it as employee motivator or a modern day tea break. Some employers reported that they are concerned by the amount of use, or have had to sack staff for serious abuse.

With Wimbledon underway and the Beijing Olympics only a month away employers need to make sure that employees are aware of their policy on use.

It is important that businesses have a policy on computer use, not only for employment law issues but also to deal with the issue of potential employer benefits. Please do get in touch if you would like any guidance on this area.

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

### **Tax credits renewal**

Tax credits are state benefits which are generally available to lower income families. However, entitlement to the credits is significantly increased where individuals pay for childcare or have a dip in normal levels of income perhaps due to incurring trading losses.

Individuals who have already claimed tax credits for 2007/08 have to finalise their provisional award, which would have originally been based on their 2006/07 income, and advise HMRC of any changes in their circumstances for 2008/09. This procedure is known as the renewals process. The deadline for the submission of tax credit renewals is 31 July 2008.

HMRC have been busily advertising the renewals process in the national press and on their website. Claimants need to be aware that the payment of tax credits will stop at the end of July if they have not renewed their applications by that date.

HMRC are also reminding claimants that the deadline for letting them know that their circumstances have changed is just one month. Some examples of the sort of changes which have to be notified 'in year' are changes in family circumstances, perhaps a partner moving in or out of the family home, or a reduction in childcare costs. A reduction of £10 a week for a mere four weeks has to be reported!

If you need any help with the completion of your form or any advice on tax credits generally please do get in touch.

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

### **Increase in personal allowances**

Tucked away in a recent issue of 'Notes for payroll software developers' is a bit more information on the timescale for the increase in the current year's personal allowance from £5,435 to £6,035 and the reduction in the higher rate point 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.

The guidance notes state that the change is expected to take place from 7 September 2008, subject to Parliamentary approval and Royal Assent of the Finance Bill.

The guidance goes on to state that a revised employer CD rom will also be issued at around that time to confirm the changes. Those individuals on straightforward PAYE tax codes (suffix L) will have their tax codes uplifted to reflect the change. Individuals with more complicated circumstances will be issued with individual coding notices nearer the time.

Employers and employees need do nothing for the time being. We will keep you informed of developments.

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