**JANUARY 2013 ENEWS**

In this month’s enews we report on several employment related issues together with HMRC’s latest campaign. Please contact us if you would like any further information.

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# Employment rights - statutory limits

The limit on the amount of the compensatory award for unfair dismissal is set to increase from 1 February 2013. The current maximum of £72,300 is to increase to £74,200 due to inflation.

The maximum amount of a week's pay for the purpose of calculating the basic or additional award of compensation for unfair dismissal or redundancy payments will be increased to £450. This increase on the previous limit of £430 applies from 1 February 2013.

The Gov.uk website includes a calculator of statutory redundancy entitlement.

Internet links: [Legislation](http://www.legislation.gov.uk/uksi/2012/3007/made) [Gov.uk calculator](https://www.gov.uk/calculate-employee-redundancy-pay)

# HMRC target those with outstanding VAT returns

HMRC have introduced the VAT Outstanding Returns Campaign, which is an opportunity for taxpayers to bring their VAT returns and payments up to date. To take advantage of the best terms, taxpayers must complete and submit their returns by 28 February 2013.

According to HMRC, as many as 50,000 businesses, that have failed to submit VAT returns, will be targeted with warnings that their tax affairs will be closely scrutinised.

Marian Wilson, Head of HMRC Campaigns, said:

‘*If HMRC has sent you a VAT return and you have not yet taken any action, this campaign is a reminder to bring your tax affairs up to date. But time is running out.’*

*‘After 28 February, if they have not submitted their outstanding VAT returns and paid what they owe, HMRC will use its legal powers to pursue outstanding returns and any VAT that is unpaid. Penalties, or even criminal investigation, could follow. ‘*

If you would like any help with VAT returns please do get in touch.

Internet links: [Press release](http://hmrc.presscentre.com/Press-Releases/Businesses-warned-on-late-VAT-returns-685cb.aspx): [VAT Outstanding Returns Campaign](http://www.hmrc.gov.uk/campaigns/vator.htm)

# ‘Tax cheats’ sentenced to over 150 years behind bars

HMRC have announced that the top ‘tax criminals’ of 2012 have been sentenced to a combined total of 155 years and 10 months behind bars.

Details of over 30 of the UK’s top tax cheats have been publicised on Flickr as part of HMRC’s current Tax Evasion Campaign.

Exchequer Secretary to the Treasury, David Gauke, said:

*‘The government is committed to closing in on tax evaders. Collectively the 32 criminals have been sentenced to more than 150 years. Most people play by the rules and pay what they owe, but HMRC is cracking down on those who don’t.’*

*‘We hope that publishing these pictures will help get across that it always makes sense to declare all your income, and tax dodgers are simply storing up trouble for the future.’*

HMRC’s top tax criminals of 2012 can be seen at [flickr pages](http://www.flickr.com/photos/hmrcgovuk/sets/72157632409515581)

Internet link: [Press release](http://hmrc.presscentre.com/Press-Releases/Thirty-two-top-tax-cheats-get-over-150-years-behind-bars-685a7.aspx)

# PAYE coding notices

HMRC are issuing PAYE tax codes for 2013/14. These new coding notices, which are due to be issued between January and March 2013, will be used against employees’ pay from April 2013 onwards. It is important that these coding notices are checked carefully, as an incorrect code will result in too little or too much tax being deducted from pay or pension payments.

If you are unsure whether your coding notice is correct and would like some further guidance please do get in touch.

**Good news for many**

The majority of taxpayers will see an increase in their tax code as the personal allowance (for those born after 5 April 1948) increases from £8,105 to £9,440.

Those individuals with simple tax affairs (just one employer with no reliefs or benefits or tax underpayments brought forward) will generally not receive a coding notice. Their current coding of 810L will be automatically uplifted to 944L following general instructions to employers. Basic rate taxpayers will be better off with a tax saving of £267 for 2013/14.

Although the personal allowance is increasing, the point at which taxpayers start to pay the higher rate of 40% tax on their taxable income is decreasing (from £34,370 to £32,010). This means that higher rate taxpayer will generally benefit from a tax saving of £62.

The withdrawal of the personal allowance for those with income over £100,000 income limit applies for 2013/14. The reduction in the personal allowance is by £1 for every £2 of adjusted net income above the income limit. Adjusted net income for these purposes is broadly all income after adjustment for pension payments, charitable giving and relief for losses. Individuals with adjusted net income of at least £118,880 will not be entitled to a personal allowance for 2013/14.

Internet links: [Press release](http://www.hmrc.gov.uk/news/coding-2013-14.htm) [HMRC income tax rates and allowances](http://www.hmrc.gov.uk/rates/it.htm)

# RTI is coming

HMRC are urging employers to get ready for major PAYE changes that come into effect from April 2013.

From April 2013 employers will have to submit PAYE returns electronically, using RTI enabled payroll software, each time they pay their employees. The new returns form part of routine payroll procedures and will include details of individual employees’ pay, tax and other deductions.

Ruth Owen, HMRC’s Director General Personal Tax, said:

*‘To avoid a last minute rush it’s vital employers act now, if they have not already done so.’*

*‘Employers will need to send their first return – called a ‘Full Payment Submission’ or ‘FPS’ for salary or wage payments made to employees on or after 6 April – and if they have 250 or more employees they will have to send an Employer Alignment Submission before the first FPS.’*

*‘Although reporting PAYE in real time will be straightforward for most, some preparation is needed. There is more to it than simply buying or updating software – although this is key. Employers may need to add employees such as casuals or those below the Lower Earnings Limit to their payroll system and must think about their payroll practices to make sure that they work for real-time reporting.’*

If you would like help with payroll and RTI please do contact us.

Internet link: [Press release](http://hmrc.presscentre.com/Press-Releases/PAYE-attention-RTI-is-coming-68597.aspx)

# Start up loan scheme for young entrepreneurs extended

David Cameron has announced a boost to the government’s Start-Up Loans Scheme, with funding being increased by £30 million to £110 million over three years. The upper age limit for applying will also be extended from the current 24 to 30 years old.

Start-Up Loans provide entrepreneurs with a range of support to get their business idea off the ground which includes access to a business mentor as well as funding of approximately £2,500.

To apply for a loan visit <http://www.startuploans.co.uk/>

Internet link: [News release](https://www.gov.uk/government/news/30-million-boost-as-start-up-loans-for-young-entrepreneurs-expanded)

# State Pension reform

The government have announced proposals for a new single tier pension.

The single tier reforms will restructure the State Pension into a simple flat rate amount from 2017 at the earliest. Those over State Pension age when the reforms are implemented will continue to receive it in line with existing rules.

The single tier pension will:

* be set above the basic level of means tested support. The amount will be set nearer implementation;
* replace the State Second Pension, contracting out and out-dated additions, such as the Category D pension and the Age Addition. The Savings Credit element of Pension Credit will also close to pensioners reaching State Pension age after the implementation of the single tier pension;
* require 35 qualifying years of NIC or credits for the full amount, with pro-rating where 35 years is not achieved. There will also be a minimum qualifying period of between seven and ten qualifying years;
* be based on individual qualification, without the facility to inherit or derive rights to the State Pension from a spouse or civil partner; and
* continue to allow people to defer claiming their state pension and receive a higher weekly State Pension in return. The deferral rate will be finalised closer to the planned implementation date. It will no longer be possible to receive deferred State Pension as a lump-sum payment.

The government will also carry out a review of the State Pension age every five years, based around the principle that people should maintain a specific proportion of adult life receiving the State Pension. The first review will take place in the next Parliament.

Internet link: [DWP website](http://www.dwp.gov.uk/policy/pensions-reform/state-pension/)

# Child Benefit opt out

The High Income Child Benefit Charge (HICBC) was introduced from 7 January 2013. It mainly applies to a taxpayer who has ‘adjusted net income’ in excess of £50,000, where either they or their partner is in receipt of Child Benefit. The effect of the charge is to claw back some or all of the Child Benefit paid. Where both partners have income in excess of £50,000 the charge applies to the partner with the higher income.

Adjusted net income is broadly gross income less pension payments and gift aid payments. Where a taxpayer has adjusted net income of £60,000 or more then the charge has the effect of cancelling out the Child Benefit paid. A sliding scale charge operates where income is between £50,000 and £60,000.

The charge applies to the Child Benefit paid from 7 January to the end of the tax year. However, the income taken into account will be the full income for 2012/13.

Child Benefit claimants had the option to elect not to receive Child Benefit if they or their partner do not wish to pay the new charge.

According to details revealed to the BBC some 270,000 people have opted out of receiving Child Benefit. Apparently there was a late surge of around 80,000 during the weekend before the deadline of 7 January 2013.

Please visit the HMRC Child Benefit guidance link below for more details of the options available.

Internet links: [BBC news](http://www.bbc.co.uk/news/business-20938550) [HMRC Child Benefit guidance](http://www.hmrc.gov.uk/childbenefitcharge/stopstartpayments.htm)

# Deadline looming for self assessment returns

HMRC are reminding taxpayers that the countdown has begun to the 31 January 2013 self assessment deadline, with just days left for anyone with an outstanding 2011/12 tax return to send it online.

The deadline of midnight on 31 January 2013 is relevant to individuals who need to complete a self assessment tax return and make direct payments to HMRC in respect of their income tax, Class 4 National Insurance (NI) and any capital gains tax liabilities. There is an automatic penalty of £100 if the return is not submitted on time, even if there is no tax due or the return shows that a refund is due.

The balance of any outstanding income tax, Class 4 NI and capital gains tax for 2011/12 is also due for payment by 31 January 2013. Where the payment is made late interest will be charged.

The first payment on account for 2012/13 is also due for payment by 31 January 2013.

If we have already dealt with your self assessment return on your behalf and advised you what you need to pay you need take no additional action.

Internet links: [HMRC SA deadlines and penalties](http://www.hmrc.gov.uk/sa/deadlines-penalties.htm) [Press release](http://press.hmrc.gov.uk/Press-Releases/Countdown-to-tax-return-deadline-68629.aspx)

# HMRC bank account details for employers

HMRC have updated their guidance to employers on paying PAYE liabilities. From April 2013 employers who make a payment to HMRC by:

* Bacs Direct Credit
* Faster Payments by online/telephone banking
* CHAPS

should make payments to a single bank account. From month 1 of 2013/14 payments should be made to the Accounts Office Cumbernauld account using sort code 08 32 10 and account number 12001039.

HMRC has started to send employers information about this change ready for 2013/14.

Internet link: [HMRC payments](http://www.hmrc.gov.uk/payinghmrc/paye.htm#16)