Issue 5, 2014

millhall consultants ltd

NEWSMILL

PAYE penalties – RTI

All change! The government has just announced that it will not be charging automatic penalties for late PAYE submissions under RTI from October for all employers. Under a phased introduction of penalties, small employers (those with fewer than 50 employees), will not be charged penalties for any late returns due up until 5 March 2015.

Under the terms of another announcement made in August 2014, micro employers (those with fewer than 10 employees) may continue to adopt relaxed reporting requirements under RTI. This means that they do not need to report under RTI until the last payday of the month. This relaxation affects employees who run weekly payrolls.

HMRC indicates that this reporting relaxation is not available to new micro employers (those who commenced as employers on or after 6 April 2014). However, as no penalties will be charged for small employers (the term "small" including micro employers) the effect of the combination of measures is that HMRC will not penalise any new micro employer for late RTI submissions until 6 March 2014.

In summary, RTI late filing penalties will apply from:

- 6 October 2014 for employers with 50+ employees.
- 6 March 2015 for employers with fewer than 50 employees and employers with fewer than 10 employees who commenced as employers on or after 6 April 2014.
- 6 April 2016 for employers who were in business before 6 April 2014 with fewer than 10 employees and have taken advantage of relaxed reporting.

Owner-managers and employee share ownership

Succession planning can be a problem for many owner-managers. To whom do you sell your shares on retirement? One solution could be to create an employee-ownership trust (EOT). You sell your shares to the EOT which then holds them on behalf of your employees. An EOT is a new shareholding vehicle which will become available from October 2014 to promote employee share ownership in UK private companies.

The arrangement allows a tax-free bonus of up to £3,600 per year per employee and the initial disposal of shares by the owner-manager is free of capital gains tax.

An EOT may not appeal to every small company owner, however if you would like to discuss these or any succession planning alternatives please do not hesitate to contact us to discuss your options.

Tax Calendar

September 2014

19/22	Monthly PAYE/Class 1 NICs/student loan and CIS payments due. *19th for non-electronic payments, 22nd for online payments*

October 2014

1	Annual increase in national minimum wage.
5	Deadline to notify chargeability for Income Tax/Capital Gains Tax for 2013-14 if not registered for Self Assessment. Complete form CWF1 for self-employment or form SA1 for non self-employed income, or form SA401 for partners.
19/22	Monthly PAYE/Class 1 NICs/student loan and CIS payments due. *19th for non-electronic payments, 22nd for online payments*
31	Deadline for paper submission of Self-Assessment tax returns for tax year ended 5 April 2014.

November 2014

2	Quarterly submissions of P46(car) (for employees whose car and/or fuel benefit has changed in the quarter to 5 July).
19	Monthly CIS payments due.
19/22	Monthly PAYE/Class 1 NICs/student loan payments due. *19th for non-electronic payments, 22nd for online payments.*

December 2014

19/22	Monthly PAYE/Class 1 NICs/student loan payments due. *19th for non-electronic payments, 22nd for online payments.*

January 2015

05	End of tax quarter.
19/22	Third quarter PAYE and Class 1 NICs payment deadline. Monthly PAYE/Class 1 NICs/student loan and CIS payments due. *19th for non-electronic payments, 22nd for online payments.*
31	Deadline for online submission of Self Assessment tax returns for tax year ended 5 April 2014

Pension changes

Big changes are underway in the way pension pots are accessed, and how money taken from them is taxed. According to the chancellor, “the government is introducing the most radical changes to pensions in almost a hundred years”.

Some modest changes are here already:

- Increasing the total amount of pension savings that can be taken as a lump sum - from £18,000 to £30,000.
- Increasing the maximum size of a small pension pot that can be taken entirely as a lump sum - from £2,000 to £10,000.
- Changes to the flexible and capped drawdown limits.

But further significant changes in April are on the way. The government wants more flexibility, allowing people to access pension savings as they wish.

The new rules will mean:

- You should not be forced to buy an annuity with your pension pot.
- Individuals aged 55 ,with defined benefit contributions schemes, may withdraw all their pension pot to use as they choose.
- More flexibility as regards lifetime annuities.
- Tax on lump sums above the usual 25% tax-free amount, will be charged at your marginal rate of tax, not the ‘penalty rate’ of 55%. (Your marginal rate of tax is highest rate of tax you pay, ignoring the pension lump sum).

There are some complications and anti-avoidance rules. Not all pension schemes permit such flexibility, but new legislation will allow you to move your pension pot to a different, more flexible, scheme, as long as you do so before the normal retirement age set by your existing scheme.

While the government has promised free impartial guidance, professional advice tailored to your specific circumstances will enable you to make best use of the new rules.

.

Direct recovery of debts

HMRC is looking for powers to take money directly from your bank, including savings accounts. The proposals are due to be introduced in the Finance Act 2015.

You would be at risk if you owe at least £1,000 in tax or overpaid tax credits - and HMRC has tried to contact you ‘multiple times’.

At least £5,000 must remain in your accounts after HMRC is paid. Joint accounts will be targeted, even when only one party to the account has an HMRC debt.

Major concerns have been voiced here. For example:

- HMRC’s records are not always accurate or up to date.
- HMRC would in effect become a preferential creditor.
- Estimated debts could be recovered this way.
- Process bypasses the court system.
- Vulnerable people could find essential funds removed from their accounts.
- Deliberate defaulters could transfer funds off-shore before HMRC can freeze an account.

The government is considering what safeguards should be put in place to protect taxpayers in the event of HMRC error, and draft legislation will be published shortly. In the meantime if you have any disputed debts with HMRC please contact us now so that we can assist in resolving any issues before these new powers are introduced.

If you feel strongly about this issue go to http://epetitions.direct.gov.uk/petitions/64762 to oppose the proposals.

If you have any queries in relation to any of the topics covered in this newsletter then please do not hesitate to contact us.

Carlson Suite, 4th Floor, Building 8
Vantage Point Business Village
Mitcheldean, Gloucestershire
GL17 0DD
01594 546 460
enquiries@millhallconsultants.co.uk