

Contact Details:

Kilby Fox
4 Pavilion Court
600 Pavilion Drive
Northampton Business Park
Northampton
NN4 7SL

Tel: 01604 662 670
Fax: 01604 662 681
Email: advice@kilbyfox.co.uk
Web: www.kilbyfox.co.uk

KF Seasonal & Kilby Fox News

TOO LATE FOR 'PAPER' SELF ASSESSMENT TAX RETURNS

For those individuals who have previously submitted 'paper' self-assessment tax returns the deadline for the 2011/12 return was 31 October 2012. Returns submitted after that date must be submitted electronically or they will incur a minimum penalty of £100. The penalty applies even when there is no tax to pay or the tax is paid on time. Please note that tax returns are to be submitted to HMRC no later than 31st January 2013.

If you would like any help with the completion of your return please do get in touch.

- Christmas opening times!
This year The Kilby Fox office will be closed from 11.30 on Friday 21st December and will reopen on Thursday 27th December 2012. The office will also be closed on Tuesday 1st January 2013 and will return to normal working hours with effect from Wednesday 2nd January 2013.

*All at Kilby Fox would like to take this opportunity to wish you a very Merry Festive Season and look forward to seeing you in the New Year!
Good luck for 2012!*

Check your National Insurance Number

HMRC have announced a new procedure whereby individuals can email them for written confirmation of their National Insurance number using form CA5403.

HMRC advise:

'If you've lost or can't remember your National Insurance number or can't find it on official paperwork you can email HM Revenue & Customs (HMRC) for written confirmation of your number. You can also use this service to let HMRC know that you've changed your name or address.'

'National Insurance cards are no longer issued and your National Insurance number is not proof of your identity.'

National Minimum Wage Rates

The National Minimum Wage (NMW) rates from 1 October 2012 are as follows:

- the adult minimum wage rate will increase from £6.08 to £6.19 an hour
- the rate for 18 - 20 year olds will remain at £4.98 an hour
- the rate for 16 -17 year olds will remain at £3.68 an hour and
- the apprentice rate will increase from £2.60 to £2.65 an hour.

HMRC are able to charge penalties to those employers found to be in breach of the NMW rules. Details of the calculation of arrears and potential penalties can be found on the BIS website. If you have any queries on the NMW please do get in touch.



Self Storage

Changes in the VAT legislation from 1st October 2012 mean that businesses who rent out spare rooms or buildings for third parties to store their own goods may have to start charging VAT.

Until 30th September 2012, the supply of "self-storage" where the customer was provided with a defined area to which he had access for storing his goods, was an exempt supply for VAT purposes, because the customer had a "licence to occupy land". The new rules from 1st October 2012 mean that if a VAT registered business supplies space (which may be a container, a spare office or barn, or even a whole building) for storage of the customer's own goods, then this supply is standard rated and VAT at 20% must be charged.

If you rent out your spare space, you must ensure that you know your customer's intentions with regard to its use.

For example:

- a farmer rents a spare barn to an auto-mechanic who uses the area to repair vehicles, the supply will usually be exempt. If, however, the mechanic uses the barn to store his stock of car parts and old vehicles, then the supply is standard rated and 20% VAT will be due.
- a solicitor who has a three storey office building uses two floors for his own business, with the third floor being rented to a hairdresser. If the hairdresser uses the premises as a salon, the supply is exempt. Should the space be used to store bulk purchases of hair and beauty products, then the supply is standard rated.

There may be more complex situations where the use to which the space is put changes over time or is used concurrently partly for storage and partly for other activities. If this is the case, please contact us for further more detailed advice tailored to your particular circumstances.

Fox Facts



Welcome to the current issue of Fox Facts!

In this issue you will find articles on Real Time Information, High Income Child Benefit and much more. There is also an article on the recently re-launched Business Records Check, where your records can be assessed by HM Revenue & Customs to check the adequacy of business records being maintained by Small and Medium sized Enterprises.

On page 2 you will also find an article provided by Kilby Fox Wealth Management regarding the recent drop in annuity rates, if you require further information on this topic, please do not hesitate to call the team at KFWM on 01604 499285.

We would like to take this opportunity to remind you that you can place an advert in Fox Facts as big or as small as you require for a small fee, if you would like more information on this, please do not hesitate to contact Gemma who will be pleased to give you a quotation.

Real-Time

**Real Time Information (RTI)-
What you NEED to know!**

The RTI official launch is fast approaching so here is a little bit more information that you need to know.

RTI will enable employers and pension providers to provide HM Revenue & Customs with information about tax, National Insurance Contributions (NICs) and other deductions when or before the payments are made, instead of waiting until after the end of the tax year. HM Revenue & Customs have informed us that RTI will do the following things:

- Make the PAYE process simpler and less burdensome for employers and HMRC for example by removing the need for the end of year return (forms P35 and P14) and simplifying the employees starting and leaving processes
- Make PAYE more accurate for individuals, over time reducing the number of bills and repayments sent after the end of the tax year
- Enable HMRC to pursue late payments more effectively
- Support the payment of Universal Credit
- Reduce Tax Credits error and fraud

This new process is going to be phased in between 6th April 2013 and October 2013 with a soft launch in March 2013. If you wish to join the scheme early, you will need to apply. If you are a Basic PAYE Tools user, the deadline for applying is 30th November 2012, if you have a business of any size who operate a Standard PAYE Scheme or Occupational Pension Scheme but do not use HMRCs Basic PAYE Tools, the deadline is 31st December 2012. Please contact Gerry Thompson on 01604 662670 for more information on this topic. RTI is not an option so eventually every employer will be required to submit their payroll using RTI whether they have 1 employee or 50. Each employer must submit this information to HMRC on or before payment is made to employees which means each and every time an employee is paid, HMRC must be informed so cash advances will no longer be acceptable. This also means that casual workers must also be reported on the payroll every time they are paid.

Some things you need to consider before RTI goes live!

- Is your payroll software RTI ready? Most of the larger branded payroll software companies will be sending out updates to ensure you can use your package, if you are not sure whether your package is compatible please do get in touch.
- You must align your data with HMRC so employees will need to confirm that the information you hold for them is correct. Names must be given in full, no nicknames or shortened names etc
- For new employees, you must have full name, address, date of birth, National Insurance number and gender. If you do not hold this information, you will not be able to pay your employees.
- You will also need to know how many hours your employees are contracted to work each week. Should you require any further information on this, please do not hesitate to contact us.

Inside this Issue

Welcome to the current issue	1
Real Time Information (RTI) – What you Need to Know!	1
HMRC re-launch its Business Records Check (BRC)	2
Annuity Rates Continue to Fall	2
Wilson Browne Advert	2
Plans for a new type of Employment Contract	3
RTI – Closing Payroll Schemes	3
High Income Child Benefit Charge	3
Seasonal & Kilby Fox News	4
Check you NI Number	4
National Minimum Wage Rates	4
Self-Storage	4

Kilby Fox Accountants & Business Advisers

Kilby Fox
Wealth Management Limited
Kilby Fox
Forensic Accountants

4 Pavilion Court
600 Pavilion Drive
Northampton Business Park
Northampton
NN4 7SL
Tel: 01604 662 670
Fax: 01604 662 681
Email: advice@kilbyfox.co.uk
Web: www.kilbyfox.co.uk

If you would like to receive earlier editions of Fox Facts please contact Gemma on 01604 662 670

HMRC re-launch its Business Records Check (BRC)

On 1st November 2012 HMRC re-launched its Business Records Check (BRC). These had been axed at the beginning of February 2012 due to protests from the main tax bodies. The purpose remains the same. HMRC intends to check the adequacy of business records being maintained by Small and Medium sized Enterprises (SMEs) but the process has changed.

HMRC now intends to:

- Write to those SMEs selected for a BRC
- Telephone the selected SMEs to talk through their business record keeping. The call is expected to last 10-15 minutes

Based on the responses received, HMRC will then:

- Assess whether a face to face BRC visit is required
- If the business records are deemed to be adequate, the HMRC officer making the call will tell the SME and then confirm the decision in writing
- If the business records are deemed to require improvement, an HMRC officer from the Business Education and Support Team will make contact with the SME.
- If the business records are deemed to be inadequate and a visit required, the HMRC officer will ask one of their colleagues on the booking team to call to make the arrangements. This appears to be very similar to the traffic light system used by HMRC prior to the suspension. Adequate records were given the green light, records in need of improvement were given the amber light and inadequate records were awarded a red light. If you would like to discuss this topic further, please contact one of our team on 01604 662670.

Annuity Rates Continue to Fall

The Annuity Index tracks the income paid on enhanced and conventional annuities on a quarterly basis. Latest findings reveal that conventional annuity rates have fallen by 7% since June 2012 and enhanced rates have declined by 5%. This is the highest quarterly fall recorded by the Index since its launch in August 2009. The Index also reports a 20% drop in average annuity rates in the three years between August 2009 and September 2012.

Other key findings:

- Overall rates have fallen by 20% since August 2009
- The difference between the top enhanced annuity rates and bottom standard annuity rates for a 65 year old are – 44% for men and 48% for women

Jim Thomson, Chartered Financial Planner and director at Kilby Fox Wealth Management comments:

"Annuity rates have been falling for over a decade now, the recent falls largely driven by record low gilt yields. Annuity providers have yet to fully price in the effects of Solvency II or the EU Gender directive so we expect further falls over the coming months unless we see a significant upward movement in gilt yields. Shopping around for the best rate is critical, as is considering alternatives. Seeking Independent, Whole of Market advice, such as we at Kilby Fox provide, is essential to ensure that you maximise your retirement income"

There are alternatives to traditional annuities which those approaching retirement would be wise to fully explore. A Whole of Market, Independent firm will be able to provide an appropriate service.

Clear cut commercial legal advice

- Corporate
- Contracts
- Commercial property
- Insolvency
- Litigation
- Healthcare
- Employment

At QualitySolicitors Wilson Browne we know the importance of clear and practical advice.

Contact Nina Wilson at wb.wbcl@qswblaw.com or call on 01536 410014

www.qswblaw.com

QualitySolicitors
Wilson Browne



Plans for a new type of Employment Contract

Chancellor George Osborne has announced a new type of employment contract to be known as an employee owner. Under the new contract employees will be able exchange some of their UK employment rights for shares in the business they work for. Gains on the disposal of the shares will be exempt from capital gains tax.

Companies of any size will be able to use this new kind of contract and employees will be given between £2,000 and £50,000 of shares. In exchange, they will give up their UK rights on unfair dismissal, redundancy, the right to request flexible working and time off for training, and will be required to provide 16 weeks' notice of a firm date of return from maternity leave.

Employee-owner status will be optional and legislation to bring in the new contract is expected to be introduced later this year so that companies can use the new type of contract from April 2013.

RTI - Closing Payroll Schemes

HMRC are about to write to employers who they believe have a payroll scheme which is not being used. The letters are being sent in preparation for the introduction of RTI as HMRC are planning to close any payroll schemes which they believe are no longer needed. If you receive a letter regarding a payroll scheme which you believe will be used in the future please do get in touch so that we can advise HMRC accordingly.

High Income Child Benefit Charge

HMRC are about to write to taxpayers who they believe will be affected by the High Income Child Benefit Charge.

In Budget 2012, as part of the reforms to the welfare system, it was confirmed that Child Benefit will be withdrawn from households that include certain higher earners.

Although the change applies from January 2013 the calculation to decide whether or not a household is affected by the reform includes the full income for 2012/13.

The legislation imposes a new charge (the High Income Child Benefit Charge) on a taxpayer who has adjusted net income over £50,000 in a tax year where either they or their partner, if they have one, are in receipt of Child Benefit for the year. Where there is a partner and both partners have adjusted net income in excess of £50,000 the charge will apply to the partner with the higher income.

An income tax charge will apply at a rate of 1% of the full Child Benefit award for each £100 of income between £50,000 and £60,000, rounded down to the nearest pound. The charge on taxpayers with income above £60,000 will be equal to the amount of Child Benefit paid.

If you receive a letter from HMRC informing you that you will be affected, you will have two options as follows:

Option 1 – Keep getting Child Benefit payments, this means you:

- Would have to pay a tax charge on the Child Benefit you or your partner receive
- Will have to declare the Child Benefit by completing a tax return

If you earn between £50,000 and £60,000 you may want to choose this option. This is because the tax charge will always be less than the amount of Child Benefit. You can always change your mind if your circumstances change.

Option 2 – Stop getting Child Benefit payments, this means that:

- You will not have to pay the tax charge
- You will not have to complete a tax return – unless you need to for other reasons
- Any entitlement to Child Benefit will still carry on – providing you or your partner still qualify for it. If your income is more than £60,000 you may want to choose this option.

This is because the tax charge will always be the same as the amount of Child Benefit. There are some income adjustments that may apply which could bring your income level down below £60,000, such as pension contributions. This could reduce your tax charge. For more information on this topic please do not hesitate to contact our tax department on 01604 662670.

For monthly updates and tax reminders why not register free of charge at kilbyfox.co.uk