

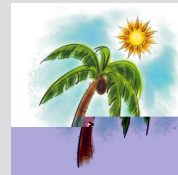
Jon Essam & Co Ltd

Chartered Accountants

Newsletter

Issue No. 25

July 2010



Greetings once again.
As ever at this time of year, it has been a hectic last three months in the office.
We have also had an emergency budget following the change of government, a full summary is enclosed with this newsletter.

Most clients will benefit from the increased personal allowance (£7,475 compared with £6,475) that will start from 6th April 2011. However there will be a reduction in the basic rate tax band which will hit higher earners.

The tax rate for limited companies will be reduced from 21% to 20% next April whilst the effective over all rate for self employed clients will increase from 28% to 29% due to a 1% increase in the rate of class 4 National Insurance contributions. *For profitable businesses, this will increase the savings that are currently being made through operating your business as a limited company.*

The office has been busy dealing with the employer's year end returns during April and May. All have now been filed online. Some editions of the last newsletter indicated that a further incentive payment may be due from HM Revenue and Customs. Please note however that the incentives have now ended.

We have also completed P11Ds (return of benefits in kind), mainly for clients operating as limited companies during this period. Employers are assessed for Class 1A National Insurance on the value of P11D benefits and this liability will be due on 19 July. We have already issued payslips that were received at the office. If you received your payslip direct from HM Revenue and Customs please refer to our original letter or ring the office to obtain your payment details.

A number of clients involved in the New Construction Industry Scheme (CIS) are due repayments at this time

of year. As a reminder:-

Limited Companies

Your CIS deductions were submitted as "tax suffered" on the employer's year end P35 return. These amounts should be refunded as soon as the returns have been processed. Past experience has shown it is not that simple, but Hazel has submitted written requests and is now chasing HMRC on your behalf.

Sole Traders/Partnerships

The CIS deductions are included on your Self Assessment income tax return. The tax is netted against your liability for the year and any excess refunded. Higher earning clients will already be well aware that the tax may be insufficient to cover the liability. In this case the balance will be due next January.

Best wishes

Jon

TAX COLLECTED VIA YOUR TAX CODE

Clients who have requested that a tax liability for an earlier year be collected via their current tax code may find that HM Revenue and Customs have removed this from the record and are now requesting the tax payment in full immediately.

From discussions with the tax office, it would appear that they have automated their tax coding software this year and are no longer able to manually adjust their record to include the amount in your tax code. The tax office suggests that the only alternative is to make the payment as soon as possible.

If you have any queries regarding this or receive a tax demand that you are unsure about, please contact us.

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SICK NOTE TO FIT NOTE

On the 6 April 2010 the 'sick note' was replaced by the fit note.

What happens currently?

Medical statements are issued by doctors to employees when they are ill or injured. They are commonly used by employers as evidence for sick pay purposes.

With the current statement, doctors describe an individual's condition and indicate whether or not they are fit to work.

What is the fit note?

The Statement of Fitness for Work, or 'fit note', is a new Medical Statement that doctors will issue from 6 April 2010, which is relevant to all employers.

It replaces the old 'sick note' and aims to provide more useful information on how your employee's condition affects what they do and how they might be able to return to work.

A doctor will give a 'may be fit for work' statement if they think that your employee's health condition may allow them to work.

What's different about the new fit note?

In the past, doctors have either said that 'you should refrain from work' or 'you need not refrain from work'. With the fit note the doctor will be able to advise their patient if they are 'not fit for work' or a new option - 'may be fit for work taking account of the following advice'.

A doctor will be able to suggest ways of helping an employee get back to work. This might mean discussing:

- a phased return to work
- altered hours
- amended duties
- workplace adaptations

While you won't have to act on the doctor's advice in a 'may be fit for work' statement, it may help you make simple and practical adjustments to help your employee return to work and reduce unnecessary sickness absence.

EMPLOYMENT LAW - DID YOU KNOW!

Contracts of Employment

All employees are entitled to a written statement of their terms and conditions of employment within two months of their start date. If no proper 'statement' is supplied they can apply to an Employment Tribunal (ET), either whilst still in employment or up to 3 months after termination, for a monetary award. The Tribunal can decide on an award of 2 to 4 weeks gross pay.

Payslips

Employers are obliged to provide employees with an itemised payslip. If an employer fails to do so the employee can apply to an ET for compensation. The employer will have to pay for un-notified deductions (tax, national insurance, union subscriptions, etc) for each pay day in the 13 weeks prior to the ET application.

The above points are both a Statutory Right and as ignorance of the Law is no defence, employers will be made to pay an award or a compensatory amount.

If you would like further information on the above please give us a ring.

CHANGES TO THE ADVISORY FUEL

To reflect the increase 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 June 2010, so employers using the advisory rates should advise affected employees and update any expense forms as soon as possible.



Engine Size	Petrol	Diesel	LPG
1400cc or less	12p (11p)	11p (11p)	8p (7p)
1401cc – 2000cc	15p (14p)	11p (11p)	10p (8p)
Over 2000cc	21p (20p)	16p (14p)	14p (12p)

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