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Incorporating WAINWRIGHT SON & CO Established 1883

NEWSLETTER

JULY 2004

New Employees ID

Employers can no longer rely on sight of a form P45 or NI number card alone. In the common case of a British subject born and bred, it would be necessary to see either:-

- A passport showing that the holder is a British citizen (or has a right of abode in the UK) or
- An official document (P45, P60, NINO card or a letter from a government office) showing the individual's permanent national insurance number **and** his or her full UK birth certificate. A short form birth certificate will **not** be acceptable. Also, the Inland Revenue Construction Industry Scheme documents will no longer be acceptable as evidence of the holder's NI number.

If an individual who was born in the UK, does not have a full birth certificate, he or she can obtain one from the general register office www.statistic.gov.uk/registration or calling 0870 243 7788.

National Minimum Wage

The new rates applicable from 1st October 2004 are: -
Main rate aged 22 and above £4.85 per hour. Development rate for 18-21 year olds £4.10 per hour. New rate for 16-17 year olds £3.00 per hour. The new rate for 16-17 year olds applies to 16 year olds who are no longer of compulsory school age i.e. the last Friday of June of the school year in which their 16th birthday occurs.

Employment Of Young People Under 16

The date when young people can legally leave school and get a full time job is the last Friday in June. Young people may not leave school before then, even if they are already 16. Before this date young people cannot be employed in any of these circumstances: where the child is under 14 before the close of school hours on any school day; for more than two hours on any school day; before 0700 or after 1900 on any day; for more than two hours on any Sunday; to work other than light work; for more than 5 hours, eight if



the child is 15 or over, on Saturday or on weekdays during school holidays; for more than 25 hours each week (35 if the child is 15 or over) during school holidays.

Anyone wishing to employ a child must obtain a permit from their local education authority. This will specify the employment conditions to be observed.

Disability Discrimination Act (DDA)

This act comes into force on 1st October 2004. The DDA gives the following definition of disability: a physical or mental impairment which has a substantial and long term adverse affect on a persons ability to carry out normal day to day activities. An employer might unlawfully discriminate against disabled people: -

- By treating them less favourably than other employees or job applicants because of their disability
- By not making reasonable adjustments to company premises

These requirements have been in force since 1996 but from 1st October 2004 the small employers exception is to be abolished.

If you are a business or a not-for-profit organisation, you need to:

- Decide if you are a service provider as defined by part 111 of the DDA
- If you are, you need to undertake an assessment and decide if you need to make adjustments to your business.
- Implement those adjustments.

Publications may be downloaded from the DRC website www.DRC-GB.ORG.

Tips, Gratuities, Service Charges And Troncs

New guidance has been introduced by the Inland Revenue to cover the taxation of tips, gratuities and services charges for income tax and NIC's. This includes the impact for national minimum wage and vat including the treatment when a tronc exists.

If the tip etc is not part of the employees terms and conditions and is not in any way influenced by the employer in how the money is shared out among the employees, then NIC's are not due on the payment and the tip etc does not count towards the national minimum wage.

In all circumstances, the tip etc is taxable and should be disclosed by the employee on his personal tax return or coded in by his code notice.

This is a specialist area and requires detailed advice. Please contact us to advise you where relevant.

Tax Credits

Tax credits are available to everyone on a means tested basis. If you think you might qualify then you should contact us without delay. To qualify you must be working **OR** have children who are eligible for child benefit. Tax credits are available in appropriate circumstances for income levels up to about £58,000.

People who have claimed tax credits in 2003/04 will be receiving the tax credits annual declaration form for the year ended 2004. This sets out a return of income for 2003/04 which will be used to calculate an under or overpayment for 2003/04 as well as set the level of the payment for 2004/05. The forms should be returned before **30th September 2004** otherwise payments you are receiving will stop and you may be liable to financial penalties.

If your income is lower in the current year than in the last year, this should be recorded on the form to claim an **increase** in the tax credits available for the current year.

If the existing rate of tax credit payment is over generous, then a refund will need to be made and the sooner it is corrected, the sooner the overpayment will cease accumulating.



Tax Credits-Child Care During Summer Holidays.

A point that is sometimes overlooked is that the childcare element of working tax credit is not limited to permanent child care arrangements, but can be claimed for blocks of child care lasting four weeks or more, and up to the beginning of September following a child's 15th birthday. Thus, for example, it can be claimed for children attending the summer holiday activities offered by some schools, local authorities clubs, etc. The organisers will be able to tell you whether their activities qualify.

Are Your Affairs In Order?- Making A Will

Making a will means that your money and property will be gifted by you on your death in accordance with your wishes. Your executors will be chosen by you and will ensure that your money and property reach those you would actually wish to benefit. Your will should also enable you to deal with any particular situations and the relevant tax planning to be carried out.

Failure to make a will means that your money and property will be dealt with under the laws of intestacy. Not only is this more complicated for those who you leave behind, there is also no guarantee that your assets will pass to those who you wish to receive them.

Other matters, which could be considered during the time of making your will, would be signing an enduring power of attorney and consideration of a living will.

Matters such as ownership of the family home as joint tenants or as tenants in common, and consideration of the formation of trusts can be covered at this time. Trusts are a form of legal vehicle whereby the estate would be left and administered by trustees for certain events.

Inheritance tax applies to the value of an estate in excess of £263,000. There are various reliefs and exemptions available. Contact us for specific and timely advice.

Benefits In Kind-Company Vans

From 6th April 2005, there will be no benefit in kind charge where an employee is allowed to use a company owned van for home-to-work travel provided they are required to take the van home by the employer and private use is expressly restricted to home-to work journeys.

Where private use is not **restricted** to home-to-work journeys, from 6th April 2007, the benefit in kind charge will increase from the present £500 (£350 for older vehicles) to £3000, with an additional £500 if the company does not charge the fuel used.

We recommend therefore that employees will want their employers to restrict private use to home-to-work journeys especially once the increased tax charge comes into force in 2007. All employers should therefore reconsider their company van policies.

Home Computing Initiative

Employers of all sizes can implement a tax-exempt loan scheme for their employees. Loaned computing equipment up to the value of £2,500 can be loaned free of tax and NIC. If the employer leases the equipment, then no tax or NIC are payable if the lease cost is not more than £500 per annum and the value is not more than £2,500.

If there is an intention that some home business use will occur, then all the VAT will be recovered as input tax and no vat apportionment will be due.



Incorporation-Sole Trader Or A Limited Company?

Since 2002, company tax has been entitled to a nil rate band of £10,000 i.e the first £10,000 of profits are tax-free. Together with personal allowances to the proprietor and a spouse, this would leave £19,000 of company profits completely tax-free. Any excess profits are extracted from the company as a dividend which would also be tax-free. From 1st April 2004, profits distributed as dividends will be subjected to a minimum rate of corporation tax of 19%.

This “dividend tax” hits the smallest business the hardest. However, it is still an advantage to most businesses to trade as a limited company rather than as a sole trader. You should take advice on your particular circumstances by contacting us without delay. A saving of at least 11% can be made.

Company Websites

All companies must disclose on their letters and order forms, whether in paper or electronic form, details of where they are registered, their registered number, legal form and registered office. Companies will also be required to include this information on any company website, a requirement which marks the first modest element of compulsory disclosure on a company’s website.

Big Brother, Money Laundering

A client has traditionally been able to discuss his financial or tax problems with his accountant in strict confidence. “Money laundering” itself has been redefined to include not only introducing the proceeds of crime into the legitimate financial system, but also simply retaining the proceeds of any criminal offence. This now includes tax offences.

Tax evasion is illegal. Tax avoidance is legal. We will advise you on any matter to minimise your liability within the law.

Any tax evasion is a criminal offence even though it is rarely prosecuted. If a client advises that he has deliberately understated his profits or avoided tax, his accountant must now make an immediate report to NCIS who will then pass the information directly on to the Inland Revenue.

It is a criminal offence, punishable by imprisonment, for the accountant not to make this report. It is also a criminal offence for him to warn the client that a report has been or will be made.

A report would also have to be made if an accountant discovered that a client had deliberately overclaimed tax credits, or even if he had simply failed to insure a business vehicle or not to declare any amount of income on his tax or VAT returns.

There is no exemption for small amounts and, in the first case to reach the courts, a senior judge held that a solicitor should make a report if he discovered that a client had deliberately over claimed social security benefits by as little as £10. Mere carelessness or lack of attention when filling in tax returns and other official forms is not criminal offence, (even though it may be punishable by an Inland Revenue surcharge or penalty). To be a crime, there must be a deliberate lie or at least a deliberate attempt to mislead.

Our advice has always been that a client who realises he has provided incorrect figures to the Inland Revenue or Customs and Excise, should correct the position as soon as possible. Both departments have traditionally offered reduced penalties to those who co-operate in correcting any errors on their returns. In practice, therefore, clients who take our advice will not be affected by the new money laundering regulations.

This newsletter deals with a number of topics which, it is hoped, will be of general interest to clients. However, in the space available it is impossible to mention all the points which may be relevant in individual cases, so please contact us for personal advice on your own affairs. Please speak to one of our advisers, **Alan Bolton or Tony Albinson** about any of the above matters.

