

REAL TIME INFORMATION FOR PAYE



HMRC is introducing a new way of reporting PAYE from 6 April 2013.

Real Time Information (RTI) is an online filing system, where employers and pension providers will inform HMRC about PAYE on a far more regular basis, as part of the payroll process. Payroll information will be submitted during the course of the year but arrangements for the payment of PAYE will remain unchanged. The new system will commence for most employers in April 2013 with all employers doing so by October 2013.

There is no doubt that the current system is in urgent need of updating. A great deal of information under the existing arrangements is only reported annually which means that HMRC can be very delayed in updating individual and business tax records.

HMRC says that RTI "will make PAYE easier for employers' pension providers and for HMRC to administer, and over time more accurate for individuals". A pilot has been underway for some months with 1,300 employers taking part and reporting under RTI, and HMRC report that it has been a great success.

For those businesses that use payroll software, the software provider will develop updates to ensure that the RTI information can be processed and submitted online. If you do not use payroll software, it is still possible to report online, however, it may be worth considering updating to software that suits the new requirements. Alternatively, smaller employers can use HMRC's free online Basic PAYE Tools.

One practical measure that can be dealt with in preparation for RTI is to check that employee data is accurate. It will be essential that the following basic information is updated:-

Name: Ensure that individuals' names are submitted in full, spelt accurately, and listed in the correct order, so: Alison Mary Smith, not A Smith, Smith A or Alison M Smith. Avoid using shortened versions, or covering entries such as 'unknown' or 'A N Other'.

DOB: Do not use a default date of birth, and make sure the date is in the correct format (day, month and full year of birth).

NI: Ensure that you submit the correct national insurance number, which will take the form of two letters, followed by six numbers, ending with the letter A, B, C or D.

Obviously the introduction of RTI will require adequate planning and we would advise you to contact us if assistance is required.

More information can also be obtained from hmrc.gov.uk/rti



Martin Osborne
Partner
Segensworth and Portsmouth North



WILL YOU BE CAUGHT BY THE CLAW-BACK OF CHILD BENEFIT?

The Finance Act 2012 was finally passed in the summer and despite changes to many of the original budget proposals, one of the most far-reaching and complex remains. For taxpayers who have children, the provisions to claw-back child benefit where one person in a household has an income over £50,000 are not only complex but take the income tax system back 22 years by assessing a tax charge on a couple rather than an individual. This time however, it affects not only married couples (and civil partners) but also those 'living together as if married'.

Who does it affect?

If you or your partner receive or are eligible to claim child benefit for one or more children, you could be affected by these changes which come into force from 7 January 2013 and they will affect 2012/13 tax returns.

How does it work?

The simple part of the change is that if the highest earner of a couple has an income over £60,000 all child benefit will be clawed back through the income tax system (PAYE or self assessment). If their income is between £50,000 and £60,000, 1% of the child benefit will be clawed back for each £100 by which their income exceeds £50,000. As an example, if the highest

earner's income was £53,515 then 35% of the child benefit would be clawed back.

What about the detail?

Complexity will come in the administration and will begin when HMRC send letters to all employees/directors earning over £50,000 setting out the change and how it may affect them. This means some higher paid employees who do not currently file tax returns will have to do so.

Later when individuals or their agents prepare 2012/13 tax returns there will be a new batch of questions dealing with child benefit, covering:

- Have you or your partner claimed?
- How much have you received?
- When did you begin /cease to claim or live with the claimant?
- Are you or your partner the higher earner of the couple?

Where both partners earn or have a reasonable level of income they will need to liaise about the preparation of their tax returns. Where a couple traditionally deal with their finances separately, this could be a fundamental change in approach. Where

couples separate, the new rules could mean one partner has to repay a significant amount of child benefit which their ex-partner actually received.

We have yet to see how HMRC try to deal with these through the PAYE system, but they could mean more changes to PAYE codes and more over/underpayments of tax.

Can you plan to minimise the affect?

As always there will be planning opportunities, particularly where individuals can control the timing of their income. If you have any concerns or would like to discuss how this might affect you personally, please contact your local Rothmans adviser.



Julian Sims
Director, Havant

ACADEMIES FINANCIAL HANDBOOK – LESS IS MORE

The eagerly awaited revision to the Academies Financial Handbook has finally been published, replacing the document that has been with us since 2006. In his foreword, the Secretary of State for Education claims the handbook sets out a financial system that is less bureaucratic and more efficient. Indeed, early indications are promising with only 28 pages to replace the 212 of the previous version.

However, any hopes that the virtues of simplification and plain English have come to the education sector are soon dashed. The handbook contains, hidden in its slender form, a plethora of hyperlinks to supporting documents. An early example being the academies: Accounts Direction 2011/12, which runs to 136 pages of detailed guidance for academies when preparing the annual report and financial statements. It contains model accounts, which has virtually every disclosure an academy will ever need.

One of the more interesting developments within the handbook is regarding surplus grant income. This was previously permitted to be carried forward from one year to the next, but was restricted to limits based on the level of general annual grant. These limits have now been removed so that academies, subject to any clauses in their funding agreement, can keep money aside and build up reserves, for example, for long-term capital projects.

In many respects not too much has changed, but the framework has been simplified and some of the issues of academy conversion that had been overlooked in 2010 have been addressed. The speed with which many schools have embraced the opportunities afforded them by converting, probably caught the Government by surprise. However, even now, information and support is limited. It is therefore vital that professional advisers are consulted at the very early stages of considering academy

status to ensure informed decisions are made. Rothmans has an experienced academy team that is able to support schools throughout the conversion process and subsequent years.



Daren Laidlaw
Partner
Segensworth and Portsmouth North



COMPANY CAR ADVISORY FUEL RATES

HMRC first published advisory fuel rates in 2002 for two main purposes - allowing a tax free rate for:

1. Businesses to reimburse employees for work related travel in company cars, or
2. Employees to repay the cost of fuel used for private travel in company cars.

The rates are updated every quarter and the latest, which are effective from 1 September 2012, are as follows:-

Engine size	Petrol	LPG	Engine size	Diesel
1400cc or less	15p	10p	1600cc or less	12p
1401cc – 2000cc	18p	12p	1601cc – 2000cc	15p
Over 2000cc	26p	17p	Over 2000cc	18p

Reclaim of VAT

HMRC also allows businesses to reclaim the VAT element of the fuel mileage rates. To do so the following records should be retained:-

- The mileage travelled and whether the journey was business or private
- The vehicle engine size in cc
- The rate of mileage allowance used
- The amount of input tax claimed

Please contact us if you require advice on your company car policy.

ROTHMANS NEWS

JULIAN SIMS APPOINTED AS DIRECTOR

Rothmans are pleased to announce that Julian Sims has been appointed as a director at the Havant office from 1 October 2012.

Julian, who lives close to Fordingbridge, joined Rothmans earlier in 2012 as a senior tax manager. He has worked in the profession locally for 27 years, training as a chartered accountant and chartered tax adviser, then spending seven years with a long established firm in Salisbury and in 1998 joined a Southampton firm where he became director in 2004. For the last few years Julian has provided live comment on budget day with Radio Solent and also writes occasionally for professional publications.

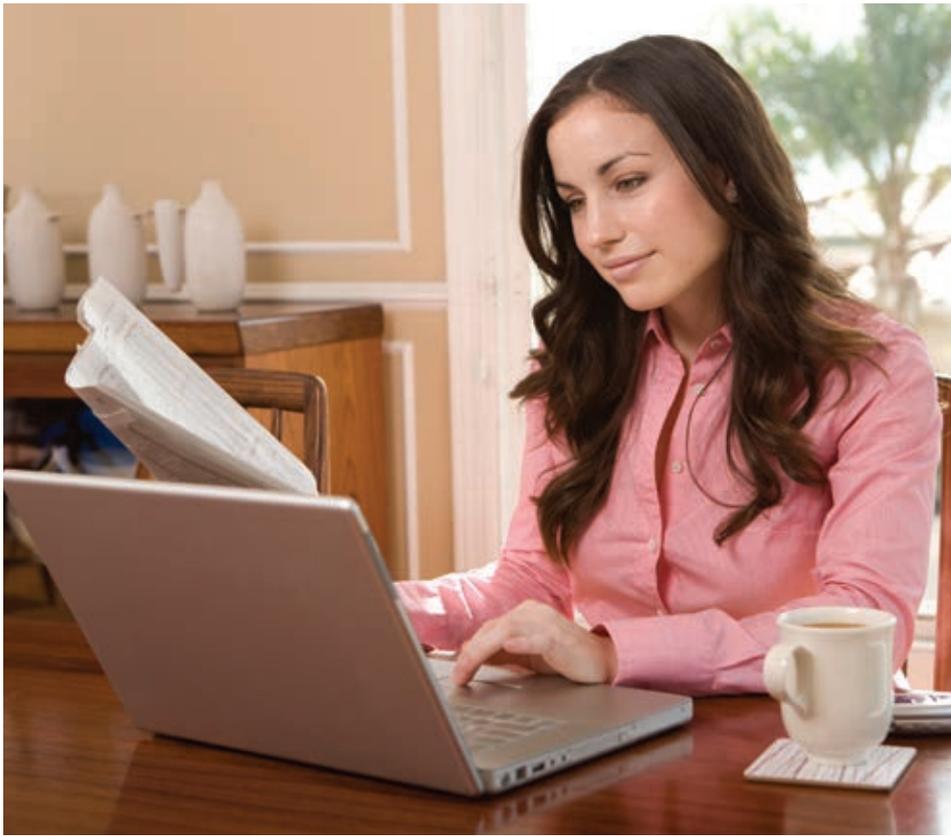
Julian spends an increasing amount of his time on tax planning, transactional advice, tax enquiries and litigation matters, as well as business valuation and expert witness work. He also continues to provide specialist advisory services to other accountants.

“At Rothmans I look forward to working with our clients, whether business owners or individuals, by bringing a commercial view to their tax affairs.” Julian says, “When considering the tax arrangements of a business or individual, it is vital that the commercial or family realities of the situation are put first.”



Julian Sims
Director, Havant

TAX FREE HOME WORKING ALLOWANCE



An allowance that receives very little publicity is the 'home working allowance'. Where employees work at home their employer can pay a tax free allowance to cover additional household expenses, such as light, heat and business telephone calls.

HMRC permits up to £4 per week (£208 per annum) to be paid free of tax and NI without any documentation being required. There must however be an arrangement with the employee to carry out some of the duties of the jobs at home on a 'regular basis' and the allowance only covers 'additional' costs incurred.

Contact us if you would like more information about allowances and benefits for employees.

ROTHMANS NEWS

ROTHMANS ON VIDEO!



Peter Hargroves
Managing Director and Owner, Hargroves Cycles

As part of our recent website refresh, we have been working behind the scenes to produce some short films highlighting the way we work with our clients. Please do take a moment to view our first video which provides some insight into how Richard

Showan, partner at Rothmans Eastleigh, and Peter Hargroves, Managing Director of Hargroves Cycles, have worked together over the last 20 years to grow the business into one of the largest cycle and parts businesses in the UK.

The film can be found in the business services section of our new website (www.rothmansllp.com/services) and on our YouTube channel (www.youtube.com/rothmansllp).

ROTHMANS NEWS

ROTHMANS STAFF RAISE OVER £4,000 FOR MARIE CURIE NURSES



In August, Rothmans staff took part in “Walk Ten”, a sponsored 10-kilometre walk around the historic village of Beaulieu. There was a great turnout from Rothmans with around 100 attendees consisting of Rothmans staff and their families.

Habib Brora, partner at the Eastleigh office comments, “It was an excellent evening with great live music and a summer picnic.

The children particularly enjoyed the spectacular firework display at the end of the evening. And all this in aid of a fantastic cause; Marie Curie Nurses in the Hampshire area.”

To date Rothmans has raised just over £4,000 on the JustGiving website and sponsorship forms.

It’s not too late to support Rothmans’ effort and donate to the Marie Curie Nurses through our JustGiving page on www.justgiving.com/rothmans

Well done and thank you to everyone that took part!

Rothmans Chandlers Ford

T +44 (0) 23 8026 5550

Rothmans Eastleigh

T +44 (0) 23 8061 4555

Rothmans Fareham

T +44 (0) 1329 280221

Rothmans Havant

T +44 (0) 23 9248 2683

Rothmans London

T +44 (0) 20 7871 9711

Rothmans Portsmouth North

T +44 (0) 23 9238 3207

Rothmans Portsmouth South

T +44 (0) 23 9282 3777

Rothmans Ringwood

T +44 (0) 1425 479977

Rothmans Salisbury

T +44 (0) 1722 413413

Rothmans Segensworth

T +44 (0) 1489 575428

Rothmans Southampton

T +44 (0) 23 8021 1088

Rothmans Sutton

T +44 (0) 20 8642 1048

Rothmans Winchester

T +44 (0) 1962 842345

www.rothmansllp.com