

## Tax Points Update

Issue 1/2013

### RTI Changes and Budget 2013

#### PAYE in Real Time (RTI)

On April 6<sup>th</sup> 2013 the way PAYE is reported to HMRC will change. Unless HMRC has notified you otherwise, you must be compliant with the new system.

The new system will work as follows:

- all employers will have to submit real time information (RTI) on PAYE
- you will keep the same payroll information as before but from April 6<sup>th</sup> submit that information to HMRC **on or before the day you pay** your employees
- PAYE RTI means every time you pay each employee, you must submit details on pay and deductions to HMRC using compatible payroll software.

In limited circumstances, small businesses that employ fewer than 50 employees and pay them weekly, but run payroll monthly, have until 6<sup>th</sup> October 2013 to revise their systems.<sup>1</sup> If you are in doubt about your status, please seek professional advice.

#### System Requirements

Generally speaking your payroll software should generate the required reports and submit details to HMRC. This new report will include:

- the amount that has been paid to the employees
- deductions, including Income Tax and National Insurance
- if applicable, starting and leaving dates.

The above detail needs to include **all employees you pay** and that includes those who earn below the National Insurance Contributions Lower Earnings Limit (LEL) which can include part time staff or students.

With the introduction of RTI you will no longer be required to submit end-of-year forms P35 and P14 and the starters' and leavers' process has been simplified too. When an employee leaves you

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<sup>1</sup> HMRC accepts that small businesses with fewer than 50 employees may need time to adapt their payment processes. This relaxation is **only** granted for businesses that pay weekly or more frequently but who only run their payroll at the end of the month. Such businesses must still submit RTI no later than the end of the tax month (5<sup>th</sup>). The adaptation period expires on 6<sup>th</sup> October after which RTI will be required for each payment made to employees. Further information is available here: <http://www.hmrc.gov.uk/news/relax-small-business.htm>.

will give them a P45 but you will no longer send P45 (part 1) or a P46 to HMRC. Instead this information will be reported to HMRC via your payroll software.

From 6 April 2013 when you run your payroll, the software will gather the information based on the entries you make and send it to HMRC.

**For Urgent Action: You should check now that your payroll software information is RTI enabled.**

If your software is not RTI enabled there are a few free packages available or you can go to the HMRC website where there are basic PAYE tools packages designed for employers with fewer than 10 employees. The information from your software is submitted through the Government Gateway. You will need to register for the PAYE Online login service if you are going to submit the information yourself.

With this new system it is imperative that you have the following accurate information:

- Full name of employee
- Address of employee
- Date of birth
- NI number
- Gender.

You may find that you need to check this information with your employees to ensure all information held is correct.

PAYE remains the same; it is just the reporting that has changed. Expenses and benefits will still be reported on forms (9D, P11D and P11D (b)). Importantly payment dates will also remain the same.

The reasons for changing to this new system are to simplify the PAYE process, support the introduction of Universal Credit and to provide the DWP with up to date information when assessing claimant's entitlement to benefits.

**If you are not yet prepared, what you need to do:**

- If you run your own payroll system, check that your payroll software is compliant with RTI and can provide HMRC with the required information.
- If you are going to send the information yourself, make sure you are registered for PAYE Online.
- If you use an agent or payroll bureau, you need to make sure that they are going to comply with your RTI requirements.
- Make sure you hold accurate and up-to-date information about your employees.

The above information is general guidance on the implications of the introduction of RTI and where you have particular issues you should seek professional advice.

## **Budget 2013**

This year's Budget announced by the Chancellor was big on headlines but had little content affecting business. Please find below the key announcements on business and personal tax for optical businesses.

### **Business Taxation**

#### **Employment allowance – NIC**

The centrepiece in the Budget Speech was carefully crafted to appeal to small businesses. There will be an "employment allowance" that will reduce every company's NIC payments by £2,000. This allowance will be offset against every employer's Class 1 secondary NICs annually from April 2014. It will be claimed as part of the new payroll process operated through *Real Time* (see above).

This will remove certain NIC payment obligations from the employer but not the employee and it is hoped this measure will stimulate job creation.

HMRC will consult with interested parties on exactly how this new measure will be implemented and further detail will be published later in the year.

#### **Employee Shareholder Status**

The first £2,000 of share value that anyone receives in return for giving up certain employment rights will be free from income tax and NICs. This will take effect from 1 September 2013. Indications are that not many employers are considering offering this option to employees.

#### **Corporation Tax to reduce to 20% by 2015**

Alongside the headline reduction, the corporation tax system will be simplified by having a single uniform rate rather than the complexities of having two – a mainstream rate and small company rate.

#### **Capital gains tax relief for SEIS shares**

The Government will give capital gains tax (CGT) relief on sales of businesses to their employees. The measure will extend CGT relief for re-investing gains in Seed Investment Enterprise Scheme (SEIS) shares during 2013-14 or the following year.

#### **Abolition of Stamp Duty for growth market shares**

From April 2014 the Government will abolish stamp duty on shares quoted on growth markets such as the Alternative Investment Market and the ISDX Growth Market.

## **R&D Tax relief**

Legislation will be introduced in the Finance Bill 2013 to provide an 'above the line' (ATL) tax credit to encourage R&D activity by larger companies. The ATL credit will be paid at a rate of 10 per cent of qualifying expenditure and will increase the visibility and certainty of UK R&D tax relief, while providing greater financial and cash flow support to companies with no corporation tax liability. The new rules will be effective for qualifying expenditure incurred on or after 1 April 2013.

## **New low emission bands for Company cars**

New percentage bands for company cars emitting 0-50g of carbon dioxide per kilometre (with appropriate percentage set at 5%) and 51-75g CO<sub>2</sub> per km (with the appropriate percentage set at 9%) will be introduced. The autumn statement set out a schedule of rates through to 2017, starting with a 5% rate for 75g limit and below; what the new clauses will do is bring in new bands for even lower emission cars to apply from 2015.

## **VAT**

The only significant change was an increase in the registration limit from £77,000 to £79,000 per annum and the announcement of a review of the retail export scheme. There were other proposals which are of very limited application to the general VAT population.

## **Personal Taxation**

### **Income Tax Personal Allowance 2014-15**

The personal allowance for people born after 5 April 1948 will be increased to £10,000 in 2014-15. This increase has been brought forward by a year from previous announcements.

### **Childcare vouchers for parents**

This tax-free childcare scheme will provide working families with 20% of their childcare costs, up to £1,200 per child. The scheme will become available from autumn 2015 for children aged four and under and will replace the existing Employer Supported Childcare (ESC). However, existing members of ESC can choose to stay in that scheme.

### **Threshold for employer provided beneficial loans**

This will increase from £5,000 to £10,000 from 6 April 2014. The Chancellor talked about the concession in terms of items such as season tickets for commuters, but the measure will also be a significant factor for directors' loan accounts.

## **Inheritance tax nil-rate band**

There will be a freeze on inheritance tax nil-rate band of £325,000 for a further three years from 2015-16 to 2017-18.

## **Consultations**

Although no further detail was announced there will be consultations on

- collecting Class 2 National Insurance Contributions through self-assessment and
- collecting tax debt through the PAYE coding system.

## **Optical Confederation**

**March 2013**