



Issue 36  
 April 2010

Another (tax) year over and a new one just begun...

We start off the new tax year with a quick round up of all the changes that await you.

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**PAYE**

The basic rate band stays at £37,400; the 40% band runs from £37,401 to £150,000. Above £150,000 the new 50% tax rate comes into play.

The basic personal allowance remains at £6,475 a year, leaving the PAYE threshold frozen at £125 weekly or £540 monthly. Other personal allowances are similarly held at 2009/10 levels. The important change is the restriction on personal allowances for individuals with taxable income in excess of £100,000. Allowances will be reduced by £1 for every £2 by which income exceeds £100,000 until the allowance is reduced to nil. HM Revenue & Customs (HMRC) will deal with this by issuing amended notices of coding. As an employer you just have to apply the code that has been notified to you.

**National Insurance Contributions (NICs)**

Thresholds for 2010/11 are frozen at 2009/10 levels with the sole exception of the Lower Earnings Limit which rises from £95 a week to £97. All Class 1 NIC rates remain unchanged for the time being. At present they are due to rise by 1% from 6 April 2011, but whether this actually happens will depend on the outcome of the General Election.

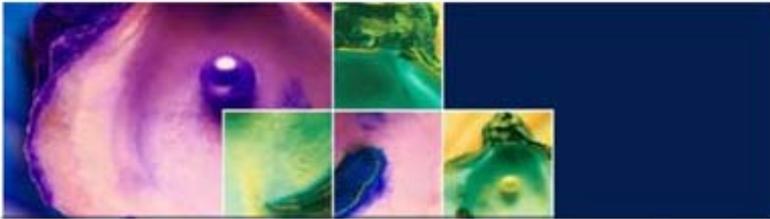
**In-year penalties for late payments of PAYE**

From the start of the 2010/11 tax year late payments of monthly PAYE deductions can result in in-year penalties. The new rules apply to all employers and contractors, from the largest to the smallest, and for employers with 250 or more employees they replace the mandatory electronic payment surcharge. PAYE deductions for this purpose include income tax, Class 1 NICs, student loan deductions, Class 1A NICs on benefits-in-kind, Class 1B NICs in PAYE Settlement Agreements and CIS deductions.

For PAYE tax, Class 1 NICs, CIS deductions and student loan deductions the penalty will be a percentage of the total amount that is late in the tax year. The percentage will be on a sliding scale from 1% to 4%, depending on the number of times payments are late in the tax year.

Number of late payments in the tax year	Penalty percentage	Amount to which the penalty percentage applies
1	0%	Total amount that is late in the tax year (ignoring the first late payment in that tax year).
2-4	1%	
5-7	2%	
8-10	3%	
11 or more	4%	

In addition there will be a penalty of 5% of any amount still unpaid after six months, and a further 5% after 12 months. A single late payment will not result in a penalty unless the payment is more than six months late.



For Class 1A and Class 1B NICs, the penalty will be 5% of the amount paid late if the full amount is not paid within 30 days of the due date, plus a further 5% if it is still unpaid after six months, plus yet another 5% if it is still unpaid after 12 months.

Employers and contractors will not have to pay a penalty if HMRC accepts that they have a "reasonable excuse"; however the excuse must be something unusual, unforeseeable and unpreventable. Inability to pay, or reliance on someone else to make the payment, will not normally be accepted as a reasonable excuse.

### **Cars**

For 2010/11 the CO<sub>2</sub> entry level drops from 135g/km to 130g/km. This will have the effect of increasing the majority of CO<sub>2</sub> percentages by one percentage point. The threshold for the 10% band (13% for diesel engines) remains unchanged at 120g/km - cars must have CO<sub>2</sub> emissions of 120g/km or less to qualify.

A new departure will be the introduction of a temporary 5% band for low emission cars with CO<sub>2</sub> emissions of 75g/km or less. This will last for five years from 6 April 2010 to 5 April 2015.

### **Electric cars and vans**

With effect from 6 April 2010 there will be a temporary suspension of the taxable benefit charge on electric cars and vans. This 'tax holiday' will last for five years. It will not apply to hybrid vehicles.

### **Fuel for cars and vans**

For 2010/11, the car fuel multiplier rises by 6.5% from £16,900 to £18,000. The van fuel scale charge rises by 10% from £500 to £550.

### **Latest advisory fuel rates**

HMRC has updated its 'advisory' petrol and diesel mileage rates for company/fleet cars and vans with effect from 1 December 2009. The previous change was on 1 July 2009. The current rates are:

Engine Size	Petrol	Diesel	LPG
1400cc or less	11p	11p	7p
1401 to 2000cc	14p	11p	8p
Over 2000cc	20p	14p	12p

### **National Minimum Wage (NMW)**

NMW rates will increase on 1 October 2010. The adult rate (aged 21 and over from October - currently aged 22 and over) will increase from £5.80 to £5.93 an hour. The Youth Development Rate (18-20 year olds from October - currently 18-21 year olds) will rise from £4.83 to £4.92 an hour. The minimum wage for 16-17 year olds will increase from £3.57 to £3.64 an hour.

Apprentice pay will also be covered by the minimum wage framework for the first time with a new apprentice rate of £2.50 an hour.

### **Statutory Sick Pay (SSP)**

For employees with average weekly earnings of £97.00 or more, the SSP weekly rate on or after 6 April 2010 is £79.15, unchanged from 2009/10.



### **Statutory Maternity Pay (SMP)**

The amount of SMP paid to an employee for payment weeks starting on or after 1 April 2010 is:

- first six weeks of payment - the earnings related rate of 90% of the employee's average weekly earnings
- remaining weeks - the lesser of the standard rate which is £124.88, or the earnings related rate.

### **Statutory Paternity Pay (SPP)**

The weekly rate of SPP paid to an employee for payment weeks starting on or after 1 April 2010 is the lesser of:

- the standard rate, which is £124.88 or
- 90% of the employee's average weekly earnings.

### **Statutory Adoption Pay (SAP)**

The weekly rate of SAP paid to an employee for payment weeks starting on or after 1 April 2010 is the lesser of:

- the standard rate, which is £124.88 or
- 90% of the employee's average weekly earnings.

### **Childcare vouchers**

To qualify for tax relief, childcare vouchers schemes operated by employers must be available to all employees. This is not always possible where some employees are paid at or near the National Minimum Wage and the vouchers are provided as part of a salary sacrifice arrangement. Recent HMRC pronouncements on salary sacrifice schemes for cycles, which have a similar 'available to all' condition, led to concern that childcare voucher schemes could also be at risk. New measures will relax the condition for childcare schemes and ensure the tax relief is not forfeited. The amendments will be retrospective to the 2005/06 tax year.

### **Salary sacrifice schemes for workplace canteens**

From 6 April 2011 the legislation giving tax exemption to workplace canteens and free or subsidised meals for employees will be modified. The basic exemption will remain, but it will no longer be possible to exploit the exemption as part of salary sacrifice or flexible benefit arrangements.

#### **For further information:**

If you would like any further information on the contents of this newsletter or any other employment related issues, please contact us using the details below:

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### **Approaching deadlines**

Date	Action
19 April 2010	Deadline for payment of your final (month 12) remittance of PAYE, NICs, student loan deductions and CIS deductions for 2009/10 (22 April if you pay electronically)
19 May 2010	Deadline for payment of your first (month 1) remittance of PAYE, NICs, student loan deductions and CIS deductions for 2010/11 (22 May if you pay electronically)
19 May 2010	Deadline for submitting your P35 and P14s for 2009/10. Remember that all employers now have to submit these returns online.
31 May 2010	Deadline for handing your employees their P60 for 2009/10.