



Keeping you up to date with the latest accounting news

Welcome to Rowleys Blue Flag. This issue covers the new National Living Wage, PAYE Settlement Agreements and the latest news on pension contributions due to be announced in the Budget.

The new National Living Wage (“NLW”)

From April 2016, the Government’s new National Living Wage will become law. This means that all workers aged 25 and over are legally entitled to be paid at least £7.20 per hour.

If you’re an employer, you will need to make sure that you are paying your staff correctly from 1st April, as the National Living Wage will be enforced just as strongly as the current National Minimum Wage.

To make sure that you are ready for the change, you must:

- Check which of your employees is eligible to receive the NLW
- Take the appropriate payroll actions
- Let your staff know about their new pay rates
- Check that your staff under 25 are earning at least the right rate of National Minimum Wage

If you’re concerned about the effects of the new National Living Wage or would like some help to implement the changes, why not call one of our Payroll experts on **0116 282 7000** for some specialist advice?

You can find out more about the National Living Wage, including new rates of pay on the Government website at www.gov.uk/national-minimum-wage



PAYE Settlement Agreements (“PSA”)

A PSA allows an employer to make one annual payment to cover all the tax and National Insurance due on small or irregular taxable benefits or expenses. This can be beneficial as it avoids the need to include these on annual P11D forms, or to calculate and charge tax and National Insurance on such items through the payroll.

What is covered?

A PSA is intended to cover items that are minor irregular gifts, such as a small birthday present, gift voucher, staff entertaining or one off relocation expenses. It can also include items where it would be impracticable to either operate PAYE on the amount, or difficult to identify with a shared benefit, how much relates to each employee in order to report it on a form P11D, e.g. the cost of a staff Christmas party, that doesn’t qualify for relief.

A PSA cannot be used for items such as bonuses, round sum allowances, beneficial loans or more high-value benefits such as company cars.

If you apply after the start of the tax year, there are some restrictions on what you can include.

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PSA deadlines and payments

If HM Revenue and Customs approve your PSA before the start of the tax year, you can include any expenses and benefits contained in the agreement. If it is approved after the start of the tax year, you might still need to report some items (such as gift vouchers) separately using the normal year end forms P9D and P11D.

The table below shows what you need to report separately for the tax year 2015 to 2016:

| PSA approval date | Items to be reported separately |
|--------------------------------------|--|
| Up to 5 April 2016 | Items provided before the agreement date that you've already included in your employee's tax code, or deducted (or should have deducted) PAYE tax on |
| Between 6 April 2016 and 6 July 2016 | Items provided during the tax year that you've already included in your employee's tax code, or deducted (or should have deducted) PAYE tax on |
| After 6 July 2016 | You can't apply for a PSA for tax year 2015 to 2016 |

You must pay any tax and National Insurance owed under a PSA by 22 October after the tax year the PSA applies to (or 19 October if you pay by post).

Any application for a PSA must be made in writing to HMRC within the above deadlines and must contain details of the expenses and benefits you wish to be included. Once approved, you'll need to calculate the amount of tax and National Insurance payable under the PSA and submit this back to HMRC who will confirm your calculations and payment details between 6 July and 19 October.

PSA's must be renewed every year before 6 July and, whilst this sounds like a complicated process, it can provide significant time and cost savings to you. If you would like more information or assistance in applying for a PSA, please contact a member of our team.

Pension Contributions

George Osborne has dropped plans to end or alter tax relief on pension contributions.

A proposed scheme would have scrapped upfront relief, worth an estimated £21bn to savers, but made pension pot withdrawals tax free. An alternative option was to set a flat rate of tax relief, which may have been unpopular with higher earners.

Campaigners suggest that the Chancellor has missed a "huge opportunity" to tackle obvious pension inequality and help the lower paid, but others say he was right to protect existing reliefs and that radical reforms would have created new risks and imposed new administrative burdens on employers. Mr Osborne had been expected to unveil changes in the Budget on 16 March, but a Treasury source said it was "not the right time".

Under the current system, pension savers receive tax relief at the same rate as their income tax - meaning basic rate taxpayers receive relief at 20% and higher rate taxpayers at 40% or 45%. The proposal to introduce arrangements similar to an ISA with no tax relief on contributions but with withdrawals free of tax, would have given a significant short-term boost to the government at the expense of lower tax revenue later. An alternative option considered by the Treasury was for flat rate relief, which would have benefited basic rate taxpayers and cut reliefs for higher earners.

The prospect of radical reform has also been opposed by the pensions industry with a period of considerable change having taken place in recent years. Automatic enrolment for employees into workplace pensions has accelerated since its introduction in 2012 and, since 2015, people aged 55 and over have been allowed to take their retirement pots in the form they want, rather than being required to buy an annuity retirement income.

We will provide further information on the Budget, once it has been announced on 16 March.

For more information on the subjects covered in this paper, or to arrange a consultation, please contact Mark Hook at mark@rowleys.biz or call us 0116 282 7000.