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Welcome

Welcome to the first issue of Haslers News, which brings you updates and practical advice on issues that may affect you financially.

Our bulletin contains a round-up of tax and financial news and developments that we hope will be of interest to both businesses and private individuals.

In this edition, we consider ways

of making tax savings though using salary sacrifice schemes, the importance of tracking down missing pension funds and the outlook for businesses in 2011, as well as saving for the future costs of further education.

We also take a look at how to ensure that using social media doesn't hurt a business's carefully crafted reputation, and the marvellous work of the Haslers Foundation.

We hope you enjoy reading

Haslers News and that you find it useful. We'd welcome your feedback on the content or ideas for topics that you'd like to see featured in future, so if you would like to comment, please contact us on **020 8418 3333** or at **advice@haslers.com**.

For professional financial advice, tailored to your individual circumstances, on any of the topics covered in Haslers News, please contact us.

Beat the National Insurance hike with salary sacrifice

By Steve Martin, Financial Adviser, AWD

Despite the partial reversion of plans to increase National Insurance (NI) contributions for employers, employees still faced a one percent hike across the board at the start of the new tax year. As a result, the main rate is now 13.8 percent.

Consequently, salary sacrifice schemes, where employees swap some of their taxable income for other benefits, such as childcare vouchers or pension contributions, are likely to become increasingly popular.

These benefits are paid for before individuals receive their salaries, and, as such, they do not attract Income Tax or NI contributions. The savings made can be invested in the benefits provided or added to the employee's wages, providing a further incentive for making the swap.

However, such arrangements must satisfy a number of

conditions for them to be approved by HM Revenue & Customs (HMRC). Consequently, the agreement must be in writing, signed and dated, and must not be retrospective.

In addition, salary sacrifice schemes rely on changing the employee's contract, as they are an enforceable variation of their right to salary. As a result, they should not be considered as a temporary measure.

Despite the obvious benefits

outlined above, such arrangements may not be suitable for all staff. For example, any employees on low wages could see their entitlement to state benefits, State Second Pension and employee benefits, such as death-in-service, adversely affected by such schemes.

Salary sacrifice agreements can be used for defined benefit schemes, with the NI saving being used to top up the scheme or to offer other benefits.



Paying for a university education

By Steve Martin, Financial Adviser, AWD

According to the National Union of Students, those attending university are likely to have average debts of around £40,000 once they finish their studies. This will comprise annual living costs of £10,600 and university tuition fees of £9,000 from September 2012.

Consequently, students and their families will need to plan in advance how to fund these costs in the future.

While the government plans to continue lending students the money to pay their fees, graduates would be required to pay their loans back once they earned over £21,000 – although this threshold is set to rise each year in line with inflation. Each month, graduates would pay back nine percent of any income above £21,000.

Those who are unable to work, or whose income does not reach

the threshold, would not be required to pay the money back, and if their income drops below £21,000, payments would then stop. In addition, if the loan is not paid off within 30 years, it will be written off.

Although some students are entitled to maintenance grants, and can take out additional loans to cover living expenses such as accommodation and food, the reality is that many will be required to accept the student loans offered.

However, this could put many youngsters off attending university – especially when the debts incurred will reduce the amount that can be borrowed when they are looking to buy their first place.

As a result, the families of potential graduates should be looking to begin saving for such costs as early as possible in order to take maximum advantage of the compound interest provided.

Although Child Trust Funds have now been axed, the government has announced a new tax-free savings account that will be available from autumn 2011, in addition to the other long-term savings products already available.

The new product will act just like a junior ISA with investments available in cash or stock and shares, and the money will be locked in until the child reaches adulthood.

Opening a deposit account when a child is born and paying in £100 each month could result in a nest egg of around £27,000 when they turn 18 – assuming the account pays 2.5 percent each year net of tax.

A similar investment in a Stocks & Shares ISA with growth of seven percent could be worth £38,000 over the same time period.

In both cases, these sums would make a welcome dent in the costs of further education.



Businesses warned of the perils of careless tweeting

By Laurence Jacobs, Partner, Business Services Group

Be careful what you write could become a new business motto after it was announced that anything posted on Twitter is legally public and publishable, at least in the UK.

Many companies now employ a particular member of staff or department to tweet about their firm as a means of creating an information hub for both customers and suppliers. Now this ruling means that any tweet is in the public domain and, more importantly, might be legally published in the future by anyone else.

Of course, most employers are very careful about what they say in any public forum and the written word can – and should – be edited before hitting the ‘share’ button, unlike spoken words. However, employers have little or no control over what might be written about them by staff.

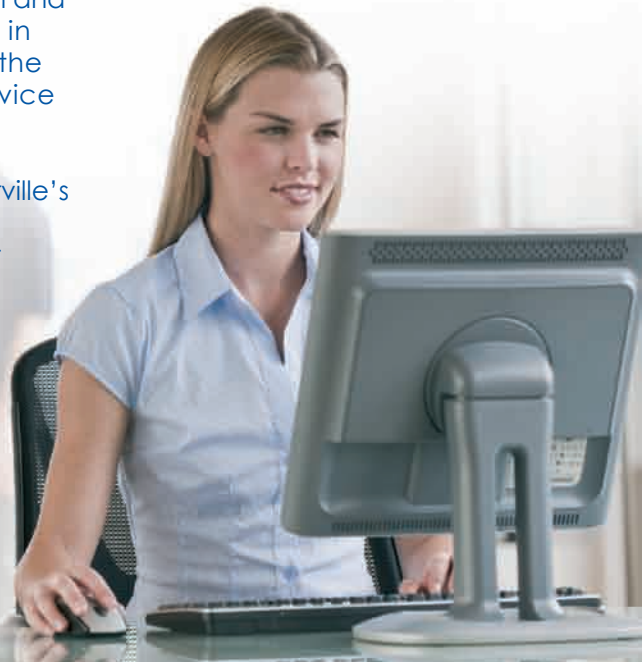
The case came to tribunal because a civil servant, Sarah Baskerville, found that her tweets had been used in articles in national newspapers and complained to the Press Complaints Commission (PCC) about the invasion of her privacy.

In her tweets, Baskerville had spoken of being hungover at work, had criticised a course leader as being “mental,” and had condemned government spin and waste; which the newspapers in question said went against the requirements of the civil service code on impartiality.

The PCC ruled against Baskerville's protestations that her tweets were private and only meant for her followers on Twitter. Indeed anyone with the slightest knowledge of social media would realise that tweets are frequently re-tweeted and can end up on the other side of the world in an instant.

Despite this being a

privacy case, the implications for businesses are clear. Simply put, they shouldn't write anything on the internet that they wouldn't want their customers or suppliers to see, and should try to ensure that their employees don't either. Careless words may not be fatal, but they certainly can wound – and a good reputation is hard won, but quickly lost.



Preventing double Inheritance Tax

By Clare Munro, Partner, Tax Consultancy

While the team at Haslers can advise on ways to reduce your Inheritance Tax (IHT) liabilities, there are some circumstances in which people fear they may have to pay IHT more than once on items passed between different members of their family.

For example, if the owner of an estate has no children and so leaves everything to his brother, he would pay IHT at 40 percent on anything above the £325,000 threshold. But if the brother then also dies, leaving the estate to his children, it may appear that a further 40 percent of what was left of the estate over £325,000 would now be due.

Fortunately, a little-known tax relief is available in exactly these sorts of

situation. Quick Succession Relief (QSR) is specifically designed to prevent HM Revenue & Customs (HMRC) effectively receiving IHT twice on the same estate.

QSR is calculated by taking into account how much was inherited from the first estate, how much tax was paid on that and the amount of time elapsed. Relief is only available for up to five years between the deaths involved.

Firms asked to give tax security

By Martin Anderson, Senior Partner, Tax Consultancy

Employers will be asked to provide security against PAYE and National Insurance (NI) payments owed to HM Revenue & Customs (HMRC) from April 2012 under radical changes being introduced by the government.

The measures are intended to solve the problem of firms going bust without handing over PAYE and NI contributions

deducted from workers' salaries – which is estimated to have cost the Exchequer £800 million in 2008-09.

The government has insisted that it will only use the powers where it has reasonable cause to expect that contributions may not be handed over. However, it is also proposing to make non-compliance with a request for security a criminal offence.

The consultation on the new powers ran until February 2011, as part of the wider consultation into the Finance Bill – the first time that the legislation has been published in advance in draft form.

Giving HMRC the power to request security was first proposed by former Chancellor Alistair Darling in his final budget.

Real-time PAYE system to be trialled

By Jon O' Shea, Partner, Tax Consultancy

HM Revenue & Customs (HMRC) is moving forward with its plans to make paying tax through the Pay As You Earn (PAYE) system more accurate and efficient by using real time information. It hopes that this will avoid a repeat of the previous problems, when millions of individuals were found to have paid the wrong levels of tax.

This means that HMRC will receive information on the pay transferred electronically to employees' bank accounts on a monthly basis instead of at the end of the year. As a result, tax codes can be changed as soon as an employee's salary increases or decreases, and employers will no longer be required to complete annual returns or P45/P46 forms when individuals change jobs.



HMRC has already provided further information on how the system will be implemented. This includes a year-long pilot process with volunteer software developers and employers, starting in April 2012.

After the trial, employers must join the new scheme over the following six months, with all employers using the new system by October 2013. There will also be special arrangements for smaller companies that do not pay their staff electronically.

The move is expected to halve the amount businesses spend on complying with PAYE rules, with annual costs plummeting from £700 million to £340 million, as well as saving the Treasury up to £400 million each year.

Meanwhile, the secondary proposal of centralised deductions, which would have allowed HMRC to deduct tax directly from pay packets before sending the net payment to employees' bank accounts has been shelved.

Annuity pricing affected by ECJ gender ruling

By Steve Martin, Financial Adviser, AWD

Historically, male annuity rates have been higher than those for women due to their shorter life expectancies. However, this is set to change from 21st December 2012 following a ruling by the European Court of Justice (ECJ).

The ECJ says that taking gender into account when offering annuity rates and insurance premiums breaks the EU's laws on gender equality.

Although the EU Gender Directive bans all discrimination on the grounds of gender in the access to and supply of goods and services, insurance companies are exempt as long as their services are based on actuarial and statistical data. Consequently, as men have shorter life expectancies than women, they can receive a higher income from their annuities over a condensed period of time.

Millions of individuals who purchase an annuity after December 2012 are set to be affected by the changes. Predictions show that the annuity rates for men could drop by as much as ten percent, while those for women could rise by seven percent.

But before women crack open the champagne, there are some factors to take into account. Firstly, their rate rise could initially be relatively slow, as cautious companies wait to see how the other main players in the marketplace react.

Secondly, eighty percent of annuities in the UK are bought by men. Consequently, many women are wives who rely on their husband's income, and therefore will be not better off.

As insurance companies react to the ruling and decide how to respond, annuity prices are

likely to fluctuate. As a result, it is imperative that anyone looking to purchase an annuity shops around to ensure they receive the best rate.

Additionally, people who do not need their annuity income before December 2012 should not panic and buy an annuity early in an attempt to avoid the new regulations.

While the ruling should only affect those who purchase an annuity in the future, individuals who already have annuity quotes are advised to keep an eye on developments and consider contacting their insurer to ensure there will be no changes to these quotes.



Changes to National Insurance payment dates

By Clare Munro, Partner, Tax Consultancy

From April 2011, Class 2 National Insurance contributions need to be paid on the same dates as self-assessment tax bills – 31st January and 31st July.

As a result, taxpayers who pay HM Revenue & Customs (HMRC)

via telephone or internet banking, CHAPS, bank giro, Post Office counter or post will only receive two payment requests each year, instead of four. These will arrive in the October and April preceding each deadline.

In the case of monthly payments by direct debit, payments

have stopped for a short time in order to bring the payment dates in line. A new six-monthly direct debit, collected each January and July, is also available.

Anyone affected by these changes should have received detailed information from HMRC.

Tracking down missing pension funds

By Steve Martin, Financial Adviser, AWD

According to a study by Aviva, as people change jobs more frequently they are losing track of their pension schemes. Indeed 54 percent of Britons have no idea how they can access previous private pensions, leaving them at risk of not receiving their full entitlement when retired.

Thirty percent of workers will have five jobs throughout their lifetime, with 28 percent of the UK's past and present full-time employees likely to contribute to two or more different pension schemes.

More than a third (37 percent) do not realise that they need to take action when they change jobs. A further 31 percent assume their employers will look after everything and 29 percent have decided not to give the issue another thought until closer to their retirement.

Nearly two-thirds (60 percent) are unaware that they can combine their pension pots at retirement in order to generate the highest possible income. However, people with multiple smaller pensions tend to receive lower annuity rates than those with a single pot.

Individuals should therefore track down workplace pension schemes from previous employers, as well as personal schemes.

Since the Department for Work and Pensions set up a free Pension Tracing Service in 2005, it has been used by more than 350,000 people. Around one in five users had found a lost pension, providing average weekly payments of £16 or an average lump sum of £1,900. Some people received both a weekly payment and a lump sum.

Five percent of those surveyed received weekly payments of more than £100 and seven percent received a lump sum in excess of £20,000.

When asked why they had lost touch with their pension scheme, 68 percent said it was because they had moved on from an employer, with other reasons including moving house, employers changing name or closing down and simply losing the paperwork.

Pensions Minister Steve Webb said: "People need to make sure they're claiming everything they're entitled to in retirement. If you think you may have had a pension in a previous job or you once paid into a personal scheme that you had forgotten about, then the Pension Tracing Service may be able to help you to recover the money you invested."

The service uses a database containing information on more than 200,000 pension schemes and provides contact details of the potential scheme administrator to enable customers to make further enquiries. It can be contacted on **0845 600 2537** (textphone **0845 300 0169**), Monday to Friday, 8am to 6pm.

Haslers Foundation helps children with life-limiting conditions

By Michael Watts, Partner, Corporate Finance

The Haslers Foundation Committee was formed in June 2008 with the aim of improving our presence and involvement in the local community and to further enhance our Corporate Social Responsibility pledge.

Our intention is to cover a range of local charitable areas in the hope that Haslers staff will become involved and give up some of their time to help support them.

In the short time that the Haslers Foundation has been formed, we have already helped to support a local under 11s football team, a children's charity, an event to raise money for a children's hospice and an anti-bullying campaign.

In 2010, Haslers's chosen charity

was The Dream Factory, and we will continue to support this worthy cause in 2011. Throughout last year, we were able to donate around £8,400 to this brilliant charity which helps children and young people who have life-limiting conditions.

Two of the events that helped raise this magnificent total were a charity golf day in June with clients and contacts, and a charity casino night in November. For the second event, the proceeds were split between The Dream Factory and the Cystic Fibrosis Foundation.

In addition to The Dream Factory, we have also helped a number of other causes during 2010. We have:

- Provided numerous book tokens to local schools for various achievements
- Started an ongoing relationship

with the Loughton branch of the Royal British Legion, donating to various needs in the local community

- Donated to the Chigwell Riding Trust
- Sponsored various individuals (non-staff members) on personal fundraising challenges, such as walking the Great Wall of China
- Sponsored staff to participate in a Starlight Walk for St Clare Hospice
- Provided a numeracy theatre show for a local junior school
- Donated to the Haiti appeal in February
- Supported Lea Rowing Association junior squad



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