

WINTER NEWSLETTER

Who needs a Will?

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Some people prefer to defer making a will – it reminds them that they cannot live forever. But if you die intestate, your money could end up with the ‘wrong’ people. For example, unmarried couples (who are not in a civil partnership) have virtually no rights whatsoever. There is no such thing as a common law marriage, for legal purposes.

Basic rules where there is no will

If a person dies with a surviving spouse or civil partner and children the spouse/civil partner is entitled to £250,000, the deceased’s personal possessions and a life interest in half of the residue of the estate. The children will be entitled to half of the residue immediately and the other half on the spouse’s death.

If the person leaves a spouse or civil partner but no children the spouse/ civil partner is entitled to £450,000 and all personal possessions plus half of the residue immediately, with the other half going to increasingly remote relations. If there are none, the money goes to The Crown.

If there is a spouse or civil partner but no siblings, nephews or nieces, they will be entitled to the whole estate.

Those not in a ‘legal’ relationship

If a person dies unmarried with children, the children will be entitled to the whole of the estate equally (or their children if they die first).

An unmarried partner would have to claim against the estate under the Inheritance (Provision for Family and Dependants Act) 1975 seeking financial provision from the estate.

If a person dies unmarried with no children, the whole of the estate will pass to the relatives of the deceased ranging from parents, through siblings to more remote relations; otherwise to The Crown.

The risk of doing nothing

The way the intestacy rules operate highlights the need for unmarried couples or families with step children (who are only covered by automatic entitlements if adopted by the person who dies) to make a will. Otherwise they are not provided for under the intestacy provisions.

Will it be expensive?

The cost of making a will need not be high; the cost of not doing so could be suffering for those you care most about.

Planning who gets your money also allows you to plan to minimise the potential impact of inheritance tax on your estate. After all, you could well become a 40% taxpayer when you die, if your estate is more than £325,000 (up to double for a married couple or civil partners).

You should take individual professional advice before making any decision relating to your personal finances. We can help and now hold regular will surgeries so why not book to join us at the next meeting and start 2011 by protecting your family for the future.

Special points of interest:

Business Link Website is

www.businesslink.gov.uk

H M R C

www.hmrc.gov.uk

www.hmrc.gov.uk/vat/forms-rates/rates/rate-increase.htm

Help for Heroes

www.helpforheroes.org.uk

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Don't stall over VAT Fuel Recovery

For many business owners, motoring costs represent a significant proportion of their firm's expenditure. As fuel prices have recently climbed to unprecedented levels, reclaiming VAT on car fuel is an ideal way to recover some of these draining costs. However, it is imperative that this process is carried out correctly as this is often one of the first areas that a VAT inspector will study when reviewing your accounting records.

If you pay a mileage allowance to your employees for business journeys made in either their own vehicle or a [company car](#), you can reclaim VAT on the fuel element of those mileage payments.

How it works: Private vehicles

The mileage allowance for private cars is 40p per mile for the first 10,000 miles and 25p per mile for additional business miles driven in the same tax year. These rates have remained unchanged for more than six years and they are deemed to include an element of reimbursement for the vehicle's other running costs.

To calculate the fuel only element you should refer to the [HMRC advisory fuel only rates](#). These rates are re-issued at least every six months and the latest rates apply from 1st July 2008, though by concession they can be used from 1st June 2008.

In order to reclaim the VAT component of the fuel element, firms should retain VAT receipts to cover the amount of fuel that is deemed to be used in the business journey. When an employee submits an expense claim for business mileage he or she must state the engine size of their car, or the band it falls into, and provide VAT receipts for the fuel purchased. It does not matter that the employee initially purchased the fuel rather than the business.

Example

David drives 1,000 business miles in his own car, which has a 1500cc diesel engine. The value of the fuel used according to the fuel advisory rates is 13p per mile: £130. The VAT element is $7/47 \times £130 = £19.36$. David must supply his employer with fuel receipts totalling at least £130 to allow the business to reclaim VAT shown on those receipts.

How it works: Company cars

Some companies may pay for the entire quantity of fuel consumed in a company car, which will inevitably include fuel used in private journeys. This takes the business into the realm of VAT fuel scale charges, and brings the increased risk of incorrectly recording the figures on the VAT return as exemplified below. A new table of scale rates is published in the Budget each year to take effect from VAT periods beginning on and after 1st May.

Example

William drives a company car with CO2 emissions of 180g/km. His employer pays £500 for fuel that is used for both business and private journeys. The business can then recover input VAT on the fuel using the following calculation: $7/47 \times £500 = £74.47$. However, as some of this fuel was used for non-business purposes the VAT scale charge will need to be applied. This is effectively an output VAT charge on the fuel supplied to William that he uses privately, but the scale does not vary with the miles driven per quarter or year, only with the CO2 emissions of the vehicle. The VAT scale charge in this case is £49.30.

Advice for employers: How to recover VAT

In your VAT return you need to include £49.30 in box 1, and reclaim £74.47 in box 4. The VAT exclusive value of the scale charge (£281.70) is included in box 6 of the VAT return, which is the outputs box.

It is possible that the output VAT in box 1 will exceed VAT reclaimed in box 4. In this case your business will lose out by operating the VAT scale rates. The only way to avoid this is not to reclaim VAT on any fuel purchased for company vehicles, but you must tell HMRC when you change your practice in this area. Alternatively, you can ask your company car drivers to pay for their own fuel and then pay mileage allowances for business journeys only.

Pensions 2011 Changes are on the way

Pension's legislation continues to be an area that successive governments cannot resist tinkering with. This year will see two key pieces of legislation finalised which will have major effects on both employers and employees from a pension's perspective.

Firstly, the amounts that can be paid into pensions are changing dramatically. Secondly, all employers are going to be required to make compulsory pension contributions on behalf of their employees. We will look at both of these areas in more detail below.

1. Changes to pension contribution levels

In recent years we have seen allowable contributions increase massively. Pension contributions, if made personally; receive tax relief at your highest marginal rate. If made by your employer on your behalf then they are a legitimate business expense and will receive corporation tax relief, if appropriate.

Currently, if you are earning under £130,000 pa, it is possible for you to pay up to 100 per cent of earnings, or for your employer to pay up to £255,000 into pensions, and receive tax relief up to this amount. From April 2011 this will decrease to somewhere between £35,000 and £50,000 with £40,000 being widely regarded as the likely new maximum limit.

An announcement by the new coalition government is expected imminently on this.

This may therefore provide a last opportunity to make a very large pension contribution now and receive tax relief on it this. As with anything pension related, this should be discussed with either your pension adviser or ourselves, as every ones pension position is different.

2. New employer duties in connection with pension contributions

The Pension Act 2008 states that "the employer must make prescribed arrangements by which the jobholder becomes an active member of an automatic enrolment scheme". This legislation is due to come into force in October 2012.

In a nutshell this means that:

- 1) Every employer needs to set up a pension scheme.
- 2) Employers must enrol eligible jobholders into the scheme.
- 3) Employers must pay contributions on behalf of those jobholders at prescribed levels.
- 4) Employees can opt out but must be enrolled before opting out.

The scheme itself can either be a private qualifying workplace pension scheme (QWPS), or a National Employment Savings Trust (NEST). Employers will have to contribute three per cent of qualifying earnings for every employee, employees will have to contribute four per cent and the government will contribute one per cent.

Qualifying earnings include, overtime, bonuses, maternity pay etc and are estimated to be between £6,000 and £47,000 in 2012/2013.

There is a provisional timetable for implementation which starts with larger employers first (800 or more employees) from October 2012, medium size employers (799 to 50 employees) from October 2013 and small employers (less than 50 employees) from July 2014. If you have an existing pension scheme in place this may be able to be adapted to comply with the new legislation. Again, an announcement from the coalition government confirming the implementation timetable is expected imminently.

Clearly 2010 is going to be an important year for pensions legislation and if you wish to discuss the implications of either of the above please call Steven Cox on 01384 455505

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VAT Increase Update

The Chancellor announced in the Emergency Budget that the standard rate of VAT, is to increase from 17.5% to 20% for supplies made on/after 4 January 2011.

In principle standard rated supplies that take place after 3 January 2011 will be subject to the 20% rate, with the VAT fraction for supplies which are inclusive of VAT changing to 1/6.

As the date of change is not at the end of a month it does mean that most VAT registered businesses will need to exercise great care when completing the VAT return that spans the changeover date. Some may even need to charge different rates on an individual supply, where there is a requirement to apportion it over a period spanning the 4 January. HMRC have already provided detailed guidance on their web site at

www.hmrc.gov.uk/vat/forms-rates/rates/rate-increase.htm but please get in touch if you would like some help in this area.

The guidance also provides revised fuel scale charges and flat rate percentages, ready for the changeover.

As with the previous rate changes, the time of supply rules will be of great significance, so a clear understanding of those will be vital to getting the invoicing right. There may be opportunities for advance invoicing and payment at the lower 17.5% rate but anti forestalling legislation is in place to prevent misuse of this process. If you would like to discuss the best way to approach invoicing across this period, our tax department would be pleased to help you.

About Our Organisation

We hope you find the articles in the winter edition of interest and relevant to your businesses.

This is your newsletter, and as such, if you want information on any subject that will benefit you or other clients, then please let us know and we will incorporate it into the newsletter.

Likewise, if you have some good news then let us know and we can share this with our clients. You may have won a new contract, had your best year ever or celebrated a milestone. Given the bad news every day in the press let's break the mould and start sharing some good news for a change

Our good news is that our founder and senior director John Waterfield has just celebrated his Golden Wedding Anniversary with his lovely wife Helen. We understand that Helen will be nominated for a gong in the New Years Honour's list to reflect this labour of love!!

Finally on behalf of the directors and all the staff at Poole Waterfield can we wish you a Happy Christmas and a prosperous New Year. Just like last year we have decided against sending out Christmas cards and instead will be making a donation to our chosen charity Help for Heroes.

