

Simplified automatic enrolment regulations

Following consultation the Department of Work and Pensions has now made some technical changes to the automatic enrolment legislation. They have introduced new exceptions from some of the employer duties and simplified the information required. These regulations take effect from 1 April 2015.

There are four new exceptions from the employer duties:

1. The worker has ceased active membership of a qualifying scheme at their own request within the previous 12 months
2. The worker has given notice or been given notice to end their employment
3. The employer has reasonable grounds to believe the worker has Primary, Enhanced or Fixed Protection
4. The worker has been paid a winding up sum whilst in employment, subsequently left and is re-employed by the same employer.

In respect of the simplification to the information requirements:

1. Some of the statements required in the information to eligible jobholders have been removed or amended.
2. There will now be only one postponement notice rather than a choice of four.
3. The requirement to give information to jobholders who are already active members of a qualifying scheme has been removed.

4. Finally, the separate requirements to give information about the right of a jobholder and entitled worker to opt in or join have been combined.

These changes set new minimum standards and therefore there is nothing to prevent an employer giving more information than is required. The Pensions Regulator has amended their letter templates accordingly.



Help for small businesses choosing a pension scheme

If your business' automatic enrolment date is approaching and you need help to choose a qualifying scheme, check out The Pension Regulator's website at www.thepensionsregulator.gov.uk/employers/finding-a-provider.aspx.

There, you will find a list of Master Trusts open to small employers, NEST (the government scheme) and schemes listed by industry bodies. These are not the only schemes available to small employers and The Pensions Regulator remains independent of either recommending or endorsing them, but it may be

the starting point you need for your automatic enrolment project. The site also gives advice on what to look for when choosing a scheme that meets your needs.



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In this month's edition we look at:

- Simplified automatic enrolment regulations
- Help for small businesses choosing a pension scheme
- Shared parental leave
- How to provide parents with a cost free pay rise
- New intermediary returns
- Tax relief for employees

Be nice and share!

Shared leave

Lucky parents of children born (or placed if adopted) on or after 5 April 2015, may be able to share parental leave and pay in the first year. The amount of leave available to share is based on the mother's entitlement to maternity or adoption leave which allows up to 52 weeks off. The shared leave can be taken at the same time as the mother takes maternity or adoption leave, or the parents can take turns taking leave. The main condition is that the birth mother must take at least 2 weeks' leave after the birth of the child, or 4 weeks if she works in a factory. This means that up to 50 weeks' leave and 37 weeks' pay can potentially be shared with the other parent, or the mother's partner.

Shared pay

If the mother decides not to take the full entitlement to statutory maternity pay, adoption pay or maternity allowance of 39 weeks, any remaining weeks can become available as shared parental pay. Parents can take up to 3 blocks of parental leave and pay in the first

year as long as they give 8 weeks' notice to their employers. The current rate for statutory maternity pay (and shared parental pay) is £139.58 or 90% of the employee's average weekly earnings if that is lower. The leave and pay must be taken in weekly blocks and any leave or pay not taken by the child's first birthday cannot be carried forward.

Keeping in touch days

An employee can work up to 20 days during shared parental leave without bringing the leave to end, as well as the 10 keeping in touch days.

Shared parental leave eligibility for one or both parents

The mother must:

- have a partner
- be entitled to statutory maternity or adoption leave or pay, or maternity allowance
- have given notice to end their maternity or adoption pay, leave or allowance and opted in to the shared parental leave and pay system.

The parent who wants to take the shared parental leave must:

- be an employee
- have given 8 weeks' notice of entitlement to their employer and the required evidence, such as a copy of the birth or adoption certificate
- have provided a declaration from the employee's partner at the time of birth that they share the main responsibility for the child with the employee, they meet the employment and earnings test and they consent to the employee taking the number of weeks shared parental leave shown in the notice of entitlement.

The parent who wants to take shared parental leave must also satisfy the continuity of employment test and their partner must meet the employment and earnings test.

Continuity of employment

The employee must have worked for the same employer for at least 26 weeks at the end of the fifteenth week before the baby's expected due date or matching date, and still be working for the employer at the start of each leave period.

Employment and earnings test

The person must have worked for at least 26 weeks in the 66 weeks leading up to the baby's expected due date or the matching date, and have earned at least £390 in total in 13 of the 66 weeks either as an employee, a worker or a self-employed person.



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How to provide parents with a cost free pay rise

The opportunity to provide a pay rise to parents paying for childcare, at no overall cost to the business, was set to disappear from this Autumn. Following a recent court case Childcare Vouchers have been reprieved until 2017.

A basic rate employee can exchange up to £243 of gross pay for Childcare Vouchers. The net cost of this to them will be £165 after tax relief. In this example their take home pay will go up by £78 a month. Employer NIC costs for the business are also reduced. This is with minimal administration.

How it works

The employee exchanges part of their future gross salary for childcare vouchers, provided by the employer through a third party. The employee saves PAYE and NIC at their top rates, and the employer saves 13.8% employers' NIC on the salary exchanged.

In the main, employees pay for childcare from after tax pay. Switching to vouchers provides them with exactly the same amount of childcare provision, but at a reduced cost.

There is an employer cost for running the scheme, but this is covered by the employer NIC saving.

£100 of vouchers saves a basic rate taxpayer £32 and saves the business up to £13.80.

Set up and running

The Childcare Voucher industry is well established and will guide employers through the process. They will sort the majority of the administration and provide promotional material for employers to use.

The employee signs an agreement and provides the Childcare Voucher provider with their details.

The employer then reduces the employee's gross pay and instead pay the salary which would have been taxed to the Childcare Voucher provider.

The employee uses the vouchers to pay the childcare provider, who cashes them in for their face value.

Intermediary returns

Agencies supplying workers to an end client, where the end client pays the agency, now have to submit quarterly returns to HMRC online on a template return.

The return must give details of the worker, and the worker's company if they are a limited business, the date of the payment and the amount paid. The returns are due every quarter, with the first return due by 5 August 2015, covering the first quarter, i.e. 6 April to 5 July 2015. Reports may be amended after submission, up until the next deadline date - in this example, that would be 5 November 2015.

You must also give a reason why you have not operated PAYE on the payment. The options are:

1. Self-employed
2. Partnership
3. Limited liability partnership
4. Limited company including personal service companies
5. Non-UK engagement
6. Another party operated PAYE on the worker's payments

If more than one reason applies, select the first reason on the list.

Penalties may be charged if returns are late. For one late return, the penalty will be £250, for 2 late returns, the penalty will be £500 and for three or more late returns, the penalty will be £1,000.

The return must be on HMRC's template and you must be registered with HMRC's online services to make the return. You then need to log in to the employment intermediary's service.

The new rules apply to businesses where two or more workers are supplied and PAYE is not operated on the payments. This may bring businesses that are not typical agencies into the legislation.



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Ask and you shall receive.

Tax relief for employees

There are several under-publicised tax reliefs for employees which have to be specifically claimed. HMRC won't give these reliefs without you asking for them. Employees providing or laundering their own uniform, providing their own small tools, paying professional subscriptions, paying business travel costs which are not fully reimbursed, or who are obliged to work from home, may be entitled to a tax repayment.

A claim can go back four years and once claimed you can ask HMRC to include relief for future years in your PAYE code.

In most circumstances you do not need to keep receipts as the tax relief is in the form of a flat rate allowance.

Uniform work clothing and tools

A flat rate claim for tax relief on at least £60 per annum can be claimed for uniform provided or laundered at the employee's expense. The full table of rates is at www.hmrc.gov.uk/manuals/eimanual/eim32712.htm. If your occupation is not there, a £60 allowance for uniform laundry can be claimed.

Professional fees

Tax relief can be claimed for fees and subscriptions paid to HMRC approved bodies by employees which have not been reimbursed by their employer www.gov.uk/government/publications/professional-bodies-approved-for-tax-relief-list-3.

Working from home

If you regularly work from home, under a homeworking contract, an employer can pay you £4 per week for doing so tax free, without the need to keep receipts. If your employer does not pay this allowance you can claim tax relief on it.

Business travel and subsistence

Business travel (ie not commuting) costs are sometimes not wholly reimbursed by businesses. Mileage, travel costs and subsistence qualify for tax relief.

Relief and making a claim

Further guidance on tax relief and how to make a claim (by completing a form P87) is available at <https://www.gov.uk/tax-relief-for-employees/overview>. The amount of tax repayment you will receive will depend on the costs incurred and allowances claimed. Your tax repayment will be the total of these costs and allowances multiplied by the highest rate of tax you pay.

Pension tax relief for higher rate employees

Employees who pay the higher rate of tax could be losing out on a very valuable pension tax relief.

If you pay your pension contributions from your net salary then you have only received basic rate tax relief. Higher rate taxpayers are entitled to more tax relief, and can make a claim going back four years.

For every £80 of pension contributions paid from net salary the pension company claims £20 tax relief from HMRC at the end of the year. That £20 is added to your pension pot. The £80 is called a net contribution and the £100 is the gross contribution. A higher rate taxpayer is entitled to 40% tax relief for pension contributions, so in this example, £40 on a gross pension contribution of £100. The pension company claims back £20 leaving £20 to be reclaimed by the taxpayer within four years.

How to make a claim

If you complete a tax return then enter the gross pension contribution on the form (ie the £100 in our example).

If you don't complete a tax return then you need to make a separate claim by writing to your local HMRC office and claiming overpayment relief.

If you convert to paying pension contributions through salary sacrifice there will be considerable National Insurance savings for both the business and the employee. Plus the higher rate tax relief will be automatic.

If you need further advice or guidance on how to claim tax reliefs then contact your usual BHP contact.



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