

the bottom line

Welcome to the Summer edition of "the bottom line" our taxation and accountancy information newsletter. This edition covers Pensions, Illegal working regulations, Reportable transactions and News in Brief.

PENSION'S SIMPLIFICATION

When the powers that be announce that they intend to simplify an area of legislation, the initial impact usually means added complications.

Hopefully the changes in the pension legislation are not in this category. But the proposals and the delay between publishing the legislation and then implementing them, highlight areas of significant uncertainty.

The new legislation will be implemented from 'A' day, 6 April 2006. From this date all of the different tax regimes which affect pensions will be brought together into new regulations. This will affect PPP's, RAP's, SSAP's, SSIP's, FURBS, UURBS, in fact all pension schemes. These proposals will have dramatic effects on the pensions industry and in many cases provide scope for pension planning, in order to protect or enhance an individual's pension position.

To summarise, the main proposals are:-

- All individuals will have a lifetime pension's allowance of £1.5m in 2005 increasing to £1.8m by 2010.
- Maximum annual

contributions will be £215K per annum rising to £255K by 2010.

- An individual will receive tax relief at marginal rates on such contributions up to 100% of gross salary per P60 and P11d benefits.

- An individual can contribute up to £3,600 per annum without any relevant income.
- An employer can contribute to an employee's fund up to £215K per annum.
- The minimum age at which pensions can be drawn is 55 from 2010.
- A tax free lump sum of up to 25% of the fund will be payable when benefits are drawn.
- There will be greater scope for investment by the pension scheme, such as in residential property and vintage cars.
- Carry forward and carry back of contributions will cease on 5 April 2006.

Pension's simplification requires action both before and after 'A' day. A review of existing arrangements is essential in order to ensure that you are able to benefit from the changes. If you require further information, please do not hesitate to contact us.

Illegal Working Regulations

The Immigration (Restrictions in Employment) Order 2004 is designed to deal with illegal working and is now in effect.

It is an offence under the Asylum and Immigration Act 1996 to employ someone who does not have permission to live and work in the UK, punishable by a fine of up to £5,000 per employee. The employer has a defence if, prior to commencement of employment, the employer has inspected certain employee documents. The employee must produce either:

- A UK passport, or
- A national ID card issued by one of the EU member states, Iceland or Norway, or
- A document confirming that the holder has indefinite leave to remain in the UK, or
- A combination of other documents such as an official document showing National Insurance number and a birth certificate.

The employer must retain copies of the relevant parts of the documents and if there is



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any discrepancy in names between documents they must obtain documentary evidence to satisfy themselves. Nationals from the EU states that joined on 1 May 2004 will only be allowed to work in the UK if they register with the Home Office.

Further guidance for employers can be accessed on the Home Office website at www.homeoffice.gov.uk

Reportable Transactions

Legislation, which was introduced under the 2003 Finance Act, requires companies or a "responsible person" to disclose to the Revenue details of company shares and

unapproved share options issue to Directors and employees if this is by reason of a former, a current or a prospective employment. This is regardless of whether the employees face an income tax and national insurance liability from the transaction. Failure to disclose results in penalties of £300 for each reportable event.

Disclosure is via form 42 and must be notified to the Revenue before 7 July in the tax year following that in which the reportable event takes place. (An extension has been granted for 2003/04 tax year to 6 September 2004.)

It is important to note that

reportable events also include:

- Transfer of subscriber shares to directors on new incorporations,
- Original subscriber shares issued to directors,
- Transfers of shares between husband and wife,
- Transfers between directors and employees.

A reportable event may arise where shares are issued to someone who is not an employee or director at the time of the issue but becomes one at a later date. Please contact us if you believe that your company may be caught by this legislation.

NEWS IN BRIEF

Late Payment interest rate rises

The interest rate for companies wishing to apply the late payment legislation was increased to 12.5% for the July to December 2004 period. Statutory interest on an overdue invoice can be worked out by using the online calculator at www.payontime.co.uk

Income tax charge on assets you no longer own

The 2004 Finance Bill included provisions to apply an income tax charge on the benefit enjoyed by individuals who continue to use assets, either free of charge or at below market rent, that they once owned. The aim is to defeat arrangements undertaken to circumvent the 'gifts with reservation' rules for Inheritance tax purposes. The new rules are applicable from 6 April 2005 but can catch gifts made as far back

as March 1986. A number of amendments have already been made to the rules including increasing the de-minimus limits and introducing further exceptions to the charge. Please contact us if you require further information.

Travellex

This company, better known for providing personal currency services at airports, now has a business service. Their website 'guarantees' that they will give you the cheapest foreign currency price. This may be a good way of minimising foreign currency risk by buying currency at the same time as contracting for a supply for those clients involved in cross-border

transactions; the alternative of buying forward currency contracts can be expensive and is often only viable for large transactions.

Fuel rates for company cars

The Revenue and Customs have confirmed that for 2004/2005, the mileage rates below are acceptable, without incurring an income tax charge, in the following circumstances:

1. Where an individual has a company car and makes a claim for reimbursement of business mileage to the company.
2. Where an individual reimburses the company for private mileage when all fuel is paid for by the company.

Engine size	Petrol	Diesel	LPG
1400cc or less	10p	9p	7p
1401cc to 2000cc	12p	9p	8p
Over 2000cc	14p	12p	10p

Contacts:

For further information about the issues raised in this newsletter or if you would like to find out about the range of services that we can offer, please contact Stephen Dabby, Morisha Christy, Martin McNally, Tony Sian or Nick Nicolaou.