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proactive business advice

Red Tape Regulation

New business regulations come into effect on two common commencement dates in April and October each year. Below is our summary of some of the upcoming legislation changes that may affect you and your business from April 6 2012.

According to Government reports, UK businesses stand to save around £4.17 million if it adheres to plans to reduce regulatory burdens between January and June 2012. This forms part of an ongoing strategy known as the Red Tape Challenge which has seen the implementation of a 'one-in, one-out' rule regarding new legislation - and it hopes to remove more legislation in the coming months. Despite the drive, businesses should still be aware of new regulations that may affect individuals and businesses.

Key April 6 2012 legislation changes include:

Income tax

The income tax personal allowance for those aged 65 and under will increase from £7,475 to £8,105. This £630 increase forms part of the Government's longer-term commitment to eventually increase the personal allowance to £10,000. The basic rate band will decrease from £35,000 to £34,370.

Statutory maternity, paternity and adoption pay.

The standard rate for statutory maternity, paternity and adoption pay will increase from £128.73 to £135.45 per week, or 90 per cent of the employee's average weekly earnings, whichever is lower.

Sick pay

The standard rate for sick pay will increase from £81.60 to £85.85 per week.

National Insurance Contributions (NICs)

The class 1 NICs lower earnings limit (LEL) will increase from £102 to £107 per week. This is the threshold at which an employee is regarded as having made a contribution towards their state pension. This £107 limit will also become the threshold for entitlement to benefits such as statutory sick pay and maternity pay.

The thresholds at which national insurance becomes payable will also increase. Employers will start paying national insurance from £144 a week (previously £136) whilst employees start from £146 (previously £139).

Once an individual reaches state retirement age then they cease to be liable for national insurance.

Unfair dismissal qualifying period and employment tribunals

The qualifying employment period for making a claim for unfair dismissal will increase from one to two years. The Government estimates that this will lead to a reduction of around 2,000 claims per annum.

There will also be amendments to Employment Tribunal Compositions in relation to panels. Parties will be able to request cases which are to be heard 'before a judge sitting alone' to be changed to a tripartite panel which are to be accepted or rejected at the judge's discretion.

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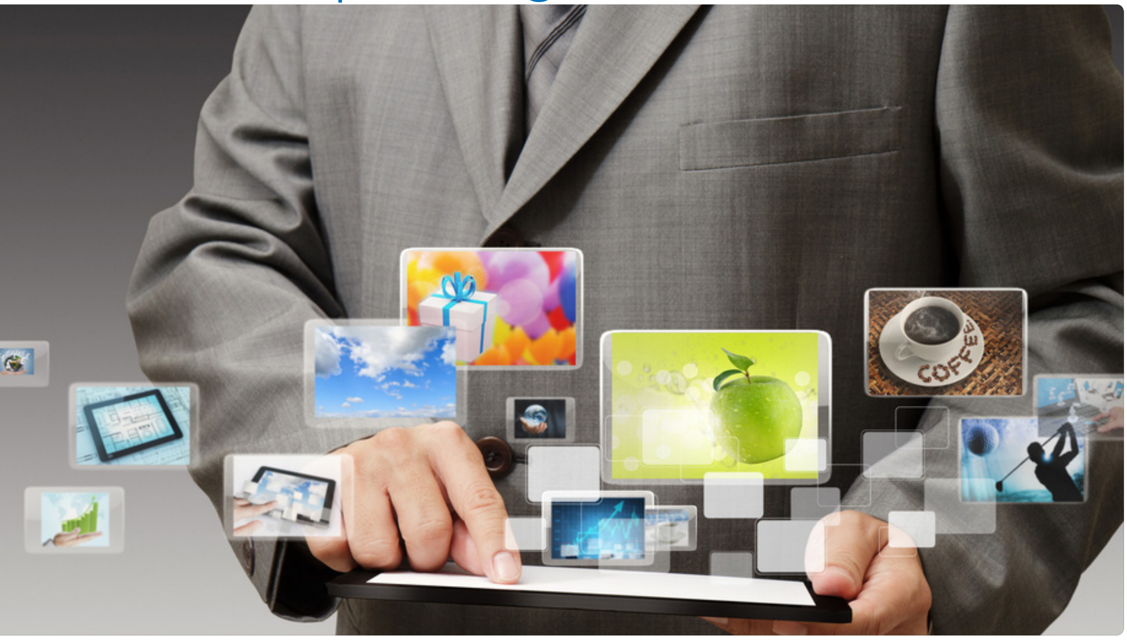

The Employment Tribunal system will be modernised by increasing the maximum limits for deposit orders to £1,000 and cost awards to £20,000. Witness statements will also be 'taken as read' and witness expenses paid by the parties involved.

Meanwhile, a consultation into charging fees for tribunals ended in March and the Government is expected to respond later this year.

Health and safety

Amendments to the Reporting of Injuries, Diseases and Dangerous Occurrences legislation will increase the period of incapacity following a workplace injury – which the employer must report – from more than three days' to more than seven days' incapacitation. This means that any injury caused in the workplace, which leaves the employee incapacitated for more than seven days must be reported to the relevant enforcing authority.

The deadline by which the seven day injury must be reported will also increase to 15 days from the day of the accident.

Contracted out pension schemes

The option to contract out of defined contribution schemes, such as money purchase, personal and stakeholder pensions, will be abolished. Previously individuals could choose to opt out of building up an entitlement to the State Second Pension by transferring pension liability to a private arrangement. As from 6 April, anyone who is contracted out of a defined contribution scheme will automatically be contracted back into the State Second Pension. This means that both employer and employee will pay the full rates of national insurance and not a reduced rate.

It will still be possible to pay a rebated rate of national insurance for employees in a final salary or defined benefit scheme, although the rate of rebate will reduce from 3.7 per cent to 3.4 per cent for employers and from 1.6 per cent to 1.4 per cent for employees. Such employees and employers will therefore pay a slightly higher rate of national insurance.

Annual pension allowance

The lifetime allowance for pensions will reduce from £1.8 million to £1.5 million. HMRC has announced technical changes as to how unused allowances from previous years may be brought forward.

Company cars

Three small regulation changes regarding taxing employees for company cars will come into effect:

1. There are new thresholds for cars with very low emissions of carbon dioxide. In some cases, the car will not be taxed as a benefit at all and it may be practical to provide staff with such cars.
2. If you provide a disabled employee with an automatic car because the disability makes using a manual gearbox car difficult, the employee is taxed as if the car had a manual gearbox. From 6 April 2013, this provision is restricted to employees who have a blue badge for disability.
3. If the nature of the employment is such that a car needs security features, those features will not be regarded as a taxable benefit in kind.

Retail

Shops will no longer be able to legally display tobacco products, although smaller businesses with fewer than ten employees will have until April 2015 to comply.