

**Fish Partnership LLP Payroll and Employment Services
EMPLOYERS NEWS BULLETIN**

IT'S NO JOKE!

- It certainly won't be a joke if you allow your employees to tell jokes that are potentially offensive to another member of staff. This could result in a discriminatory case against you.
- Even if the joke is told in all innocence, without the employee realising the offence it could cause, this is no defence.
- While we are on the discrimination topic, make sure that your employees are not displaying calendars which may be offensive. This is not just the 'girly' ones, which may cause female staff offence but, believe it or not, it's more often the 'blokey' ones, which offend male staff, that cause more problems in the workplace.
- On top of this, there is the risk that staff may be downloading or accessing pornographic and other degrading or offensive material from the internet.
- So how can you guard yourself against potential claims? The answer is through your employment policies and procedures. If you would like assistance with your policies and procedures, please contact our Employers Advisor, Janet Ellis, on 01628 527956.

BUYING HOLIDAY

An increasing number of employers are offering their employees the ability to 'buy' extra holiday. This may not be as impractical as it first seems. Consider if, at a certain time of the year, work is always slack or slow coming in and you don't want to put your staff on short-time, so you end up scratching around trying to find things for them to do, rather than have them sitting around getting totally bored or surfing the net (with all the potential problems that could bring). Maybe your staff have never considered taking time off, without pay, to catch up on some home DIY, take a bargain break etc.

With a carefully worded employment policy and procedure, you can offer this to your employees under your terms and conditions. If you would like more information as to how the whole 'buying' procedure could work for your business, or would like a policy and procedure drafted to your specific requirements, please contact our Employers Advisor, Janet Ellis, on 01628 527956.

NEW COMPENSATION LIMITS FROM 1 FEBRUARY 2005

Basic Award for Unfair Dismissal (limit on a weeks pay)	£280
Maximum Basic Award for Unfair Dismissal	£8,400
Maximum Compensatory Award for Unfair Dismissal	£56,800
Redundancy Pay (limit on a weeks pay)	£280
Maximum Redundancy Pay	£8,400

NEW RATES AND THRESHOLDS FROM 6 APRIL 2005

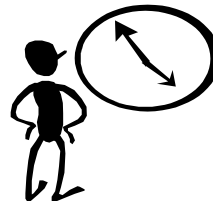
We have detailed below some of the changes which will come into effect in the new tax year.

Basic Personal Allowance	£4,895
Emergency Tax Code	489L Week 1/Month 1
<u>National Insurance</u>	
Lower Earnings Limit	£82 per week
Earnings Threshold	£94 per week
Upper Earnings Limit	£630 per week
Employees Contributions	11% of £94.01 to £630 per week 1% above £630 per week
Employers Contributions	12.8% above £94.01 per week
Statutory Sick Pay (SSP)	£68.20 per week
Statutory Maternity Pay (SMP) and Statutory Adoption Pay (SAP)	{ 90% of earnings for first 6 weeks + 20 weeks at £106 per week
Statutory Paternity Pay (SPP)	£106 per week or 90% of earnings, if less
Pensions Earnings CAP	£105,600

IN BRIEF

Retirement Age

After much debate, the Government have decided to set a default retirement age of 65 years, with an employee's right to request to work beyond this age. More details will follow but it is expected that the format for requesting to work beyond 65 years will be similar to the one currently in place for requesting flexible working. There have been several opinions passed on the Government's decision, including, they have backed down on their original plans, they have listened to the working population for once, most of whom don't wish to work beyond 65 years. No doubt readers will have their own opinions.



IN BRIEF continued

Flexible Working

The right to request flexible working is currently restricted to parents, guardians and foster parents with a child aged under 6 years (older if the child is disabled). The Government is considering expanding this right to include employees who have a home responsibility, e.g. caring for an ageing parent.

Working Time

Currently there are no changes to the working week, which is 48 hours per week. Employees may still opt-out of this arrangement with their employer. However, it remains that the EU are still dissatisfied with our rules and regulations regarding the 'working week' and it is likely that the opt-out will either be curtailed or banned completely. The curtailment proposal would denote that the opt-out would have to be under a collective agreement.

National Minimum Wage (NMW)

A survey of employers has found that there would be little objection if the next increase in the adult rate took the NMW up to £5 per hour. In October 2004, the rate increased by 35p per hour from £4.50 to £4.85. An increase of 15p this October would be closer to the current rates of inflation.

Inland Revenue Deletions

Have you ever hit the 'delete' button on your keyboard by mistake? This is what has, in effect, happened at the Revenue offices, resulting in a substantial number of taxpayers records being deleted. 'Substantial' is the worrying word as the Revenue has no way of assessing how many records were deleted when the malfunction occurred. It has been reported that hundreds of thousands of tax payers could potentially end up paying the incorrect amount of tax. If you, or any of your employees, have reason to believe that your tax is incorrect, we suggest you check with your Revenue office to investigate further.

Information and Consultation Regulations

From 6 April 2005 a new law comes into effect which requires employers to inform and consult with their staff on various business issues such as economic situation, business developments and employment prospects. Initially, this will only apply to employers with 150+ staff. From April 2007 employers with 100+ employees will have to comply and this will be extended to 50+ employees from April 2008.

Statutory Maternity Pay (SMP)

From 6 April 2005 new rules will affect the way in which SMP is calculated. If you have an employee receiving payment of SMP and a pay award is made after 6 April 2005, then the pay award must be taken into the SMP calculation. Any additional payments due, as a result of recalculating the SMP, must, of course, be paid to the employee and this additional payment can be recovered from the Revenue. If you are unsure on the calculations, please contact our Payroll Manager, Janet Ellis, on 01628 527956.

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and - ON A LIGHTER NOTE

Under the Freedom of Information Act, certain records became available at the beginning of 2005, one of which was the Home Office's employment of a cat. It would appear that in 1929 Peter the cat was employed at a penny a day (that was back in the days when there were 240 pennies to the pound). His job description was to exterminate mice. Since 1929 a succession of cats have followed in the paw steps of Peter and under current employment law this poses a number of questions.

Job Title for starters. Cats are very dignified creatures. Therefore, if you take one on the Payroll please don't call it just 'Puss', how about 'Rodent Extermination Manager'? If you are wondering how you will stand with PAYE and NI, well, their earnings will attract tax but you will not have to deduct NI until the cat reaches 16 years of age. If you have a performance-related pay scheme, you must include the cat. You could base this on the number of mice caught. Obviously, you would have to arrange with the cat to ensure they presented the mice to you, for counting purposes, before it ate them!

Who knows, cats in the workplace could bring forth a whole new definition to the term 'Fat Cats'!



WE'RE ON THE WEB!
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PENSIONS

Article provided by Chiltern Consultancy Limited

MAKE THE BEST USE OF YOUR PENSION NOW!

We have had Royal Assent for the Finance Act 2004 which contains the legislation and radical new rules regarding the taxation and benefits of Pensions. These new rules will come into force on 6 April 2006, also known as "A-Day".

The maximum yearly contribution paid in, that will attract tax relief, will be £215,000 (except in the final year before retirement). The maximum fund allowable, post 5 April 2006, will be £1.5m rising to £1.8m from 6 April 2010, known as the Standard Lifetime Allowance (SLA). Funds in excess of the SLA will attract a 55% tax charge.

Maximum Tax Free Cash entitlement on all plans post A-Day will be 25% of the fund.

Clients can protect their fund value by registering it with the Inland Revenue and avoid the 55% tax charge. Clients and Companies have 3 years from A-Day to register it. There are two types of protection.

1. **Primary Protection** – applicable if the Client is over the £1.5m lifetime limit and will contribute post A-Day.

The fund at A-Day will be ring-fenced and allowed to grow in line with the SLA. The ongoing contributions will still receive tax relief but any excess over the individuals' SLA will incur the 55% tax charge when taken as benefits.

2. **Enhanced Protection** – applicable to Clients with funds above or below the £1.5m lifetime limit and will **stop** contributing post A-Day.

The fund at A-Day will be ring-fenced and allowed complete freedom to grow. A good idea if you have a property within your pension.

If a contribution is paid in after this then you will revoke the protection back to Primary and any excess over the SLA at that time will be subject to the 55% tax charge.

MAXIMISING YOUR TAX FREE CASH

For members of Executive Pension Plans there is a window of opportunity between now and A-Day to achieve a greater than 25% proportion, or even the whole fund, as a tax-free lump sum.

For example: a director/employee has a pension fund of £150,000 and Final Pensionable Salary of £100,000. Using pre-87 rules, it is possible to have $1.5 \times \text{final salary} \times £100,000 = \text{£150,000 Tax Free Cash (i.e. 100% of fund)}$.

PROPERTY PURCHASE WITHIN PENSIONS - BORROWING RULES

Post A-Day the rules for borrowing for property purchase within Pension are being changed from 75% of the value of the property to 50% of the fund value.

For Example:

Personal Pensions – An individual has a Personal Pension Fund of £50,000 and wants to buy a commercial property for £200,000.

Under current rules they can do this, i.e. they can borrow up to 75% of the property value.

However, post 6 April 2006 they can only purchase a property up to the value of £75,000, i.e. they can only borrow 50% of the existing fund value, being £25,000.

Small Self Administered Schemes (SSAS) - The SSAS can currently borrow up to 45% of the fund and three times the annual contribution. After A-Day, the maximum borrowing will also be 50% of the fund value.

It's not all bad news as post A-Day, the types of property held within your Pension can include residential property but those looking to purchase commercial property only have until 5 April 2006 to take advantage of much greater borrowing limits.

It is important that all Plans are reviewed now to maximise the opportunities and options available to both Companies and Individuals.

If you require any help of advice, please contact:

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