

Pharmacy Matters

A fresh approach to achieving lifelong prosperity

Pension planning under the new Government

Following the Governments' Emergency post Election Budget in June 2010, consultation periods have now been completed in two important areas of planning.

Tax relief on Contributions

For the last two years, "anti-forestalling" has restricted the higher rate tax relief available for higher earners (those with income over £130,000 per annum) on contributions in excess of £20,000, unless an existing regular subscription was in place at 21 April 2009. Contributions over this level have their relief restricted to an effective rate of 20%.

From 6 April 2011, the concept of higher earners will stop, to be replaced by a contribution limit of £50,000 for everyone, with **no relief at all** for excess contributions. Care also needs to be taken with employer contributions as, where the pension input

period ends in 2011/12 contributions are, in effect, already restricted to £50,000. With careful planning, it may be possible for contributions of up to £255,000 to be made, if the scheme's input period ends in 2010/11.

Carry-forward of relief is set to return. This is where up to three earlier years' unused contributions may be aggregated, but only where pension scheme membership already existed (i.e. not available for new schemes).

The Lifetime Allowance (maximum pension pot in plain English), currently £1,800,000, is to reduce to £1,500,000 from 6 April 2012, and seems unlikely to be increased in line with inflation on a regular basis. This means that,



although higher contributions may be made, greater care needs to be taken to ensure that future growth does not cause an excessive fund value further down the line.

Prior to 5 April this year, you should consider the following:

- Making contributions up to £20,000 to maximise relief, whether paid personally or by an employer.
- For higher earners, still consider larger contributions to gain some relief (as none will be available from 6 April 2011 for contributions above £50,000).
- Employers should look into whether their schemes may allow a final high contribution.
- If you are aged 55 or over, contributions are unlimited if all pension benefits commence in the same tax year. This concession disappears from 6 April 2011.
- If your income is between £100,000 and £113,000 this year, making a contribution may recover your personal allowance, so creating effective tax relief of 60% on the contribution paid.

What should you do?

If you wish to start or continue pension investments, seek advice quickly as action before 5 April 2011 may be necessary.



HAZLEWOODS

DRIVING LIFELONG PROSPERITY

Could childcare vouchers save you £1000s?

One of the most family-friendly benefits an employer can offer staff is childcare vouchers. Employees who take up the offer can enjoy tax and National Insurance Contributions (NIC) **savings of up to £1,460 a year each.** Given the tax efficiency of childcare vouchers it is well worth seeing if you can benefit from offering them too.

Changes from 6 April 2011

The Government announced changes to the arrangements in 2010. The aim of the changes is to even out the amount of tax saving available for all employees regardless of the tax rate that individual employee pays. The changes only affect employees who join schemes on or after 6 April 2011.

The potential savings for employees will change as follows:

As an employer you will save NIC (12.8% increasing to 13.8% from 6 April 2011) on the cost of the vouchers.

For those already in schemes by 6 April 2011 the savings will remain more or less the same as they are now, the only changes are due to the increase in employees' NIC rates, effective from 6 April 2011.

Act now

If you are an employer you should consider setting up a scheme in advance of the changes on 6 April 2011, as both **you and**

your employees could save £1,000s as illustrated in the table below.

Take care

In some limited circumstances childcare vouchers may not be appropriate. Therefore before joining a scheme, remember:

- Childcare vouchers do not count towards the National Minimum Wage (NMW), so any salary sacrifice cannot take pay below the NMW rates.
- Childcare vouchers could affect an employees' entitlement to tax credits.

Employee's marginal rate of tax	Maximum weekly vouchers		Maximum annual tax and NIC saving	
	Now	From 6 April	Now	From 6 April
Basic rate (20%)	£55	£55	£890	£920
Higher rate (40%)	£55	£28	£1,170	£610
Additional rate (50%)	£55	£22	£1,460	£590

Scam Emails - Watch Out!

With the 31 January payment date for income tax having just passed, it pays to be on your guard for potentially fraudulent and scam emails.

We have come across a number of instances recently whereby people have received emails from parties claiming to be HM Revenue & Customs (HMRC), requesting bank account details so that tax repayments can be made.

HMRC have advised that they will never contact someone to inform them of a refund via email or ask for sensitive personal information, such as bank account information, either over the phone or by email.

We recommend that if you receive such an email, that you delete it without clicking on any links that the email may contain, even if you are due a refund.



Phil Swan Partner
t: 01242 680000
e: phil.swan@hazlewoods.co.uk



Richard Medes Manager
t: 01242 680000
e: richard.medes@hazlewoods.co.uk

Out now - **Payroll Facts Card!**
Keep up to date with the
2011/12 rates and allowances

Payroll Services

Hazlewoods' Payroll Service sets you free to focus on your business. Our Payroll team ensures that your company obeys the rules and your employees are paid the right amount, on time.

To speak to a member of the Payroll team call 01452 634800 or email payroll@hazlewoods.co.uk



This release has been prepared as a guide to topics of current financial business interests. We strongly recommend you take professional advice before making decisions on matters discussed here. No responsibility for any loss to any person acting as a result of the material can be accepted by us.

Hazlewoods LLP is a Limited Liability Partnership registered in England & Wales with number OC311817.
Registered Office: Staverton Court, Staverton, Cheltenham, Glos. GL51 0UX
A list of LLP partners is available from each office.

Registered as auditors by the Institute of Chartered Accountants in England & Wales.
Hazlewoods LLP is authorised & regulated by the Financial Services Authority.



Staverton Court, Staverton, Cheltenham, Gloucestershire GL51 0UX
t: 01242 680000 f: 01242 680857

www.hazlewoods.co.uk

HAZLEWOODS

DRIVING LIFELONG PROSPERITY