



## FISH PARTNERSHIP LLP

Chartered Certified Accountants

# FISHPAY AND FISHES EMPLOYERS NEWS BULLETIN MARCH 2008

As usual, there are changes in the world of employment, some of which commence in the new tax year from 6 April 2008. We have covered a number of these changes in the following brief articles and, of course, you are most welcome to telephone us for further details or clarification on any sections.

## CHANGES TO TAX RATES

We advise all employers who are not using FISHPAY to check they are using the correct tax rates on wages and salaries etc. paid after 6 April 2008. The end of 2007/08 will see the removal of the 10% tax band and the current 22% tax rate reduced to 20%. Moving forward into 2008/09, 20% tax must be deducted on taxable pay up to £34,600 and 40% tax applied to taxable pay in excess of this amount.

The abolition of the 10% tax band may result in an increase of tax deducted from the wages and salaries of lower paid employees. The reduction of the tax rate from 22% to 20% will go towards compensating but some employees are likely to see a reduction in their final net pay.



## INCREASE IN THE NATIONAL INSURANCE UPPER EARNINGS LIMIT

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If you calculate your own payroll, using Table A, you will be aware that during the 2007/08 tax year employees earning over £671 per week/£2,904 per month (known as the Upper Earnings Limit - UEL) pay 1% National Insurance on earnings over and above the UEL. It has been the Government's custom, since introducing the 1% rate, to increase the UEL on a par with the 40% tax banding. However, commencing from April 2008, the UEL is set to increase

to £770 per week / £3,337 per month.

The easiest way to show this is by example: for an employee on a gross of £3,500 per month, in the 2007/08 tax year their monthly NI deduction will be around £277. In 2008/09, this will increase to approximately £318, resulting in a reduction in their net pay of £41.

## “THIS CAN'T BE RIGHT - YOU'VE DEDUCTED TOO MUCH FROM MY PAY!”

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In light of the two previous articles, this is the kind of statement you may well hear from your employees when they receive their first payslip in the 2008/09 tax year.

For those FISHPAY clients whose employees are likely to see a measurable increase in their PAYE tax or NI, we will be providing, with your April 2008 payroll data, a note of explanation to give to employees with their first payslip of the new tax year. This will save you the hassle of trying to explain the increase yourself. **Now there's service from FISHPAY for you!**

## RIGHTS DURING MATERNITY LEAVE

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Since the extension of the payment of Statutory Maternity Pay (SMP) from 26 weeks to 39 weeks, there has been some confusion as to exactly what rights an employee has when on maternity leave. At present, the right to all contractual terms of employment, except pay, is restricted to the first 26 weeks, referred to as Ordinary Maternity Leave (OML). Proposed legislation is likely to extend the rights continuing to the end of Additional Maternity Leave (AML) which will provide employees with all contractual rights, except pay, for a full 52 weeks.

It is proposed that these changes will come into effect for employees with an expected week of childbirth which begins on or after 6 April 2008. It is further planned to extend this to adoptions where children are expected to be placed with the adoptive parents on or after 6 April 2008.

We can expect to see further details, as they become available, on the HM Revenue & Customs website: [www.hmrc.gov.uk](http://www.hmrc.gov.uk)



## COMPENSATORY LIMITS

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The maximum cap on the limit for a compensatory award made for unfair dismissal increased from £60,600 to £63,000 from 1 February 2008. Please remember that there is no upper ceiling on compensations that can be awarded for employment related discrimination.

## PENALTIES, PAYMENT REMINDERS AND DETERMINATION NOTICES!

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We have been receiving telephone calls from employers, who do not use our FISHPAY Payroll services, seeking advice on what action they should take when they have received one of a selection of notices currently being issued by HM Revenue & Customs. We are always pleased to help and advise on the correct action to take but perhaps the best advice we can give is **“Save yourself the hassle and let FISHPAY take on your Payroll function!”**. We would welcome the opportunity to talk through and outline the flexible service FISHPAY can provide to suit the needs of each individual employer whilst maintaining compliance with the requirements of HM Revenue & Customs. If you would like to talk to us, call either Janet Ellis or Julie Stroud at FISHPAY on **01628 527956**.



## EMPLOYEE CONSULTATION

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The regulations requiring employers to inform and consult with their employees on organisational matters came into force in 2005. At this time, only employers with 150 or more employees were affected. In April 2007, the number of employees was reduced to 100 and on 6 April 2008 we will see the final reduction in numbers down to 50 employees.

For more details on the Consultation of Employees Regulations 2004, and the requirements, the Department for Business Enterprise and Regulatory Reform (BERR, formerly the DTI) website provides information and further links: [www.berr.gov.uk/employment/employmentlegislation/ice/index.html](http://www.berr.gov.uk/employment/employmentlegislation/ice/index.html).

## REDUNDANCY AND PAYMENTS

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The limit on a week's pay for statutory redundancy increased on 1 February 2008 from £310 per week to £330 per week. Therefore, the maximum statutory redundancy payment is now £9,900. The amounts payable are calculated based on the length of service and age of each individual employee. When considering redundancies, you can, if you wish, pay in excess of Statutory Redundancy Pay. It is always worthwhile to seek advice before making redundancies and calculating payments and any tax that may be due. We will be pleased to assist and advise our clients should they find it necessary to make redundancies.

## RIGHT TO WORK

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All employers are required to check that new workers have a right to work in the UK before they can take them on. From 29 February 2008, employers who do not carry out these checks and recruit illegal workers could now face the increased fine of up to £10,000 for each illegal worker.

The documents that a new worker must provide are detailed on: [www.opsi.gov.uk/si/si2007/20073290.htm](http://www.opsi.gov.uk/si/si2007/20073290.htm). Just checking the documents is not sufficient, copies should be taken and these must be signed and dated as certified true copies by the person within the business who performs these checks. The certified copy should then be retained on the individual's personal file.



## P9Ds, P11Ds, P11Dbs and CLASS 1A NICs

Just as soon as the tax year is over, employers who pay their employees expenses, or provide certain benefits, will be faced with the completion and payment of the above prior to the July deadlines. Our Tax Department is fully conversant with these forms and able to advise as to whether they can be avoided altogether by applying for a dispensation from HM Revenue & Customs. For further advice and information, telephone our tax manager, Amanda Morris, on 01628 527956 and she will be pleased to discuss these or any other tax issues with you.

## ADVISORY FUEL RATES

With effect from 1 January 2008, the advisory fuel rates increased to:

Engine Size	Petrol	Diesel	LPG
1400cc or less	11p	11p	7p
1401cc to 2000cc	13p	11p	8p
Over 2000cc	19p	14p	11p

## PAYROLL THRESHOLDS AND RATES

Commencing 6 April 2008, the following will change:

Basic Personal Allowance	£5,435
Emergency Tax Code	543L Week 1/Month 1
National Insurance:	
Lower Earnings Limit (LEL)	£90 per week
Earnings Threshold (ET)	£105 per week
Upper Earnings Limit (UEL)	£770 per week
Employees' Contributions	11% of £105.01 to £770 per week 1% above £770 per week
Employers' Contributions	12.8% above £105.01 per week
Statutory Sick Pay	£75.40 per week
Statutory Maternity Pay (lower)	£117.18 per week
Statutory Adoptions Pay (lower)	
Statutory Paternity Pay	



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