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## Resolve Newsletter April - May 06

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### 1. Statutory Maternity Pay (SMP) – one for the ladies

At present SMP is payable for a maximum of 26 weeks. The Work and Families Bill will enable regulations to be made, increasing the maximum period to 52 weeks.

As now, SMP will be paid at 90% of average earnings for the first 6 weeks and at a standard rate thereafter. The standard rate is the lower of 90% of average weekly earnings or £108.85 per week (effective from 2 April 2006).

The government intends to increase the maximum payment period for SMP to 39 weeks where the expected week of childbirth (EWC) begins on or after Sunday 1 April 2007. A further increase to 52 weeks has been pencilled in for 2009.

A woman will still have to complete 26 weeks' continuous employment by her qualifying week to be entitled to SMP.

April 2007 will see some other changes:

- To align SMP with the start of the maternity leave, it will be possible for the SMP period to begin on any day of the week (at present SMP has to begin on a Sunday)
- It will be possible to calculate SMP as a daily figure and not a weekly figure, which will mean monthly payroll processing will become easier

### Recovery

**Employers can recover either 92% of the SMP they have paid, or 100% plus compensation if they qualify for Small Employers Relief (SER).**

The qualification for SER, and the amount of compensation are the same as for SMP, **most of our clients will qualify.**

Employers will also be able to apply for funding in advance, as they can now for tax credits.

### Other Information

A step-by-step guide to working out SMP, maternity leave, Statutory Paternity Pay and paternity leave for birth parents is available in helpbook: Pay and time off work for parents [E15](#) (PDF 196K) [E15 Supplement](#) (PDF 164K)

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## 2. All change please! Changes for the new tax year

The following take effect from 6 April 2006:

- 50% first year allowances available on most plant and machinery for small businesses for 06/07
- PAYE emergency tax code becomes 503L and the PAYE threshold £97 a week or £420 per month
- The lowest wage rate attracting employee NIC is £84 per week or £364 per month
- Benefit in Kind exemption for mobile telephones to employees limited to one per employee
- Childcare support under Working Tax Credit rises to 80% of cost (making the max weekly £140 for one child and £240 for 2 or more children)
- The tax and National Insurance contributions exemption for employer-supported childcare rises to £55 per week
- Weekly rate of SSP rises to £70.05 and the earnings threshold to £84 per week
- Budget changes for Venture Capital Trusts (VCT) and the Enterprise Investment Scheme (EIS) come into force
- A Day has arrived
- IHT threshold has risen to £285k

For information on these issues and to discuss the new tax year, the budget and any other tax matters, please contact our office.

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## 3. 2008 – the end of summer holidays for accountants

Accountants will not only be renowned for being boring, stuffy, bean counters in 2008, they will also be renowned for skiing holidays.

We write this flippantly; however, online filing of returns in 2008 is one of the biggest shake-ups announced in the budget in March.

The filing deadline for 2007/08 Self Assessment Tax Returns is likely to be brought forward from 31 January 2009 to 30 November 2008 if filed on line, or 30 September 2008 if filed on paper (heaven forbid!). If this was not enough, the time allowed for filing of Company accounts will be shortened from ten months to seven and the filing of tax returns from one year to seven months.

Hard working tax practitioners can forget about summer holidays from 2008 and their clients will be chased for information and find themselves under more pressure to get their information together.

Thanks Gordon.

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## 4. Minimum Wage

The National Minimum Wage will increase from £5.05 ph to £5.35 ph from 1 October 2006. At the same time, the youth rate (for employees aged 18 – 21) will rise from £4.25 ph to £4.45 ph.

The rate for 16 and 17 year olds will rise from £3.00 ph to £3.30 ph on the same day.

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## 5. Why does the tax year run to the 5<sup>th</sup> of April?

For those of you who enjoy a bit of trivia we thought we would include this unusual story.

Have you ever paused to wonder why the tax year runs to the 5<sup>th</sup> of April?

The rule has not always been applied. More than 2 centuries have passed since the alteration of the date.

From the 12<sup>th</sup> century to 1582 or 1752 in England the tax year began on 25<sup>th</sup> of March. This date is also Lady Day or St Mary's Day and was decided upon by the church. On 14<sup>th</sup> of May 1572 Gregory XIII became the 227<sup>th</sup> pope. He went on to establish the Gregorian University and brought about a change in the calendar system. In 1582 (3 years before his death), this rather unpopular pope set into motion the change from the Julian calendar to the Gregorian calendar which he announced would be more reliable. The change happened in October of that year and required removal of 10 days from October. This in turn pushed the end of the tax year forward 11 days, making the start of the next tax year 5 April 1583.

At this time, a new method of calculating leap years was also introduced.

Protestants at the time were unhappy, seeing the calendar as a device of the antichrist. The pope's coat of arms portrayed a dragon, there were mutterings of the world plunging into decline and into a bloodbath and the calendar was outlawed in Denmark, Holland and Switzerland as a result.

Emperor Rudolf II secured its acceptance some time later by omitting reference to the pope and imposing new calculations as an imperial secular decree.

In England, where anti papal feeling was high; the new calendar did not come into use until 1752.

Things were no different then, People hated paying taxes, however that year the tax year end was fixed on 5 April, where it has remained ever since.

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## 6. Mobile phones and PDA's

We have yet to read any formal guidance on this point from the Inland Revenue or the accountancy profession, however, we have read some preliminary notes in 2 different sources this month.

We understand that HMRC may revise their rules on the taxation of mobile phones. At the moment of course, mobile phones can be provided to employees that need them and the employee will not face a tax charge. The proposed change appears to be driven by phones that often have features such as cameras, MP3 and video players and satellite navigation.

Employees receiving mobile phones with some or all of these features may face a benefit in kind tax charge in the future as the government have removed the exemption for private use of computers this year. We will of course provide details of the changes as soon as they are announced.

### Disclaimer

Resolve Business Solutions are a registered firm of Chartered Accountants and advise that you seek professional advice before making decisions on tax and accounting matters that may be referred to above.