

## VETERINARY NEWSLETTER AUTUMN 2015



### RISE IN MINIMUM WAGE – DON'T GET CAUGHT BEHIND

The National Minimum Wage (NMW) increases every October, and it's crucial for practices to review all wage rates to ensure the hike does not result in some staff slipping below the thresholds. There are fines of up to £20,000 for employers who do not comply, plus the risk of having your name published by HMRC.

The NMW must be paid to all workers except, broadly, those below school leaving age or working voluntarily. From 1st October 2015, the NMW for adults (21yrs+) will be £6.70 per hour – around £13K per year. 18-20yr olds get £5.30ph, whilst for 16-17yr olds it's £3.87ph. Regardless of the across-the-board hike from October, you should also take a moment to consider if any younger staff have crossed an age bracket since their last pay review.

In calculating whether the NMW is being paid correctly, you divide the salary for the pay period by the number of hours worked. Importantly, time spent by staff 'on call' is included even if they are not called in. For example, consider a vet nurse earning £9 per hour for a 37hr week, who is also on call one weekend day for no extra pay. Working this additional (say) 12hrs will reduce their average hourly rate to £6.66 – below the new NMW. In practice there are likely to be three types of people potentially earning below the minimum wage:

**Casual/admin staff:** this may include a variety of non-clinical roles, perhaps junior reception staff or those in the back office. Those joining you for gap years or the summer holidays must also receive the minimum wage, unless their role is genuinely of a voluntary work-experience type role.

**Trainees on a formal placement** will also be entitled to the NMW if they have an employment contract with you. Those without a contract are not normally entitled to the NMW but if the placement is longer than one year they must receive it nonetheless. A contract need not be in writing – it could be oral or implied.

Lastly, in many incorporated practices the directors may decide for tax purposes to pay themselves a low salary, often below the NMW. However, HMRC have confirmed that unless the director has a contract of employment then purely holding the office of 'director' does not make them a worker and therefore they do not risk falling foul of the requirements of the NMW.

### TAX TRIBUNAL FEES

The government is considering introducing fees for tax payers to take cases to the first tier tribunal (FTT) or upper tribunal (UT) in an attempt to recoup some of the annual £1billion running costs faced by the courts and tribunal service.

Currently, a fee does not have to be paid to the tax tribunals to have an appeal heard, although legal costs may be incurred but that is a different matter. It is proposed that, in future, listing a case will cost between £50 and £200, and, if there is a hearing, the fee could be anything up to an additional £1,000. Cases heard on papers only will not incur the latter fee.

Whilst £1,200 is a small figure in the context of a multi-million pound avoidance scheme, many cases are dealt with by the tribunal at the other end of the spectrum. The proposals mean that it could cost £250 to appear before a tribunal in order to appeal against a £100 late filing penalty. Whilst HMRC have announced that they will be taking a lighter touch approach to penalties, we have seen no evidence of this in practice and hope HMRC rethink the proposals.

## CHRISTMAS IS COMING

As soon as you hear people jesting “it’s closer to this Christmas than last”, it’s a sure sign that someone in the practice is about to be tasked with organising the annual party. As that time is well and truly upon us now, it’s worth a reminder about the potential tax consequences of seasonal generosity.

First off, the Christmas party - or in fact any annual party. Provided you are entertaining only staff and their close family, the full cost is deductible against your trading profits. If you also invite suppliers or clients, then only the staff-related expenditure can be deducted. However, the potential pitfall is that if the total per-head cost (including transport and accommodation, if applicable) goes over £150, the whole lot – not just the excess – is treated as a benefit in kind on the employee, and must be reported on their P11D. Alternatively, it may be more economical to agree a PAYE Settlement Agreement with HMRC (see our Summer 2015 newsletter for details – email us for a copy if you missed that one).

The £150 is an annual total, so if you have, say, a summer BBQ then this also counts towards the limit. However it’s only the event which pushes staff over the £150 which is taxable.

Seasonal gifts to employees should also be given some thought. Cash gifts or store vouchers are treated as salary and taxable as such. However, HMRC will not seek to tax trivial non-cash gifts such as a bottle of wine or box of chocolates, provided these are not given in recognition of work performed. Their limit of “trivial” remains under wraps, but a common-sense approach should avoid any challenges. Larger gifts (perhaps a whole case of wine?) will be taxable through the P11D or PSA channels as outlined above.



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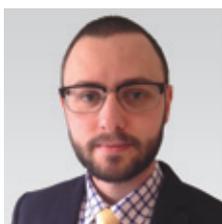
## CONTACT

If you would like to arrange an initial no-obligation meeting, at no cost, to discuss any of the matters raised in this newsletter, or to find out how Albert Goodman can benefit you or your practice please do not hesitate to contact **Peter Watkins on 01823 286096 or [peter.watkins@albertgoodman.co.uk](mailto:peter.watkins@albertgoodman.co.uk)**

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