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As always if there is a particular subject you would like us to cover please email info@wyliebisset.com

Cash flow aid from HMRC!

The Business Payment Support Service was launched in late 2008 by HMRC.

It is designed to assist all viable businesses (large and small) currently having problems paying their tax. The service is primarily available to self-employed people and companies but can be used by anyone who is having difficulty in meeting their tax liabilities. It covers most taxes and duties including income tax, corporation tax, VAT, PAYE and national insurance.

In order to qualify HMRC expect that the business/individual is:

- in genuine difficulty
- unable to pay their tax on time
- likely to be able to pay if HMRC allowed them more time.

The aim is to allow individuals and businesses to spread payments over a period of time to suit individual circumstances. HMRC will also now take into account any current anticipated business losses in forming such an agreement.

Additional late payment surcharges on tax/duties included in the arrangement will not normally apply, although interest will continue to be payable where relevant. If this is of interest to you please contact us for assistance.

WB BULLETIN

AUTUMN 2009

The online march advances...

Online filing and electronic payment continue to march forward for business related taxes. Larger businesses already have to file certain returns online and some are also required to make payments electronically. Compulsory online filing and electronic payment will start to apply to all sizes and forms of business over the next two years, so here is a summary of the changes.

PAYE

The online filing rules depend on whether the business has more or less than 50 employees. A business with 50 or more employees is already required to file the Employer Annual Return online, meaning the P35 and P14s. In addition, there is a requirement to file certain 'in year forms' online - such as the relevant parts of form P45 or a P46 which are completed when an employee leaves or starts employment.

For a business with fewer than 50 employees, the end of 2009/10 will mean compulsory filing for the first time of the Employer Annual Return, rather than the incentive payments for voluntary online filing enjoyed in recent years.

Compulsory online filing of the 'in year forms' will then apply from 6 April 2011.

Electronic payments

Currently, only a business with over 250 employees is required to pay PAYE and NIC electronically but this is likely to be extended to smaller businesses in due course. In any case, many businesses find it efficient to use such payment methods.

Electronic payments include:

- Direct Debit
- BACS Direct Credit, internet or telephone banking services
- debit card over the internet - BillPay
- CHAPS
- Bank Giro
- payment at a participating Post Office.

Corporation Tax

From 1 April 2011, for any accounting period ending after 31 March 2010, all companies will be required to file the company tax return (including supporting documentation) online.

While the change is some way away, it's a good idea to consider whether your software will be able to handle the new Extensible Business Reporting Language (XBRL) data format, particularly if your business is thinking of investing in new software in the near future.

Companies will also be required to pay corporation tax electronically from 1 April 2011.

VAT

If turnover is more than £100,000, VAT returns will have to be filed online and liabilities paid electronically for accounting periods that start on or after 1 April 2010. This will also apply for any new VAT registrations on or after 1 April 2010, regardless of the turnover.

If you would like further information on how we can assist with online filing do contact us.



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Scrap and spend scheme



In this age of recycling and environmentally friendly policies, the concept of 'scrap and spend' may appear odd. However a 'vehicle scrappage' scheme announced in the Budget 2009 is aimed at boosting economic stimulus in the motor vehicle industry whilst at the same time encouraging consumers to invest in more environmentally friendly models.

The scheme is aimed at getting you to trade in old vehicles for new, preferably lower emission, vehicles. The old vehicles are then scrapped. It is equally relevant to personal or business purchases but given the economic climate – a cash incentive is available to encourage you to spend! The government, through the Department for Business, Innovation and Skills, is offering a £1,000 subsidy, per vehicle, which is matched by a further £1,000 subsidy from participating manufacturers. Some manufacturers and dealers are even offering an additional subsidy or discount. No government subsidy is available where a manufacturer has not joined the scheme but as 41 such manufacturers signed up for the scheme within the first two months of operation, there are plenty of choices.

The scheme, which applies to vans and cars, is destined for a limited shelf life so prompt action is needed to take advantage before the £300 million fund set aside runs out! Even if the fund lasts it is only available until 28 February 2010.

Are you eligible?

The vehicle you are trading in must:

- be a car or small van weighing up to 3.5 tonnes
- have been registered in the UK on or before 31 August 1999
- be registered with the DVLA or DVA in either the individual's or business' name
- have been registered to you continuously for 12 calendar months before the order date of the new vehicle
- have a UK address on the registration certificate (V5C)
- have a current MOT test certificate before the date of order for the new vehicle (or within 14 days of expiry at the time of order)
- have a current tax disc when the order for the new vehicle is placed (or within 14 days of expiry at the time of order)
- be insured when the order for the new vehicle is placed.

The new vehicle being purchased must be:

- a car or small van weighing up to 3.5 tonnes

- first registered in the UK on or after 18 May 2009
- declared new at first registration in the UK with no former keepers
- a UK specification vehicle
- registered to the same registered keeper as the registered keeper of the eligible vehicle to be scrapped.

And what about tax...

VAT position

The VAT element of the cost is not recoverable when purchasing a vehicle:

- for personal use; or
- for use in a business which is not VAT registered; or
- the vehicle is a car, acquired by a VAT registered business for both business and private use.

HMRC will only accept that a car is solely for business use in very limited circumstances.

If, however, the purchase is a van for use in a VAT registered business, the VAT expense on the van is usually fully recoverable even where there is some private use of the van. Where purchased under the scrappage scheme an adjustment will be required to reduce the input tax in relation to the manufacturer's subsidy - so the input VAT will need to be reduced by £130.43.

Capital allowances

The old vehicle has to be surrendered under the scheme and is then scrapped. The disposal proceeds are treated as nil.

New van

The tax relief available under capital allowances will vary depending upon whether the purchase is a van or a car but only the true cost is considered. This means that if you purchase a van which normally retails at £15,000 (excluding VAT) for which you are charged £12,500 (excluding the VAT

element) because of the £1,000 government subsidy, the £1,000 manufacturers subsidy and a further dealer discount of £500, then only £12,500 is considered for tax relief.

The good news is that such expenditure is eligible for 100% tax relief provided the business has Annual Investment Allowance available - generally £50,000 per annum.

New car

The tax relief position for cars purchased on or after 1 April 2009 by companies or 6 April 2009 by the self-employed has changed. It depends on the CO₂ emissions of the car purchased and is designed to encourage the purchase of lower emission cars.

There are essentially three CO₂ emission-based bands:

- cars up to 110 g/km attract 100% relief
- cars from 111 - 160 g/km attract a 20% annual allowance
- cars in excess of 160 g/km will only attract a 10% annual allowance.

Where the user of the vehicle is a sole trader or partner in a partnership, any of the above allowances will be restricted for any private use element.

We can advise on this and other aspects of business motoring so please contact us.



The tax bell tolls does it toll for thee?

Who will pay 50% tax?

As you may be aware, from 6 April 2010, the government is going to introduce a new 50% additional rate of income tax for individuals. This additional rate will only apply to those with taxable income above £150,000.

The majority of taxpayers will continue to pay income tax at 20% on their taxable income up to £37,400 (2009/10 limit) and 40% on income above that amount up to the new £150,000 limit.

Special rates of tax currently exist for dividends of 10% and 32.5% respectively. A new additional rate of 42.5% will be introduced for dividends which fall into the income band above £150,000.

What are the changes to the personal allowance?

For 2010/11, the personal allowance will be subject to an income limit of £100,000. An individual's personal allowance will be reduced by £1 for every £2 of adjusted net income above the income limit. This means that, using the current year's personal allowance of £6,475, anyone with adjusted net income of above £112,950 will not be entitled to any of the allowance.

Adjusted net income for these purposes is broadly all income after adjustment for pension payments, charitable giving and relief for losses.

When the new additional rate of tax is combined with the restriction in the availability of the personal allowance, those at the higher end of the income scale could see their tax liability increase significantly. For example, an individual with pay of £200,000 would see their liability rise from approximately £70,000 to £77,500.

Please do get in touch if you would like us to look at your personal circumstances with a view to mitigating your liability and/or securing your entitlement to the personal allowance.

No place to hide

UK taxpayers with undisclosed offshore assets and funds are once more invited to reveal their income and gains with only a limited penalty under HMRC's New Disclosure Opportunity.

The Chancellor announced in the Budget 2009 that there was to be a 'New Disclosure Opportunity' (NDO) nicknamed by some as a second tax 'amnesty'. The first such 'amnesty' occurred in 2007 as a result of information HMRC obtained from five high street banks (Lloyds TSB, HBOS, HSBC, Barclays and RBS).

As a result it was claimed that around 60,000 people took the opportunity to disclose, raising additional tax of £400m.

This time HMRC aim to raise significantly more revenue. Dave Hartnett, HMRC Permanent Secretary for Tax has stated "This will be the last opportunity of its kind".

Why now?

HMRC and other foreign tax authorities have worked hard over the last few years to increase cooperation in an attempt to stamp out tax evasion. Since then they have sought information from a large number of financial institutions (other banks, building societies and brokers).

The second chance

The key details of the NDO appear to be:

- It is aimed at people with unpaid tax connected to offshore accounts and other assets.
- It will run from 1 September 2009 until 12 March 2010 although taxpayers will only have until 30 November 2009 to register and notify their intention to disclose.

- The final deadline for actual disclosure will then be 12 March 2010 if done electronically or 31 January 2010 for disclosure on paper.
- A penalty of 10% as well as settlement of the tax liabilities will apply for new full disclosures.
- If the unpaid tax liabilities being disclosed are less than £1,000 there will be no penalty.

Higher penalties

Higher penalties will apply where a taxpayer had the chance under the 2007 'amnesty' and chose to make no disclosure.

This applies to taxpayers who held offshore accounts at the major high street banks in 2007 and to whom either HMRC or the banks wrote explaining the disclosure opportunity. Full disclosure now in such cases will attract a 20% penalty.

HMRC have indicated that following the closure of this initiative, those who have not come forward face a minimum penalty of 30% potentially rising to 100%, if they are subsequently found to have unpaid tax liabilities. In some cases HMRC may seek criminal prosecution.

If you think this is relevant to you, we recommend that you contact us to discuss your specific position at the earliest opportunity.



A belated birthday for NMW

Following the tenth anniversary of the introduction of the National Minimum Wage (NMW) earlier this year, it is claimed that around one million people should benefit from the latest increase to the NMW to apply from 1 October 2009.

- Workers aged 22 and over should receive a minimum of £5.80 per hour up from the previous £5.73.
- The 18 to 21 year olds rate will increase to £4.83 per hour from £4.77.

- The 16 to 17 year olds rate will increase to £3.57 per hour from £3.53.

Further, following recommendations from the Low Pay Commission, the adult minimum wage rate is set to include 21 year olds from October 2010.

For further information on all aspects of the NMW, please see www.berr.gov.uk/whatwedo/employment/pay/index.html



Preventing penalties

Many VAT registered businesses assume they have a clean bill of health when it comes to VAT compliance. However, when the HMRC officer visits, it is the same basic errors that lead to the recovery of most of the underpaid tax.

It is worthwhile knowing what some of the most common mistakes are:

- If you buy fuel for a motor car which is used privately, do not forget to add a fuel scale charge for each car to your output tax.
- You may not claim the input tax on the purchase of a motor car except where there is 100% business use or, in the case of a taxi or driving school car, predominantly business use.
- You cannot reclaim input tax on many forms of entertaining.
- If you take goods from your business you must account for output tax on the cost of such goods.
- If you sell an asset used in your business you must account for output tax on this sale (there are special rules for cars).
- Do not reclaim VAT on purchases of goods or services unless you have a valid VAT invoice.
- Do not reclaim VAT on purchases of goods or services for personal use, such as home telephone costs.

- If you sell goods to private individuals or unregistered businesses in other EU countries you must charge VAT as normal.
- If you have reclaimed VAT on a purchase invoice that remains unpaid after six months for any reason, you must repay the VAT to HMRC.

Simple errors over long periods (maximum of four years retrospectively) can lead to a substantial bill for undeclared VAT and it is not just the VAT which will have to be paid over.

Since 1 April 2009, all key tax returns, including VAT, which contain errors resulting in an underpayment of liability or an overstatement of a reclaim, will come within the new penalty regime. This means that if an error is considered careless then a penalty of up to 30% could be levied, with significantly higher penalties for those who deliberately make incorrect returns.

The definition of a careless error can extend to include an innocent mistake which you discover but do not disclose. It will also apply where you have not taken reasonable care in preparing returns by obtaining appropriate professional or HMRC advice.

Please contact us if you would be interested in a VAT healthcheck for your business.

Autumn advance

The weekly limit for calculating statutory redundancy pay is normally increased annually each February and consequently the limit increased on 1 February 2009 to £350. However, the Budget 2009 provided for a further increase in the limit for statutory redundancy pay, making the weekly rate £380 and this is to be implemented from 1 October 2009. Whilst this is four months earlier than usual, the government have stated that the £380 weekly limit will not increase again in February 2010, but will remain at that rate until February 2011.

The change does not mean that statutory redundancy pay will increase to £380 per week. Rather, it means there is an increase from £350 to £380 in the maximum amount of weekly pay which can be taken into account in calculating statutory redundancy pay.

Calculating statutory redundancy pay

A week's pay is that to which the employee is entitled under his or her terms of contract as at the date the employer gives minimum notice to the employee and the maximum service to be taken into account is 20 years.

This means that the maximum statutory payment which cannot exceed 30 weeks' pay is now capped overall at £11,400. Employers may, of course, pay in excess of the statutory minimum.

Employees who have at least two years' continuous service qualify for a redundancy payment.

The entitlement for each year of service is as follows:

- until the age of 21 - half a week's pay
- between the ages of 22 and 40 inclusive - one week's pay
- over the age of 41 - one and a half weeks' pay.

