

Welcome to
the summer
2011
newsletter



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CASH FLOW PROBLEMS ARE A "REASONABLE EXCUSE" FOR LATE TAX PAYMENTS

A tribunal case has ruled that cash flow problems do count as a "reasonable excuse" for late tax payments, signalling a trend towards more business friendly rulings. The case involved Alan Kincaid of AK Construction company, who appealed against HMRC's decision to remove gross payment status.

Whilst we would never advocate making a late payment, here is a quick guide to what HMRC may consider as a "reasonable excuse":

- Cheque lost in post (if evidence can be produced)
- Cheque dishonoured due to bank error
- Serious illness e.g. coma, major heart attack, stroke or any other serious mental or life threatening illness
- Serious illness of close relative or

- domestic partner
- Bereavement

These are however just examples, and each case will be considered on its own merits. We strongly advise all clients to contact us with any concerns regarding payments to avoid hefty penalties.



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For advice on any of the topics featured in our newsletters please contact us.



1 IN 10 SMES MISS TAX RETURN DEADLINE

According to a recent survey of 500 small businesses by Clydesdale and Yorkshire Banks, 10% of those questioned stated that they had made a late VAT payment or missed the tax return deadline. Furthermore, the research stated that 19% of businesses have missed out on tax breaks and grants.

If you are experiencing difficulties in meeting HMRC deadlines please contact the office for advice.

20% RISE IN HIGHER RATE TAX PAYERS

In April the higher rate threshold where a 40% tax on earnings is applied, was reduced to £35,000 of taxable income, from the original £37,400. A recently published forecast by HM Revenue & Customs has shown that a 20% rise in the number of higher rate tax payers from 3.1 million to 3.7 million is predicted this year. For those who have entered this tax bracket, iC provide a quick guide opposite to help minimize your tax bill.

HIGHER RATE TAX PAYERS: MINIMIZE YOUR BILL...

- **PENSIONS**
Business owners can claim back tax relief on personal pensions on their Self Assessment return, whilst for those employed individuals, employers' will typically take pension contributions from their pay before deducting tax.
- **CHARITABLE DONATIONS**
This too can be recorded on a Self Assessment return. However, this may not be necessary - if you keep records of your donations and contact the tax office to inform them, they may adjust your tax code accordingly.
- **CHILDCARE VOUCHERS**
These operate via a salary sacrifice scheme where employers take the money out of the employee's gross salary and pay it directly to the childcare provider. Individuals joining the scheme are eligible to claim basic rate tax relief of 20%.
- **MARRIED COUPLES**
If one spouse is a higher rate taxpayer and the other a basic rate, it is possible to save tax by transferring assets such as stocks, shares, properties and even bank accounts to the lower rate payer.



U-TURN ON THE ABOLISHMENT OF CHEQUES?

In 2009 it was announced by the UK Payment Committee that cheques would be phased out by 2018. However, with many individuals and indeed small businesses relying on cheques as a day-to-day payment method, the Treasury Select Committee has been inundated with letters from the public expressing their concern and has now re-opened an inquiry into the future of this payment method.

HMRC TARGETS VAT DODGERS

Following a series of tax collection campaigns to encourage voluntary disclosures including those in the medical profession, those who have offshore investments and most recently plumbing and heating engineers, HMRC latest target is VAT dodgers. HMRC has set up a special squad to identify businesses who are not VAT registered yet trade above the £71,000 VAT threshold. More than £500m has been raised from voluntary disclosures and a further £100m via follow up activity – the authority is warning offenders' to register now before facing fines.



DIARY DATES... JULY 2011

- 5th: Last date for agreeing your PAYE Settlement for 2010 – 2011.
- 6th: Deadline for submitting form 42 or other relevant forms to report share-related benefits provided to employees.
- 6th: Deadline for filing forms P9D, P11D, P11D(b), or substitutes for the tax year ending 5 April 2011.
- 6th: Last date for giving a copy of the 2010-11 forms P9D, and forms P11D, or substitutes, for the tax year ending 5 April 2011 to reach your HMRC Tax Office.
- 19th: Deadline for postal payment to reach HMRC Accounts Office for any outstanding Class 1A NICs for the tax year ending 5 April 2011.
- 22nd: This is the final date for electronic payments to be cleared in HMRC bank account for any outstanding Class 1A NICs for the tax year ending 5 April 2011.
- 31st: Deadline for second Self Assessment payment on account for tax year ended 5 April 2011.

our latest
news...

UP TO 70% FUNDED TRAINING FOR WELSH BUSINESSES? NOW THAT'S A CAPITAL IDEA...

We are pleased to announce to our clients and colleagues the availability of heavily subsidised WAG funded training, offered by our client Consult Capital, part of the Capital Law group of companies. From concise workshops to fully accredited courses to wholly bespoke training programmes, Consult Capital's portfolio of funded courses spans an extensive range of business training themes, delivered in a highly practical and energetic manner... from just £42 per day. For further information visit: www.fundedtrainingwales.co.uk



CONSULT CAPITAL

Q&A Corner...

I run my business from home and have recently registered as a limited company. Can I claim rent, utility bills, telephone and broadband costs as a business expense?

Damian Evans, Fellow of the Chartered Institute of Management Accountants and a Director of iC accountancy says:

It is possible to claim a proportion of home costs if they are reasonably incurred as a result of running your business from home. A business can claim a fair proportion of heating, lighting, rent, rates and cleaning costs but not mortgage costs. It is worth noting that making such claims can give rise to capital gains tax issues, so before any claim, you should seek professional advice.

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