


APRIL '11 TAX NEWSLETTER

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GardnerSteward 
CHARTERED ACCOUNTANTS
Charwell House
Wilsom Road
Alton
Hampshire
GU34 2PP

Welcome to our monthly tax newsletter designed to keep you informed of the latest tax issues.

We hope you enjoy reading the newsletter and remember, we are here to help you so please contact us if you need further information on any of the topics covered.

SAVING NATIONAL INSURANCE CONTRIBUTIONS

With the nasty increase in NICs applying from 6 April 2011 it is worth looking at ways of reducing the effects. This could involve, in the right circumstances, paying a bonus by 5 April 2011. In that way the extra 1% NICs payable by the employee from 6 April will be avoided – as indeed will be the separate extra 1% payable by the employer.

For the self-employed, facing an increase of 1% in the Class 4 NICs payable above the upper profits level, it may be possible to increase taxable profits in 2010/11 to reduce the effects of the increase. The price to pay for that, however, is bringing forward the date when income tax is due on any increased profits.

We will be pleased to advise you by reference to your specific circumstances.

ADVISORY FUEL RATES FOR COMPANY CARS

Published guidelines are issued by HMRC. The stated aim is to save time for all concerned by setting out figures which they reckon can be used in the majority of cases

They are only advisory, and can apply where the employer reimburses the employee for fuel for business travel in a company car or where the employer requires the employee to repay the cost of fuel for private travel in a company car.

They are reviewed every 6 months, but more frequently at HMRC's consideration if fuel prices fluctuate by 5% from the current rate and that is likely to be sustained. Indeed the 1 December 2010 rates, based on petrol at 119p per litre, were increased from 1 March 2011 as follows in view of the substantial fuel price increases.

They are based on an average petrol price of 128.9p per litre. At the time of writing that already looks too low, so we can expect more increases in the advisory rates.

<i>engine size</i>	<i>fuel cost per mile</i>		
	<i>petrol</i>	<i>diesel</i>	<i>LPG</i>
to 1,400 cc	14p	13p	10p
1,401 to 2,000 cc	16p	13p	12p
Over 2,000 cc	23p	16p	17p

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NEW DISCLOSURE OPPORTUNITY

Any taxpayers who have some undeclared income should take a serious look at the latest opportunity offered by HMRC to get their tax affairs sorted out with usually no questions asked and lower penalties applying than would be the case if HMRC approached them.

Although this new opportunity is supposedly aimed at plumbers, (hence the name "Plumbers Tax Safe Plan), HMRC makes it clear that in fact it is open to anybody whatever the source of income or capital gains and whether an individual or limited company.

To take advantage of this scheme there is a requirement to notify by 31 May with the actual disclosure plus payment being made by 31 August. Penalties will normally be 0%, 10% or 20%, depending on the circumstances. This is less than would normally be the case, and there is the added aspect that if the taxpayer can show that the extra tax to pay arose despite him or her taking reasonable care it means that HMRC can only go back 4 years.

We will be pleased to assist any taxpayer who has something to disclose. And we will make sure they get the best deal available.

THE OFFICE OF TAX SIMPLIFICATION

They have published their interim report on simplifying the tax system for small businesses, and the likely response is a feeling of disappointment that so few specific ideas are being put forward.

To be fair, the OTS makes it clear that they now seek the Chancellor's views and further instructions, and they also ask for views to help them develop their final report which is due later this year, but even so one could have expected more to come out at this stage.

There is consideration of a simpler tax regime for very small businesses with turnover below £20,000, and the future of IR35, but the tone of the report does not suggest the existence of any real commitment to simplify.

Let us hope that this will not turn out to be an opportunity missed. As and when any real changes are announced we will see exactly how we can use them to your advantage.



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BUSINESS RECORDS CHECKS

We mentioned this new initiative in the February edition of TAX E-NEWS, and since then further aspects have emerged.

It looks like any checking will be based on a simplistic pro-forma that cannot take into account the specific way you run your business. That at best means the checking process will be misleading, and at worst it will be positively dangerous. HMRC may well get the wrong end of the stick and label your records as not being up to scratch when in reality they are perfectly acceptable.

Another controversial aspect is that HMRC plan to select cases for a Business Records Check on the basis of risk assessment, focusing on businesses that have features associated with poor record keeping. They talk about the corrective impact of Business Records Checks being increased, and poor record keepers further encouraged to bring their records up to standard, through leverage. HMRC give an example of when they identify a business population as having the features associated with poor record keeping, they could write individually to that population explaining that they are in a category at risk of having poor business records; that HMRC will be conducting checks of the business records of many of those in that population; and that they are, therefore, more likely to be chosen for such a check in the coming year.

All this make it vital that your record-keeping is reviewed by us to ensure that it will withstand any new attack from HMRC under its seemingly rough and ready approach.

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