


# JUNE '11 TAX NEWSLETTER

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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.

## COLLECTING TAX DEBTS THROUGH PAYE

Over recent years, HMRC has concentrated its debt collection resources, out of necessity, on high-value debts. Unsurprisingly, say HMRC, this has led to a considerable increase in the number of small debts, particularly those less than £1,000 in value. In most cases, the low value of these debts meant that taking action to enforce their payment would have been inappropriate.

However, the result of all this is that more tax debts will be reflected in your Code Number used by your employer. Specifically the intention is to increase the maximum amount that can be coded out from £2,000 to £3,000. This will clearly ensure that more people with small debts can benefit from this collection method, and HMRC can direct its resources to those who deliberately choose not to pay tax.

## EQUITABLE LIABILITY

Equitable Liability was a little known practice in which HMRC accepted the evidence of time-barred returns, accounts, claims etc. where there was a tax debt but no longer any legal right to adjust the liability. The amount of the legal liability was not actually amended, but HMRC agreed not to pursue the difference between the original liability and the revised amount.

Following consultation, equitable liability has been replaced from 1 April 2011 by a new and statutory special relief. This is welcome news and we will always look to claim the relief when the circumstances are right and proper.

## THE TAXMAN HAS SEEN THE LIGHT AT LAST!

Two useful developments have occurred on the tax admin front. Firstly, HMRC intend to scan incoming post. This will be introduced in phases during 2011/12.

The main benefits claimed by HMRC are pretty obvious, and if all turns out well it will make life easier. In particular:

- ◆ Scanning will ensure documents get to the relevant HMRC caseworker as quickly as possible.
- ◆ By assigning paperwork to cases electronically, HMRC avoid the need for manual distribution of letters and documents received by caseworkers.
- ◆ HMRC will be able to handle our calls to the caseworker about the case, without the delay of locating original paper copies.

The second development involves piloting real-time information from next April. This will enable volunteer employers to use the new system which, if all goes well, will become compulsory for all employers from October 2013. Real-time Information is intended to support improvements to the PAYE system, making it more accurate for taxpayers and easier for employers and HMRC to administer. HMRC say we all need a PAYE system that can meet the demands of the 21st century workplace and ensure that the tax system works better. We would all echo that, and let's hope this is the answer.

## TAX CREDITS: EFFECT OF BUDGET CHANGES FROM 6 APRIL 2011

Changes to tax credits are happening from 6 April 2011. These include the amount of income you can have before your tax credits are affected, the hours you can work if you're 60 or over and some payments being reduced or stopped. Find out about the changes and how they might affect you by looking at the HMRC website FAQ's on Tax Credits:

<http://www.hmrc.gov.uk/taxcreditsbudget2010/index.htm>

Alternatively call us to discuss any changes or problems you may have.

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## CALLING ALL RESTAURANT OWNERS

HMRC has announced the use of specialist teams to focus on particular trades and areas in the near future.

The first such task-force will target those in the restaurant trade, beginning with those in London before covering Scotland and North West England. This new approach is clearly an attempt to use HMRC's resources more effectively in their continuous quest to collect more tax (not forgetting of course that their real role is to make sure a taxpayer pays the right amount of tax – no more and no less).

The danger is a possible gung ho approach which makes unwarranted assumptions. If you are in this trade we really should be having a good look at your business records to make sure all is well and that HMRC, in their haste, do not come to the wrong conclusions from a cursory examination of your records.

## FLAT RATE SCHEME FOR VAT

If your VAT taxable turnover is less than £150,000, you could simplify your VAT accounting by calculating your VAT payments as a percentage of your total VAT-inclusive turnover. Although you cannot reclaim VAT on purchases - it is taken into account in calculating the flat rate percentage - the Flat Rate Scheme can reduce the time that you need to spend on accounting for and working out your VAT. Even though you still need to show a VAT amount on each sales invoice, you don't need to record how much VAT you charge on every sale in your accounts. Nor do you need to record the VAT you pay on every purchase.

Please contact us if you would like to discuss this VAT Scheme for your business.



## PAYING YOUR TAX BY DIRECT DEBIT ONLINE

We often get asked by our clients "Instead of having to pay self-assessment tax twice a year or corporation tax in one lump sum, how can I spread the payments to HMRC more easily?" HMRC has two separate online Direct Debits:

### VAT Online Direct Debit service

This service can be used for making you online VAT return payments and any balancing payment for your Annual Accounting Scheme; and

### Direct Debit online for other taxes

This service can be used if you are registered for one or more of the following online services - Self Assessment, PAYE for employers, Corporation Tax, Construction Industry Scheme. HMRC recommends you pay by Direct Debit because:

- ◆ Direct Debit provides certainty about when your payment will reach HMRC.
- ◆ Only the amount you request to pay will be collected by Direct Debit. HMRC won't collect any other outstanding amounts in this way.
- ◆ It puts you in control, making it less likely you'll miss a payment deadline.

Please talk to us if you are interested in setting up a direct debit to HMRC and we will point you in the right direction.