


MARCH '11 TAX NEWSLETTER

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GardnerSteward 
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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.

PAYE FORMS FOR EMPLOYERS

HMRC will now no longer routinely issue paper Employer or Budget Packs, or indeed any employer information by post. These will be replaced by online guidance and downloadable applications, as part of the cost reduction exercise.

Where we deal with all your payroll work, there will of course be nothing to be concerned about, but otherwise we recommend that as an employer you should register for the free email alert service so that HMRC can let you know when the latest information is available.

HMRC also say, with their "customer" approach apparently forgotten, that they now expect the vast majority of employers to use the online route as opposed to requesting paper products and can only supply copies to those employers who are exempt from online obligations or who are unable to access the internet.

PENALTIES FOR LATE FILING OF YOUR INCOME TAX RETURNS

New late filing and late payment penalties will apply from 6 April 2011 (in relation to tax years ending after 5 April 2010) for personal, trust and partnership returns.

The existing rule that the late filing penalty is the lower of £100 and the balance due will be replaced. That is hardly a surprise, but the good news is that the level of the basic £100 penalty remains.

The penalties for late filing will include:

- ◆ £100 penalty immediately after the due date for filing (whether or not the tax has been paid)
- ◆ Daily penalties of £10 per day for returns that are more than 3 months late, running for a maximum of 90 days
- ◆ Penalties of 5% of tax due for the return period (or £300 if greater) for prolonged failures, which arise after 6 months and again after 12 months
- ◆ Higher penalty of 70% of tax due where a person fails to file for over 12 months and has deliberately withheld information necessary for HMRC to assess the tax; this is 100% if deliberate with concealment)

Rest assured, we will do all we can to file your tax returns on time, but the consequences of that not happening are about to get worse.

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INCREASED PENALTIES FOR OFFSHORE TAX EVASION

We knew that the sanctions available to HMRC for tackling offshore non-compliance were to be increased, and we now know when and how this will happen.

Basically, the normal maximum penalty of 100% of the tax (in practice, discounted to reflect a whole set of circumstances which we argue as part of the negotiating process) will be determined by the tax transparency of the jurisdiction in which the non-compliance arises. Where the jurisdiction only exchanges information with HMRC on request, inaccuracies arising offshore will be subject to penalties of up to 150% of the tax. Where a jurisdiction shares no information from HMRC, penalties will be up to 200%.

The new penalty frameworks for offshore non-compliance will apply to income tax and capital gains tax from 6 April 2011. It categorises the source area with Category 3 being the worst. This includes Monaco, UAE, Brazil to name just a few.

IS YOUR BUSINESS BASE YOUR HOME?

If you are self-employed and do the core work at the premises of the client, there may have been doubts before in being able to claim that your business base is your home. That can seriously restrict the scope for claiming tax relief on travel costs to and from your home to your various places of business.

Following a new tax case that could change this, it was decided that a sub-contractor must have a base for his business. The same could be said of other businesses, where your work on issues such as plans and quotes at home must be a part of your trading activity which does not therefore cease when you arrive at home to deal with these. Accordingly your base for the business is your home.

We will have to wait and see whether this decision is appealed against, but subject to that, we will ensure that any claim for tax relief for you is fully explored.



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END OF TAX YEAR PLANNING ACTION

We are ready to advise on all tax planning possibilities by reference to your specific circumstances, with plenty of opportunities to save tax either by taking action by 5 April or indeed delaying until the new tax year.

Areas worth considering include:

- ◆ Planning for reduced corporation tax rates.
- ◆ New calculations for distributing profits as a dividend.
- ◆ If self-employed, look at becoming a limited company now.
- ◆ Maximising Capital Allowances claims before the reduced allowances take effect.
- ◆ Pension Contributions – better to pay now or later?
- ◆ Married couples/civil partners – use this tax year's annual CGT exemption and save tax of £5,656.

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