



## VAT Crack-Down

Some small businesses prefer to keep their total sales below the compulsory VAT registration threshold (currently £73,000), so they don't have to charge VAT to their customers. They do this by turning down work that would take them over the VAT threshold. This is not illegal, but the Taxman is suspicious of businesses that manage their sales in this way.



### Low turnover raises suspicion

If you use this strategy to avoid VAT registration, you need to be able to prove all your sales are correctly recorded and declared. Later this year the Taxman will offer a limited amnesty to those who have total sales over the VAT threshold but who have not registered for VAT. Once that amnesty period is over he will start to actively investigate traders who report total sales just below the VAT threshold.

Remember your business (as a sole-trader, partnership or company) doesn't have to become VAT registered until the total sales for 12 consecutive months exceed £73,000. However, this total applies to all the businesses you run as a sole trader. You can't artificially divide your businesses to avoid registering for VAT.

Once your business is VAT registered you must charge VAT at the appropriate rate (normally 20%) on your sales. You must also submit quarterly or monthly VAT returns online, but we can help you with that. You will not receive a paper VAT return. The only prompt will be an email from HMRC sent some weeks before the end of your VAT period.

If your total sales are less than £150,000 you can join the flat rate scheme for small businesses, which makes VAT reporting much easier. Ask us to check if your business would benefit by being in this scheme.

### Office News

We are delighted to announce that on 10 May 2011 Alison gave birth to a son, Jack Anthony, a brother to Maisie. We are sure you will join with us in sending Alison and Stephen many congratulations.



### Companies House

Starting in July, it will be possible to join the Companies House scheme to receive reminders by email regarding filing of accounts and annual returns. If we currently file your annual return for you, we will arrange to opt in to this scheme and have the reminders sent direct to us, avoiding paper reminders. Should you wish to continue receiving these reminders from Companies House yourself, please let us know.

### Tax Deadlines

#### 5 July

Finalise PAYE settlement agreement for 2010/11. Return of rents paid to overseas landlords and tax deducted in 2010/11 must reach HMRC. Last day to submit protective tax credits claim for 2011/12 to back date to 6 April 2011.

#### 6 July

File P11D/P9Ds and issue copies to employees. Report shares and share options awarded to employees in 2010/11 on the relevant form. Redundancy packages for 2010/11 including benefits in kind and exceeding £30,000 must be reported to HMRC.

#### 7 July

Report non-cash benefits made to retired employees in 2010/11.

#### 19 July

Pay PAYE/NIC for month to 5 July and class 1A NICs for 2010/11.

#### 22 July

Electronic payments for PAYE/NIC and class 1A NIC must clear HMRC bank account.

#### 31 July

Second instalment of income tax and class 2 NICs due for 2010/11. Unpaid tax for 2009/10 attracts 5% penalty. Renew child and working tax credit claims for 2011/12. Private company accounts for year to 31 October 2010 must reach Companies House.

#### 2 August

Submit form P46 (car) for quarter to 5 July, newly provided cars only.

#### 19 August

PAYE/NICs payments to 5 August and CIS returns must reach HMRC.

#### 19 September

PAYE/NICs payments to 5 Sept and CIS returns must reach HMRC.

#### 1 October

National minimum wage rates increase.

#### 5 October

Last day to notify HMRC of new source of income or gains for 2010/11 if not registered for self-assessment.

#### 31 October

Deadline for submitting 2010/11 paper tax returns.

## Business Records Checks

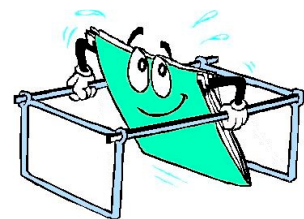
Tax Officers have the power to inspect your accounting records, even recent records which have not yet been used to complete a tax return. This inspection, which will normally involve Tax Officers visiting your business premises, is called a business records check.

If the Tax Officers believe your business records are inadequate for tax purposes they can impose a penalty of up to £3,000. This penalty cannot be suspended even if you promise to keep better accounting records in future.

During the trial of business records checks no penalties have been imposed. However, once the trial is over HMRC expect to carry out up to 50,000 business records checks on small businesses per year, and penalties could be imposed at any of these visits.

If you receive a letter requesting an appointment for a business records check, please contact us without delay. After-all we probably understand your

accounting records as well as anyone, and we will be able to answer any technical questions raised during the inspection.



Are your records in shape?

Some Tax Officers need to be convinced of how apparently incomplete accounting records can be turned into adequate and complete accounts, with a little effort from a trained accountant. We can also ensure the Tax Officers stay within their brief, and do not ask you about non-business matters, such as your personal bank accounts.

For your peace of mind, we recommend that our clients take out our annual Fee Protection service which will cover the cost of our fees in dealing with HMRC on your behalf should you be chosen for review, or subject to a tax investigation by HMRC. Please contact us if this is of interest to you.

## How To Maximise Capital Allowances

Many businesses leave the decision of whether to buy new equipment until the end of their accounting year, once they can see how much spare cash is available. This usually works, but from April 2012 the cut in tax deductible capital allowances could catch you out.

Currently up to £100,000 spent per year on plant, equipment (not cars) or integral features in a building, qualifies for a 100% deduction in the year of purchase. However, for purchases made from 1 April 2012 (6 April for unincorporated businesses) this annual cap is reduced to £25,000. Any excess expenditure qualifies for an annual deduction of approximately 18% or 8%, depending on the type of item purchased.

Where your current accounting year ends after 31 March 2012 the £25,000 cap is restricted according to the number of days between 1 April and the end of your accounting period. Say your company year end is 30 June 2012. You will only get a 100% deduction for up to £6,215 of equipment purchased between 1 April 2012 and 30 June 2012. The 100% deduction for expenditure in the earlier part of your accounting period will also be capped at £75,136.

So if you are planning a large purchase, such as a new truck, please talk to us first so we can ensure your business can maximise its tax deductions in the year of purchase.

## Surprise Tax Bills



Don't be alarmed

HMRC is currently sending out thousands of PAYE reconciliations (forms P800) for the year to 5 April 2011. This form shows what tax was deducted under PAYE and how much tax should have been paid for the tax year. Many people will find they have a surprise tax bill for 2010/11, including those who have recently retired.

The state retirement pension is taxable but it is paid without tax being deducted. The PAYE computer should automatically set the amount of your state pension against your tax free personal allowance in your PAYE code. However, this didn't happen for many state pensions that commenced in 2010/11. The PAYE

computer has also left out taxable benefits such as company cars or medical insurance first provided during the year.

Your PAYE code tells your employer to set the balance of your tax free personal allowance against your earnings/occupational pension, and deduct tax from the rest. If your PAYE code is incorrect, your employer will not have deducted enough tax, hence a tax bill for 2010/11.

Where the tax bill is less than £2,000 the amount due will be collected through your PAYE code in the three years to 2013/14. However, where the amount owing is £2,000 or more HMRC may demand payment immediately. We can help you resist this, and ask for the tax due to be collected through your PAYE code, as the tax underpayment is purely due to a Tax Office mistake.