



Gear-Up To Go Online For VAT

The VAT rules are changing in 2010, and your business will be affected if any of the following apply:

- You supply services to business customers based in other EU countries;
- You need to reclaim VAT on purchases made in other EU countries;
- Your turnover is £100,000 or more, excluding VAT; or
- Your business becomes VAT registered after 31 March 2010.

All of the above changes will require claims or returns to be made electronically, although for point a) there will be an option to complete the return (the EC Sales List) on paper, but within a shorter time limit than allowed for the electronic form.

Businesses within points c) or d) will have to complete all of their VAT returns online for VAT periods beginning on or after 1 April 2010. Online filers will also have to pay any VAT due to HMRC electronically, as a paper cheque cannot be matched to an electronic return. If you are already VAT registered but don't file online, you should shortly receive a letter from HMRC explaining what your obligations will be from April 2010.

We will be able to file electronic VAT returns on your behalf, but you may need to pass on an authorisation code to us issued to you by HMRC. This code will only be sent by post, so we need to get this authorisation procedure underway in good time before the first deadline for electronic VAT returns arrives next year.

If you are already registered for another of the tax online filing services, such as PAYE, you can easily add the VAT online service by following the instructions at the HMRC online services homepage. You also need to have to hand the following facts:

- Your VAT registration number;
- Date when you became VAT registered;
- Month of your last VAT return end; and
- Box 5 figure on your last VAT return.

There is no cash incentive to encourage you to change to filing VAT returns online as applied for online PAYE returns, although you have a further 7 days to file and pay the VAT due online compared to paper VAT returns and cheques. Direct debit payments are collected 10 days after the normal due date.

If you have any questions or worries about online filing for VAT returns please discuss these with us as soon as possible.



Online will be compulsory

Office News

Congratulations to Alison, who married Stephen Southworth on 12 September 2009.

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On page 3 we have included an update on the new HMRC powers and our Fee Protection Scheme. Please contact us for further information.

Tax Deadlines

19 November

PAYE & NIC due for month to 5 Nov.

30 November

Final day to notify intention to disclose undeclared foreign income or gains.

19 December

PAYE & NIC due for month to 5 Dec.

22 December

Electronically paid PAYE & NIC must reach HMRC for month to 5 Dec.

31 December

Last day of Stamp Duty holiday for home costing less than £175,000.

2010

1 January

Corporation tax due for small companies with year end 31 March 2009.

Standard rate of VAT increases to 17.5%. New VAT rules for services supplied across international borders, and EC Sales List required.

Claims for refund of international VAT now made online.

19 January

PAYE & NIC due for month to 5 January, and for 3rd quarter 2009/10.

22 January

Electronically paid PAYE & NIC must reach HMRC for month to 5 Jan.

31 January

Company accounts for years to 31 March 2009 and 30 April 2009 must reach Companies House.

Personal tax returns for 2008/09 must be submitted electronically, or penalty will be imposed. Income tax and CGT due for 2008/09 plus first on-account tax payment for 2009/10. Estimated Tax Credit claims for 2008/9 must be finalised.

28 February

Outstanding tax due for 2008/09 attracts 5% surcharge, plus interest at 3%.

Planning For Higher Taxes

Income tax rates are going up, that's certain. From 6 April 2010, earnings above £150,000 will be taxed at 50% and dividends will be charged at 42.5%. If you have total income of between £100,000 and approximately £113,000 after 6 April 2010 you will lose some or all of your tax-free personal allowance, currently worth £2,590 at the 40% tax rate. Tax relief for pension contributions will also be restricted for those with incomes of £150,000 or more.

We need to help you plan to avoid those higher tax rates and loss of allowances. Where your total income is likely to be around the £100,000 you could consider the following to reduce your income below this

threshold and preserve your personal allowance:

- Move investments such as bank accounts or shares into the name of a lower earning spouse.
- Ask your employer (perhaps your own company) to swap part of your salary for an employer's pension contribution.
- Make gift-aided charity donations.

Where you run your business through your own company you may want to extract any spare cash in the form of dividends before the end of this tax year. Alternatively cash can be left in the company for the future needs of the business.

If your business is not incorporated you are taxed on the profit the

business makes, rather than the profits you extract. The taxable profits can be reduced by making realistic provisions for bad debts, investing in



**Plan now;
save tax**

capital equipment up to £50,000, or by paying employees a little more. A family member could be employed by the business, but they must be paid a market rate for the work they do.

Please discuss your predicted income level for 2010/11 with us, before its too late.

Don't Forget About Capital Losses

If you have a modest portfolio of shares, the gains you make each year may be less than your annual capital gains exemption (£9,600 for 2008/09), in which case you don't have to report your net capital gains on your tax return form.

Unfortunately the year to 5 April 2009 was a disaster for nearly all investors. If your portfolio was typical, your losses will have exceeded the gains you made on share disposals, and you will have a net loss to report. It is important to report this loss on your tax return form as it can only be used to

reduce other tax liabilities if it is correctly reported. The same applies if you made a loss from selling property, or if you held shares in a company that went bust, or was nationalised.

Each disposal of shares or property needs to be reported separately on a schedule to your tax return. This is a pain, but we can do this for you if you provide us with the sales and purchase details for each item. Gifts of property or shares to relatives or charities should also be reported in the same way.

If the capital loss arose from the disposal of shares in an unquoted trading company, that loss may be available to reduce your current income tax bill, but only if certain conditions relating to the company apply. In all other cases the capital loss will be carried forward until you make a capital gain. This could be a gain deferred from an earlier tax year, where investments such as EIS or VCT shares are sold.

Please discuss your capital losses with us so we can check that all possible tax reliefs have been claimed.

Fewer Companies: Lower Tax

Entrepreneurs, such as yourself, tend to run a number of businesses, normally one after another, but sometimes you may have several different companies operating concurrently. Unfortunately the tax system is stacked against people like you, as it penalises those who run more than one company at the same time.

All companies that are controlled by the same person, or by the same group of people, must share the corporation tax profit thresholds of £300,000 and £1,500,000. Normally the 21% rate of corporation tax applies to a company's profits below £300,000, and a marginal rate of 29.75% applies to profits between

£300,000 and £1,500,000. If you control two companies the £300,000 threshold is halved to £150,000; three companies under your control cuts the profit threshold for each company to £100,000. The greater the number of active companies you control, the lower the starting point for the higher corporate tax rates, so each company pays more tax.

A married couple, or registered civil partners, are treated as one person for this tax rule. If you and your spouse each run separate companies, even if the businesses are not



**Combine your
businesses**

connected, those companies are treated as being controlled by the same person, and must share the corporation tax thresholds.

A solution is to run all your different businesses through one company as different divisions, but that may not work for completely separate businesses. Alternatively one or more of your businesses could be run as a partnership or as a Limited Liability Partnership (LLP). Ask us how you could reduce your corporation tax bills.



New penalties, new HMRC powers

A new era for British tax compliance

The budget 2009 was the Government's chance to authorise and announce the new powers available to HMRC, and their new tactic to 'come down hard' on non-complying tax returns.

Faced with a £23 billion shortfall in tax receipts as the economy slides deeper into recession², Alistair Darling signalled his intent to clamp down on non compliant tax returns³

Through HMRC, the government have increased the powers available to inspect business premises. They have also established a new penalty structure based on subjective 'reasonable care' clauses. These penalties can be complicated, and require our involvement.

These new powers and penalties have the potential to seriously jeopardise UK businesses, and tax experts warn that an increasingly desperate Revenue will drag more innocent taxpayers into lengthy investigations.²

What does our scheme offer?

The equivalent of up to £100,000 of professional costs per incident resulting from HMRC investigations or disputes for both full and aspect enquiries, pre-disputes, reviews, compliance checks, or interventions.

The security of knowing that we can dedicate all the time and resources we need to represent you - and you won't have to worry about our fees.

The knowledge that you're dealing with us, your own accountants, rather than a stranger who doesn't know you or your affairs.

Peace of mind - our scheme has been set up for us by CCH Fee Protection, the UK market leader in fee protection, with over 20 years' experience.

The CCH Business Support Helpline

For business clients only

Access for companies, partnerships, and sole traders to the market leading telephone advice line manned by CCH experts. Access to advice in the following areas:

Employment and personnel issues, such as disciplining an employee, dismissal, and gross misconduct

Health & Safety issues, such as reporting an accident and hazardous substances

Commercial legal issues, such as landlord and tenancy, company law and copyright and patent

'A new approach'

HMRC now operate an information led approach to target non-compliant tax returns. This means that if you are selected, it's for a reason - and you can expect to receive a penalty, as well as pay back what they estimate you owe.

And using the more efficient 'Aspect Enquiry' - enquiries into one or more aspects of a tax return - HMRC are able to target a greater number of taxpayers than before.

With the consequences and penalties associated with HMRC enquiries worsening (HMRC are now naming and shaming tax evaders⁴), we believe that having the peace of mind by providing for professional fees is essential. We can focus our time and effort entirely on your investigation - and you won't have to worry about expenses.

We recommend all our clients join our Fee Protection scheme

'Directors and Partners' cover for companies & partnerships.

Investigations into the tax return of the directors and partners of a business covered by our scheme are also included, provided that we act as the tax return agents for the individuals concerned. The tax return must be a personal, non-business return, which should not include any self employment pages, and gross annual rental income (per individual) must not exceed £50,000. If you fall outside of this criteria, separate cover is available - please contact us.

