



Working From Home

As a self-employed individual your business may be based at your home address, although you perform the majority of your work at your customers' sites. This is typical of workers in the construction industry, engineers and even medical professionals.

The Tax Inspector may not allow a tax deduction for the cost of travelling to your customers' sites unless you can show an important part of your work is carried out at your home. For example; preparing quotes, writing reports or sourcing supplies. Record what you do at home, both the type of activity and the number of hours spent, in case the Tax Inspector ever asks for evidence.



Quotes and reports

You should also keep an accurate record of the journeys to your customers' sites, and any other business journeys. A simple daily note of miles driven and the destination is sufficient.

If your home working space is a purpose-built garden building you can get a tax deduction for some of the costs associated with the garden building such as:

- installing power to the building, including any electrical wiring, light fittings and space heaters.
- installing a cold water supply and the cost of any water-heating device.
- office furniture or equipment used for the business.
- regular heating and light costs, as a proportion of the total domestic bill.

If your business is VAT registered you can reclaim the VAT charged on the cost of acquiring and installing your garden building, and on the other costs listed above. However, if you use the flat rate VAT scheme there are restrictions on the VAT you can reclaim on these capital items, so check with us first.

Some local authorities are keen to collect business rates where any part of a domestic property is used exclusively for business purposes. To avoid this, make sure your garden building/office also has some private use, perhaps to store sports equipment.

Fraud

You may have received many scam emails, some purporting to be from HM Revenue & Customs offering a tax refund if you complete and return certain personal details. HM Revenue & Customs do not correspond by email and if you receive any such emails you should forward them, without opening, to email@actionfraud.org.uk. The website of the government's National Fraud Authority www.actionfraud.org.uk has further advice on fraud and you can subscribe to their emailed quarterly newsletter.

Tax Deadlines

- 19 September**
PAYE & NIC cheques to reach HMRC for month to 5 September.
- 22 September**
Electronic payments of PAYE & NIC to clear HMRC account for month to 5 Sept.
- 27 September**
Last day to pay income tax due on 31 July 2011 with no interest charge.
- 30 September**
Private company and LLP accounts for year to 31 December 2010 must reach Companies House. Notify intention to disclose under VAT initiative. Reclaim VAT incurred in other EU countries in 2010.
- 1 October**
New National Minimum Wage rates: adults £6.08; aged 18-21 £4.98; aged 16-17 £3.68; apprentice rate £2.60. Corporation tax due for year to 31 December 2010.
- 5 October**
Inform HMRC of new sources of income or gains if no Tax Return received for 2010/11.
- 19 October**
Income tax and class 1B NIC due under PAYE Settlement Agreements for 2010/11. PAYE & NIC cheques to reach HMRC for 2nd quarter 2011/12 and month to 5 Oct.
- 21 October**
Electronic payments of PAYE & NIC must clear HMRC account for periods to 5 Oct.
- 31 October**
Paper tax returns must reach HMRC (exceptions apply). Automatic £100 fine for late returns. Unpaid tax of up to £3,000 can be collected through 2012/13 PAYE coding.
- 2 November**
Forms P46 (car) to HMRC where a car is first provided in quarter ended 5 October.
- 18 November**
PAYE & NIC cheques to reach HMRC for month to 5 Nov.
- 22 November**
Electronic payments of PAYE & NIC to clear HMRC account for month to 5 Nov.

Is Your Business Exempt From IHT?



Trading required

Inheritance tax (IHT) is charged at 40% on everything you own when you die. However, there are exemptions for assets used by your business if they qualify under business property relief (BPR).

The assets, including cash, used by your company for its main trade or a subsidiary business should be fully covered by BPR, so are exempt from IHT. As long as your company is mainly trading (more than 50% of its activities), and the assets are used for a business venture, not just for passive investment purposes, full BPR should apply.

Problems can occur when property is let. If the let property is within a trading company and the rental business amounts to less than 50% of the company's activities, the value of the let property should qualify for BPR and be exempt from IHT.

Where the let property is held by an individual, or jointly between several individuals, the rules are different. If more than half the property is used for your trade, then the whole of the value of the building should qualify for BPR. However, where the property is 100% let it will not qualify for exemption from IHT. This is because HMRC do not regard property letting as a business that qualifies for BPR.

Every case is different, so please come and discuss how to reduce your exposure to IHT.

Do You Have A Dispensation?

A 'dispensation' is permission from HMRC to leave out certain items when completing the annual returns of expenses and benefits (forms P11D) for the directors and employees of your company.

The types of expenses that can be covered by a dispensation are business related costs such as: travel, subsistence, entertaining, telephone calls, credit card purchases, car hire and professional fees or subscriptions. However, certain benefits cannot be covered by the dispensation. These include the provision of company cars and subscriptions to bodies that are not on HMRC's approved list (known as List 3).

Any company can apply for a dispensation, even if it only employs one person: you as the director. The only requirement is that someone other than the person receiving the money for expenses checks the claim is valid and supported by receipts where necessary. If the company is just you, we can do this checking for you. The check doesn't have to be done every month; a quarterly or even annual check may suffice, depending on the amount of expenses paid.

We can help you with your application for a dispensation.

Penalties For Late Returns

HMRC have been instructed to collect more money more efficiently. Without putting up taxes a solution is to increase the penalties imposed for late tax forms and late tax payments. These new penalties come into effect from 1 November 2011 for paper income tax forms, and from 1 February 2012 for electronically submitted income tax forms.

Example

Cherry is a pensioner who generally receives a tax repayment every year, so she is not bothered about submitting her tax return on time. She posts her paper 2010/11 return on 10 May 2012. She missed the 31 October 2011 deadline so receives an automatic fine of £100. The return is more than 6 months late so she receives another fine which is calculated as the greater of £300 and 5% of the tax shown as due on the return.

Unfortunately Cherry owes tax of £1,000 for 2010/11 as she encashed a life assurance bond. She pays this tax on 15 May 2012, but it should have been paid by 31 January 2012. Cherry has to pay a penalty of 5% of the tax due as she paid after 1 March 2012. That's £50, plus £400 for the late form, making £450 in penalties for a tax bill of £1,000. <ouch!>

DEADLINE



Submit on time

HMRC can also impose a penalty of £10 per day once the return is over 3 months late. This daily penalty is likely to be imposed only in extreme cases, and can mount up to £900.