

## **Newsletter May 2007**

Our first article this month concerns the tax amnesty recently announced and targeted at individuals who have avoided UK tax by using undisclosed offshore bank accounts. There is also information for directors regarding their National Insurance position, details of the VAT MTIC fraud counter measures and a note of 3 interesting Revenue disclosures!

Our next newsletter will be published on 5 June 2007.

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### **Tax Amnesty?**

The courts have recently required our major banks to release details regarding holders of offshore accounts to the Revenue.

HMRC now have a huge volume of information on these issues and are likely to get more as the private banks are likely to follow suit. Offshore accounts also include those held in Channel Islands, Isle of Man and Republic of Ireland. It would appear that banks will be writing to their clients about details they have given to HMRC.

As a result HMRC are now offering what they describe as "an offshore disclosure facility".

Basically the facility is available if:

- You make an initial notification by 22 June 2007 that you intend to make a disclosure.
- You must make full disclosure and pay all taxes, duties, interest and penalties by 26 November 2007.
- As long as you make a full disclosure of all undeclared liabilities, including those unconnected with an offshore account,

HMRC says they will limit your penalty to a fixed penalty of 10% of the tax or duties underpaid, or no penalty on disclosures of untaxed amounts totalling less than £2,500.

- You will need to fully disclose all matters that have resulted in tax avoidance in the last 20 years.

Be clear that all of the tax under declared in the last 20 years will still be due, as will statutory interest plus the 10% penalty.

The facility is an offer to reduce penalties to 10% - HMRC have powers to charge penalties of up to 100% of the unpaid tax.

There is no problem in having an offshore account as long as you have paid tax the correct amount of tax on the monies deposited and on any interest credited to the account.

HMRC advises that the vast majority of disclosures will be accepted. Decisions will be made and notified by 30 April 2008.

However, certain disclosures are unlikely to be settled through the process, particularly:

- disclosures which are found to be materially incorrect or incomplete
- disclosures from taxpayers where HMRC has already begun an investigation or enquiry
- disclosures from anyone suspected of being involved in serious organised crime
- disclosures from those involved in wider criminality whose circumstances would result in a criminal investigation in accordance with HMRC's prosecution policy.

As you may have inferred from this article the facility applies to all undisclosed issues that have resulted in unpaid tax in the last 20 years - if you have never opened an offshore bank account but still have other onshore issues that you want to disclose, you can do so in accordance with this facility.

HMRC have also advised that this facility should not be used for innocent errors as in these circumstances they will only go back 6 years and don't normally seek a penalty.

If you feel that you need to make a full disclosure, we can help. Time is of the essence as your initial notification must be made before 22 June 2007.

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## **Directors and National Insurance**

Many directors will have noticed that their take home pay has dropped in April 2007 as compared to the previous 9 months.

This is particularly so for directors whose pre-tax salary is the same each month, and who earn substantial salaries.

Why is this?

Directors are subject to the so-called Annual Earnings Period for National Insurance purposes. The effect of this rule is that the directors personal contributions, in the first 3 months or so of the tax year, will cover the majority of his or her contributions for the entire tax year.

If, for instance, a director's monthly gross salary was £12,000, 75% of National Insurance deductions i.e. £3,239 will have been made in the April -

June 2007 period. After this initial charge the monthly employees contributions would drop to just £120 per month!

If the gross monthly salary is a more modest amount say £1,000 per month, there would be no employees deductions for most of the year, any liability would only arise in the final few months.

Overall a director pays no more National Insurance than a colleague paid at the same rate who is not a director. Directors, it seems, need to adjust to the lower take home pay in the first or last quarter of each tax year - dependent on the amount of their monthly salary.

There is a possible remedy which would allow contributions to be spread equally over the year. However this remedy may create an underpayment at the end of a tax year!

If directors would like us to review their earnings for NIC contribution purposes please call.

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## **Reverse Charge Accounting**

The long awaited measures to counter Missing Trader Intra Community (MTIC) fraud will take effect on 1 June 2007. What are the implications for small businesses?

MTIC fraud involves setting up a VAT registration in the UK and using the registration to purchase goods free from VAT in another EU member state. The goods are then resold including VAT. The registered trader defaults on payment of the VAT added to the sale - hence the trader is missing!

The effects for smaller businesses have been significantly 'watered down' since the scheme was first mooted on 19 March 2007. Two points in particular should be noted:

- The de minimis limit has been increased to £5,000 per transaction (this is the VAT inclusive value of a transaction), and
- The scheme will now be targeted at mobile phones and computer chips only.

HMRC are quoted as saying:

"The de minimis limit is intended to relieve retailers of the need to carry out the necessary checks to establish whether a customer is VAT-registered and is purchasing the goods for a business purpose. Raising the de minimis limit to £5,000 should reduce the number of sales made by retailers to other businesses where reverse charge accounting could apply."

Now that the final measures are published any business who deals in mobile phones and/or computer chips may like to contact us for more background on the operation of the counter measures. Particularly the accounting and VAT reporting issues.

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## **More Revenue faux pas.**

### Student Loans

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It has been admitted by HMRC that they do not have access to the records of the Student Loans Company! It is therefore possible that amounts may be deducted from your salary to repay loans that are already cleared. This is especially so when your student loan is close to full repayment.

If you are approaching the final payment make sure that you notify your employer and the tax office to ensure overpayments are not made.

### Email scams - a new guise!

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Not really a Revenue faux pas but an issue you should be aware of especially if you use email. Bogus emails are still circulating that purport to be from H M Revenue & Customs.

Beware of any email that asks for personal information, the Revenue would not request this in an email. Emails may offer a refund of tax and request your credit card details. Beware also of emails or telephone advising you that a parcel is being held until certain duties are paid, and then requesting your credit card details.

You can get more information on these issues by visiting the Revenue web site: [www.hmrc.gov.uk/security/spoofs.htm](http://www.hmrc.gov.uk/security/spoofs.htm).

### Late Filing Penalties self assessment returns.

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In the last two weeks of January 2007 the Revenue received over one million paper tax returns for 2005-2006. The deadline you may remember is 31 January. Understandably errors are likely to be made as these returns are processed - late filing penalties may be issued in error as a result.

Can we ask clients to send us a copy if they receive such a penalty notice - we will check it out.

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## **Tax Diary May/June 2007**

1 May 2007 - Due date for corporation tax due for the year ending 31 July 2006.

19 May 2007 - PAYE and NIC deductions due for month ending 5 May 2007. (If you pay your tax electronically the due date is 22 May 2007)

19 May 2007 - The payroll forms P35 and P14s must be filed by this date - employers late in filing these forms may receive a penalty.

19 May 2007 - The filing deadline for the final CIS36 monthly return for 2006/2007.

19 May 2007 - Filing deadline for the first CIS300 monthly return for the month ending 5 May 2007.

19 May 2007 - CIS tax deducted for the month ending 5 May 2007 is payable by today.

31 May 2007 - Ensure all employees have been given their P60s.

1 June 2007 - Due date for corporation tax due for the year ending 31 August 2006.

19 June 2007 - PAYE and NIC deductions due for month ending 5 June 2007. (If you pay your tax electronically the due date is 22 June 2007)

19 June 2007 - Filing deadline for the CIS300 monthly return for the month ending 5 June 2007.

19 June 2007 - CIS tax deducted for the month ending 5 June 2007 is payable by today.