

Newsletter August 2008

In this issue of the newsletter we have included new guidelines from HM Revenue & Customs regarding the tax status of certain workers. We have also included an interesting tip for business owners who trade through a limited company and manage their business from home. There is also a useful tip for charities and voluntary registration for VAT purposes and finally a warning regarding the latest e-mail scam purporting to be from HM revenue and Customs.

The next issue of our newsletter will be published on Thursday 4th September 2008.

Tax status; are you employed or self-employed?

If you would benefit from being self-employed rather than employed, or vice-versa, you may be interested in this article. HM Revenue & Customs have recently published new guidelines to help taxpayers decide if they are employed or self-employed. We have reprinted below some of the criteria that they suggest you use in order to arrive at a decision.

The comments that follow are quoted from the HMR&C publication.

"In most cases your employment status will be straightforward. In general terms, you are employed if you work for someone and don't have the risks of running the business. You are self-employed if you are in business for yourself and are responsible for the success or failure of that business.

To help you check your employment status, answer the following questions. These also apply if you are a casual or part-time worker. If you have more than one job the same questions apply for each job.

Employed - if you answer yes to most of the questions you are likely to be employed:

- Do you have to do the work yourself?
- Can someone tell you where to work, when to work, how to work or what to do?
- Can someone move you from task to task?
- Do you have to work a set number of hours?
- Are you paid a regular wage or salary?
- Can you get overtime pay or bonus payments?
- Are you responsible for managing anyone else engaged by the person or company that you are working for?

Self-employed - if you answer yes to one or more of the questions you are likely to be self-employed.

- Can you hire someone to do the work, or take on helpers at your own expense?

- Can you decide where to provide the services of the job, when to work, how to work and what to do?
- Can you make a loss as well as a profit?
- Do you agree to do a job for a fixed price regardless of how long the job may take?

If you can't answer yes to any of the above questions, you are still likely to be self-employed if you can answer yes to most of the following questions.

- Do you risk your own money?
- Do you provide the main items of equipment (not the tools that many employees provide for themselves) needed to do the job?
- Do you regularly work for a number of different people and require business set up in order to do so?
- Do you have to correct unsatisfactory work in your own time and at your own expense?"

Please note that the opinions quoted above are those of HMR&C; we do not necessarily agree with all of the comments made! If you are at all uncertain about your tax status can we suggest that you give us a call and we will provide you with advice based on your own individual circumstances.

Running your company from home

If you run your business through a limited company and your base of operations is your home office, it is possible to charge your company rent. Of course if you do this the company will be able to deduct the rents from its profits and you will need to declare the rents on your self-assessment return. On the face of it there would seem to be no advantage.

But what if you also have buy to let properties and are making losses? Very often buy to let property owners have more costs (loan interest etc) than they have rents receivable. Unfortunately it is not possible to set off these rental losses against other income. The losses have to be carried forward to be set against rental profits in future years.

If on the other hand you do charge your company rents for the use of a Home Office it would be possible to set off any buy to let losses against this income. The rents from your company and your buy to let rents are taxable as property income. Effectively you would be getting tax relief through your company for the rental losses you personally suffer on your buy to let property. A number of considerations need to be taken into account:

If you charge your company rents you must have a proper rental agreement between you and your company, otherwise the revenue could seek to treat the rental payments as part of your salary from the company.

The rents that you charge for your home office must be charged on a commercial basis. It may be sensible to have a formal valuation undertaken.

The rental agreement should state that the office space at home is only available for fixed periods each day. This is necessary to observe the non-exclusive principle. Without this

you could jeopardise your principal private residence exemption for capital gains tax purposes.

If you have a mortgage, you may need to check with your lender before entering into such an arrangement

VAT Voluntary registration charity shops

For VAT purposes income from sales in a charity shop are zero rated. If a smaller charity has shop sales under the present VAT registration limit, presently £67,000, it may consider the hassle of voluntary registration to be unnecessary.

This may not necessarily be the best course of action.

Presumably the charity will be paying rents for the use of the shop. It is likely that the landlord will have opted to add VAT to the rent charged. If so the charity will presently be absorbing this VAT as part of its costs.

The solution may be for the charity trustees to register on a voluntary basis, for VAT.

If this is done there will be no VAT to pay on the shop sales, as stated before these are zero rated; however it would now be possible to recover input tax charged to the charity for overheads specifically related to the shop trade. This could include VAT on rents and other direct overheads, telephone etc.

One final tip for charities who pay VAT on their rents. If your charity is paying rents for a building, or part of a building which is used solely for charitable purposes (other than as an office or shop) the supply from the landlord may be exempt from VAT. Even if your landlord is required by other VAT rules to charge VAT on rents this would be the case. If you have been overcharged as a result you could ask your landlord, if justified, to send you a VAT credit backdated three years!

If you feel that this may apply to your charity please call as we would be happy to negotiate or organise appropriate action on your behalf.

The latest email scam!

Please beware that you may receive an email purporting to be from H M Revenue & Customs offering to send you a tax refund if you provide certain information.

H M Revenue & Customs would never advise you of this type of transaction by email.

If you receive this e-mail please delete it immediately. Any action that you take to follow the link embedded in the e-mail will result in a request for personal information that will be used for fraudulent purposes.

Tax Diary August/September 2008

1 August 2008 - Due date for corporation tax due for the year ended 31 October 2007.

19 August 2008 - PAYE and NIC deductions due for month ended 5 August 2008. (If you pay your tax electronically the due date is 22 August 2008)

19 August 2008 - Filing deadline for the CIS300 monthly return for the month ended 5 August 2008.

19 August 2008 - CIS tax deducted for the month ended 5 August 2008 is payable by today.

1 September 2008 - Due date for corporation tax due for the year ended 30 November 2007.

19 September 2008 - PAYE and NIC deductions due for month ended 5 September 2008. (If you pay your tax electronically the due date is 22 September 2008)

19 September 2008 - Filing deadline for the CIS300 monthly return for the month ended 5 September 2008.

19 September 2008 - CIS tax deducted for the month ended 5 September 2008 is payable by today.

DISCLAIMER - PLEASE NOTE: The ideas shared with you in this email are intended to inform rather than advise. Taxpayers circumstances do vary and if you feel that tax strategies we have outlined may be beneficial it is important that you contact us before implementation. If you do or do not take action as a result of reading this newsletter, before receiving our written endorsement, we will accept no responsibility for any financial loss incurred.