

Newsletter March 2009

March is the last month of the tax year. If you have anxieties regarding any aspect of your financial affairs that have occurred during the last year, and you have not yet spoken with us, can you please contact us as a matter of some urgency. Often it is not possible to take effective planning decisions once the tax year end passes.

In the newsletter this month we have outlined the importance of the underlying records that support your tax returns; a final reminder that certain retrospective claims for overpaid and underclaimed VAT closes on 31 March 2009; the tax status of long service awards and finally a few pointers on applying for a dispensation regarding Benefit in Kind.

Our next newsletter will be published Tuesday 7 April 2009.

Record keeping

H M Revenue & Customs now have extensive powers to require that you provide evidence to back up entries on your tax returns. For business owners this means your accounting records and supporting documentation need to be pristine.

If HMRC can demonstrate that your records are less than effective you will face penalties.

The legislation requires you to:

"keep all such records as may be requisite for the purpose of enabling him (you) to make and deliver a correct and complete return for the year or period."

In future you will need to keep a careful eye, not only on the results generated by your accounting software, but also on the completeness of the underlying records. It may well be the case that we offer you advice to improve the way you process and maintain records.

Records include supporting documentation such as, accounts, books, deeds, contracts, vouchers and receipts.

If you would like us to review your accounting systems and record keeping prior to the tax year end please give us a call.

Retrospective claims for overpaid or underclaimed VAT

If you have overpaid VAT output tax or underclaimed VAT input tax you may benefit from a claim to recover the amounts involved from H M Revenue & Customs.

- Claims can be back dated as far as April 1973, or the date of registration if later.
- The deadline for submitting a claim is the end of this month, 31 March 2009.

It is possible to base a claim on a reasonable and valid estimate if the underlying records no longer exist. Claims can include a request for interest.

The following list includes sources for a possible claim:

- Mileage costs paid to employees
- Staff expenses
- Subsistence
- Recovery of VAT on imports

If you are at all unsure about VAT that has been added to particular supplies you have made, or whether VAT should have been recovered on certain costs, please call.

Long service awards

Any salaried employee of a business can be paid a long service award. The way in which the award is given can radically influence the tax treatment!

All cash awards are taxable. They will be treated as part of your remuneration and subject to deduction of tax and National Insurance. Cash awards include:

- a payment including a cheque (This also rules out National Savings Certificates, premium bonds and so on.)
- a cash voucher
- a credit token
- shares other than those issued by the company employing the person who receives the award
- an interest or rights over securities or shares

Non cash awards are tax free if certain conditions are met. They are:

- The award must be made to mark a period of not less than 20 years service with the same employer.
- It must not be a cash payment.
- The taxable value of the award must not be more than £50 for each completed year of service.

For most employees the amount of the award is determined as the cost to the employer. For lower paid employees it is the second hand value of the award.

If the award exceeds the £50 for each year of service limit, only the excess is taxable.

If an employer makes multiple awards to the same individual, say after 20 years and then again after 30 years; each award qualifies as a separate award - this further concession does not apply unless there is a gap of at least 10 years between the awards.

If you have clocked up 20 years service you could receive goods to the value of £1,000 and pay no tax or National Insurance - that buys a lot of golf equipment

Dispensations and benefits in kind

If you provide any sort of beneficial payment or gift of goods to employees, generally speaking most will be taxable as a benefit in kind - as if they were payments of salary etc.

However there are some beneficial payments that you can include in a dispensation. For example the provision of certain business travel for an employee. Items covered by a dispensation do not have to be returned on the annual P11D form. (Payments for the use of a company car or van are not included here as they are covered by separate rules.)

Essentially you can apply to HMRC to dispense with the need to include expenses or benefits for which your employee gets a full tax deduction.

For some businesses this could take some of the pain out of this annual chore.

HMRC require that you need to have the following systems in place to qualify you for a dispensation, they are:

You must have an independent system in place for checking and authorising expenses claims. At a minimum, this means having someone other than the employee claiming the expenses check that:

- the amount claimed isn't excessive
- the claim doesn't include disallowable items

If it is not possible for you to operate an independent system for checking and authorising expenses claims, for example, because you are the sole director of your company and you have no other employees, you will only be able to obtain a dispensation if you:

- ensure all expenses claims are supported by receipts for the expenditure
- demonstrate that the claim relates to expenditure that can be covered by a dispensation, your receipts may be sufficient for this purpose, but if not you must retain additional information.

Once a dispensation is granted it will last indefinitely although HMRC may review from time to time to make sure the conditions under which the original grant was made still apply.

Generally speaking dispensations are granted from the application date. However HMRC may agree to apply the dispensation from the beginning of the tax year in which you apply. It's not too late to apply for 2008-09, call if you would like assistance to do this.

Tax Diary March/April 2009

1 March 2009 - Due date for corporation tax due for the year ended 31 May 2008.

19 March 2009 - PAYE and NIC deductions due for month ended 5 March 2009. (If you pay your tax electronically the due date is 22 March 2009)

19 March 2009 - Filing deadline for the CIS300 monthly return for the month ended 5 March 2009.

19 March 2009 - CIS tax deducted for the month ended 5 March 2009 is payable by today.

1 April 2009 - Due date for corporation tax due for the year ended 30 June 2008.

19 April 2009 - PAYE and NIC deductions due for month ended 5 April 2009. (If you pay your tax electronically the due date is 22 April 2009)

19 April 2009 - Filing deadline for the CIS300 monthly return for the month ended 5 April 2009.

19 April 2009 - CIS tax deducted for the month ended 5 April 2009 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.