

CI Accountancy Ltd

Newsletter

June 2008



boatside business centre, warden
northumberland ne46 4sh
tel: 01434 601133
fax: 01434 609977
web: www.expertsontax.com

Alistair Darling has been cornered yet again by various lobby groups and we have another significant concession to report this month – his latest attempt to still backbench rumblings over the withdrawal of the 10% tax band. You may also have picked up from the press the controversy over MP's expenses paid with no receipts! We have added an article this month that sets out certain expenses that HMRC will now accept can be paid without evidence – an attempt, maybe, to level the playing field?

We have added a commentary on the tax concession for individuals who own a property abroad through a company, and finally a few miscellaneous changes to tax regulations, including a 50% increase in a particular tax-free allowance.

Our next newsletter will be published on 3rd July 2008.

Meet the CI Accountancy Team	June Client of the month – Sogno Limited
Change to Law On Tax Investigation Periods for Self Assessment	Loss of the 10% tax band – a further remedy
Claiming expenses with no receipts!	Owning an overseas property through a company
HMRC – 50% increase in tax free allowance, and other updates	Tax diary June / July 2008

Meet the CI Accountancy Team

Lorna Green – Accounts Senior

Lorna graduated with a degree in Aeronautical Engineering from Queen's University Belfast in 2001. After graduation, she worked in the finance industry and with a charitable trust aiming to improve childcare in Jersey. Following a year working in Australia & New Zealand, she decided on a career in Accountancy and joined CI Accountancy Limited in October 2005.

Lorna started studying with the ACCA in January 2006 and has passed the first 8 of her exams so far. She has 6 more to go and hopes to be qualified by June 2009. Lorna has had excellent results all the way through her exams and was invited to the ACCA Members annually dinner in March 2008 in recognition of her achievement of being the Top Scorer in the December 2007 Audit & Assurance exam in the Northern Counties. She was 19th in the world in this exam.

Lorna has gained a lot of experience through her exams and has backed this up with practical experience at work. She has been involved with all aspects of accountancy including bookkeeping, accounts preparation, VAT returns, Companies House filing and tax matters for individuals and companies.

Lorna strongly supports the company's ethos of putting our clients first and makes sure her clients always feel able to contact her whenever they have a query.

Originally from Ireland, Lorna has settled in well to life in Northumberland and makes the most of the walking and cycling paths around the area. She is a keen Karateka and has won the Ken Yu Kai Nationals Kumite competition in November 2003. Since moving to Hexham, Lorna has joined the local Chojinkai club and trains with them when time permits.



June Client of the month –Sogno Limited

Sogno means dream in Italian; appropriate we feel because we are in the dreams business. Our work in leadership coaching and personal development will enable you to liberate, define and realise your dreams.

We will empower you to make positive changes in your life and business to create a happy, healthy, fulfilling future for you and a positive, creative, productive culture in your organisation.

We have a network of gifted coaches with a variety of styles and specialisms all of whom live the Sogno core values:-

- Be friendly
- Be helpful
- Be flexible
- Be creative
- Be inspirational

We are based in Hexham and work primarily in the North East for a range of client in the education, local government and manufacturing sectors including Jaguar Cars, Durham Business School, Greggs plc, Gateshead College, University of Newcastle, Technology Services Group, Siemens Power Generation, Middlesbrough Borough Council, Wellstream, Hartlepool Borough Council and University of Sunderland. We also work with SMEs and start ups in the region.

To arrange an initial exploratory meeting please call Mike Cockburn on 07786 266595.

Change to Law On Tax Investigation Periods for Self Assessment

The Law on the tax investigation period has been changed. Under the old law it didn't matter how far in advance an individual's Self Assessment tax return was submitted, the HMRC has 12 months from the due date of 31st January in which to decide whether to investigate them or not. This meant that if someone completed their Self Assessment Return in June 2007, the Revenue had until January 2009 in which to decide whether to investigate them. This in effect gave the HMRC an extra 6 months to make their decision which many individuals felt put them at greater risk of being chosen.

Since the 5th April 2008 this has been changed so that it is 12 months from the date of submission, not the due date. This means that individuals can now submit their tax returns as early as they like, safe in the knowledge that the HMRC will only have 12 months from the date of submission in which to decide whether to select them for an investigation. This brings individuals in line with Companies which also have 12 months from the date of submission to be chosen for an investigation.

As a result of this change and also to try to reduce the last minute rush which we always experience every January we are asking all clients to contact us as soon after their year end as possible to arrange to bring in their accounting records.

Loss of the 10% tax band – a further remedy.

In order to still complaints from its backbenchers the Government has announced two changes to its taxation of earnings for 2008-09. The changes attempt to compensate taxpayers on low earnings who were disadvantaged by the loss of the 10% starting rate of income tax.

The additional charges are:

1. The basic personal tax allowance has been increased by £6000 to £6,035, and
2. The income limit where earnings will be taxed at the 40% higher rate has been reduced from £36,000 to £34,800.

The effect of these changes is to reduce the income tax bill for basic rate tax payers by £120 this year. If you pay your income tax by PAYE as a deduction from your salary, the changes to your tax code will be effective from September 2008 when you could pay up to £60 less tax. The ongoing tax reduction will be £10 per month to the end of the tax year.

As the income limit at which earnings are taxed at the higher rate has been reduced, if you are a higher rate tax payer there will be no change in your total tax bill this year.

Previous changes to address this issue included adjustments to tax credits. We are also promised further assistance for disadvantaged low income groups to be announced in the pre-budget report Autumn 2008.

Claiming expenses with no receipts!

In certain circumstances it may be possible to claim expenses from your employer and not be required to include a formal receipt.

New guidance has been published by HMRC which empowers to set scale rates for particular expenses. Where these scale rates are agreed employees can claim them without the normal requirement to produce a receipt.

Examples illustrated by HMRC's web site include subsistence payments and cleaning of protective clothing or uniforms.

The following notes outline some of the issues that need to be considered when setting scale charges that will qualify under this concession.

- It is only possible to claim the scale charge when the underlying expense has been incurred. For example if a daily subsistence allowance was paid, irrespective of the employee actually incurring subsistence expenditure every day, HMRC would treat this as a payment of earnings and tax accordingly.
- HMRC intend that scale rate payments only cover expenses which are widely incurred and for which it is often difficult to get receipts.
- Scale rates should be set at "modest" levels – at an amount that will be enough to cover the relevant expense.
- Scale rates must be agreed with HMRC before any payments are made to employees.

HMRC make suggestions for a process of sampling in order to quantify the level at which scale rates are set.

If your reimbursements to employees are significant it may simplify your accounting if you consider introducing scale rates for appropriate expenses, we can help.

A "tasty" footnote: Whilst researching this article we came across the following HMRC directive regarding claims for subsistence, in particular a claim for the cost of sandwiches/packed lunch if working away. If you make yourself a pack-up lunch using your domestic supplies, the cost of the food cannot be reimbursed tax free by your employer nor can you make a claim on your tax return if you are not reimbursed. If however you purchase a ready made sandwich this cost can be reimbursed or a claim made on your tax return!

Owning an overseas property through a company

To accommodate non-UK tax considerations, a growing number of UK taxpayers have been advised to purchase property abroad by using a company to make the purchase. Potentially this created a risk that owners who were directors or shadow directors of the company, would be assessed on their private use of property as a benefit in kind.

The Finance Bill 2008 now includes legislation that exempts most owners from this potential benefit in kind charge.

To qualify for the exemption the following conditions must be met:

1. The property is owned by a company owned by individuals. If the shares in the company are owned by a family trust the exemption will not apply.
2. The property is the company's only or main asset.
3. The company's only activities are those that are incidental to its ownership of the property, and
4. The property is not funded directly or indirectly by a connected company.

The Finance Bill 2008 has clarified that exemption is extended to include ownership by certain groups of companies, and that letting of the property to third parties will not disqualify application of the exemption.

Please note that this exemption only applies to overseas properties. If you own a UK property through a company a potential benefit in kind charge will still apply.

HMRC – 50% increase in tax free allowance, and other updates

Working from home allowance

You may be interested to learn that HMRC have increased the tax free allowance that employers can pay their employees if they are required to work from home. The allowance is intended to compensate employees for the additional costs of home working, heat and light etc. From 2008-09 onwards the allowance has been increased to £3 a week. (Previously £2 per week)

If by chance you work from home and your employer does not pay you the allowance, you may be able to make a claim for the cost of running a home office. Unfortunately the present weekly allowance is still £2 per week – HMRC have not yet confirmed that they will allow a similar 50% increase. However it is reasonable to assume that this would apply.

In both cases if it can be demonstrated that actual additional costs of home working are more than £2/£3 per week, employers could pay more than the £3 allowance and un-reimbursed employees may be able to claim their actual costs.

Unfortunately the criteria which apply to the tax free payment from employers is less restrictive than the rules which apply to a claim from employees who have to meet their own homeworking costs. If you would like more information on this issue please call.

Payments on account from 5 April 2009

Presently self assessed tax payers are required to make a payment on account in January and July each year if their previous years self assessment exceeded £500.

This limit is to be increased to £1,000 and will be effective from 6 April 2009 (for tax years 2009/10 onwards). i.e. payments on account due January and July 2010.

Tax Diary June/July 2008

1 June 2008 – Due date for corporation tax due for the year ended 31 August 2007.

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

19 June 2008 – Filing deadline for the CIS300 monthly return for the month ended 5 June 2008.

19 June 2008 – CIS tax deducted for the month ended 5 June 2008 is payable by today.

1 July 2008 – Due date for corporation tax due for the year ended 30 September 2007.

6 July 2008 – Complete and submit forms P11D return of benefits and expenses and P11D(b) return of Class 1A NIC's.

6 July 2008 – Deadline for submission of new Tax Credit application for 2008-2009, if you want to secure a full years claim.

19 July 2008 – Pay Class 1A NIC's (by the 22 July 2008 if paid electronically).

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

19 July 2008 – Filing deadline for the CIS300 monthly return for the month ended 5 July 2008.

19 July 2008 – CIS tax deducted for the month ended 5 July 2008 is payable by today.

DISCLAIMER - PLEASE NOTE: The ideas shared with you in this newsletter 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.

CI Accountancy Ltd
Boatside Business Centre
Warden
Northumberland
NE46 4SH

Tel: 01434 601133
Fax: 01434 609977
Web: www.expertsontax.co.uk

C.I. Accountancy is a Limited Company registered in England and Wales under no. 04589897 and registered for VAT under reference 842780317.

Directors of the Company are members of the Association of International Accountants (AIA). This body has its headquarters in the UK and its rules of professional conduct can be obtained from its website.