

## Newsletter November 2011

Our newsletter this month contains the following articles: a light hearted look at HMRC reported tax howlers; a planning issue for elderly, married persons claiming a dependency element in their state pension; a reminder of the changes to the taxation of income from Furnished Holiday Let property; and finally, a warning about trading losses.

Our next newsletter, the last this year, will be published 7 December 2011.

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### Tax howlers..

HMRC's director of customer operations recently disclosed that: "Most employers get their PAYE returns right. The few who do not can cause problems for their employees, for example, incorrect deductions of tax."

Here's a few examples of a number who did not get their returns right! Based on incorrect returns submitted HMRC now have the following data in their files:

- 40 people were apparently 200 years old or more, according to incorrect dates of birth on their paperwork.
- 824 employees with forenames but the surname recorded as "unknown".
- 75 people have simply been named "casual", 11 as "cleaner", nine as "worker" and six as "students".
- 572 people are listed as Mr or Mrs X on their PAYE forms.
- 128 staff are known in their workplace as Mr, Ms or Mrs "Dummy".

HMRC conclude:

"Around 80% of errors in employee data are due to an incorrect name, date of birth or national insurance number; straightforward information that can be collected and checked quite easily.

So, whether you are employing 'Mr or Mrs J Smith' - or even 'Mr or Mrs A N Other', please use the full and official name on your PAYE paperwork. First names are very important, especially for common surnames."

### State Pension anomaly

Where an older spouse is currently claiming a dependency increase in their state pension, and for a wife or husband who has not yet reached retirement age, they will be advised to review the claim when the younger spouse reaches retirement age.

Issues to be considered include:

- The younger spouse's own state pension, even if funded by the other spouse's contributions (in which case it is known as a Category B pension), would create income for the younger spouse that may be covered by their personal allowance, so tax free.
- A continuing claim for the adult dependency allowance will likely be taxable when received by the older claimant, perhaps at higher rates.
- The present adult dependency allowance is £58.80 per week, the full Category B state pension that the younger

spouse may be able to claim is now £61.20 per week.

Note: The adult dependency increase is not available for new pensions from April 2010 and will cease for existing claims by 5 April 2020 at the latest.

## Reminder of Furnished Holiday Lets (FHL) changes

### The following changes will apply from 6 April 2012:

For a let property to qualify as a FHL the following tests will need to be met:

1. Accommodation must be available to let as holiday accommodation for at least 210 days (140 days 2011/12).
2. Accommodation must actually be let as holiday accommodation to the general public for at least 105 days (70 days 2011/12).
3. The accommodation must not be let for periods of longer term occupation (greater than 30 days) for more than 155 days.

A period of grace election can be made to smooth your lettings history if you have a property that reaches the required criteria in some years but not others.

### And don't forget loss relief changes.

From 6 April 2011 it is no longer possible to set off FHL losses against other earnings or other non-FHL rental income. Losses can only be set off against income from the same FHL business.

## Watch out for persistent losses

Many self-employed traders have suffered losses in recent years as the effects of the banking crisis and recession have slowed economic activity. Some of these business people will have taken on other, perhaps unrelated, part-time jobs to supplement their income?

Sound familiar?

If you have found yourself in this position be aware that HMRC may challenge your ability to set off losses. For instance:

1. Losses will only be made available for sideways relief against other earnings when you can demonstrate that a trade is conducted on a commercial basis with a view to making profits.
2. HMRC can use present powers to restrict loss relief claims if the trader does not spend at least 10 hours a week working in the business – this restriction normally applies to losses in excess of £25,000.

## Tax Diary November/December 2011

**1 November 2011** - Due date for corporation tax due for the year ended 31 January 2011.

**19 November 2011** - PAYE and NIC deductions due for month ended 5 November 2011. (If you pay your tax electronically the due date is 22 November 2011).

**19 November 2011** - Filing deadline for the CIS300 monthly return for the month ended 5 November 2011.

**19 November 2011** - CIS tax deducted for the month ended 5 November 2011 is payable by today.

**1 December 2011** - Due date for corporation tax due for the year ended 28 February 2011.

**19 December 2011** - PAYE and NIC deductions due for month ended 5 December 2011. (If you pay your tax electronically the due date is 22 December 2011).

**19 December 2011** - Filing deadline for the CIS300 monthly return for the month ended 5 December 2011.

**19 December 2011** - CIS tax deducted for the month ended 5 December 2011 is payable by today.

**30 December 2011** - Deadline for filing 2010-11 self assessment online to include a claim for under payments (under £2,000) be collected via tax code in 2012-13.

**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.

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