

Subject: FW: Foot Davson Newsletter June 2010

From: Foot Davson [mailto:fd@footdavson.co.uk]
Sent: 08 June 2010 11:39
To: Anne Burleton
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Newsletter June 2010

George Osborne has declared the date of his first Budget, Tuesday 22 June 2010. It's difficult to call any significant changes to the tax system due to the emerging news on higher than expected inflation. A VAT increase, from 17.5% to 20% would feed into the cost of living index and increase inflation in the short term, we may see this increase deferred until early next year when the previous increase in VAT has worked itself out of the numbers. There is continued speculation in the financial press that disposals of non-business assets (shares, investment property etc) will be taxed as income and therefore subject to the disposers highest rate of tax; potentially 40% or even 50%. CGT basic rate is currently 18%. We will of course advise you of the Budget changes as soon as the detail is available.

In this newsletter we have included details about dealing with the costs of HMRC investigations, an article that explains how to structure a tax-free long service award, possible benefit in kind complications regarding loans to directors and employees, cars that qualify for the 100% write-off and a word of warning about the initial use of the VAT Flat Rate Scheme.

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Dealing with the cost of HMRC investigations

Because of our concern about the frequency, cost, and the new powers (Finance Bill 2008) which HMRC now have with regard to investigations, we want to let you know about a service that protects you from the potential cost of accountancy fees that would be incurred in the event of an intervention, review, investigation or dispute with the tax authorities.

If you are chosen for an investigation, we will do our utmost to ensure that the outcome is as favourable for you as it can be. In most cases, we will be able to reach a settlement with HMRC that is considerably lower than their original demand; in some cases we can convince them to withdraw their claim altogether. However, this can take a considerable amount of time and, even if no additional tax or penalty payment is due, we will still have to charge you for the professional fees incurred in dealing with HMRC on your behalf; such fees can amount to thousands of pounds.

For a small annual charge, Fee Protection will allow you to leave the matter in our hands, without having to keep one eye on the costs. The annual cost is £55 for some-one not in business, and between £164 and £418 including VAT for businesses. Do ask us to give you a quotation.

For all business clients, included in the service at no extra cost, is access to CCH's market leading Business Support Helpline, a valuable resource provides telephone access to consultants who are specialists in employment law, health and safety law and commercial legal issues.

Tax-free long service awards

If you provide an employee with a non-cash award to reward long service, the payment can be made without deduction of tax or National Insurance contributions, as long as the following criteria are observed:

1. As this is a reward to employees it is not available to self-employed sole traders or partners. It is available to directors who receive a salary for their services.
2. The award has to mark at least 20 years of service.
3. You must not have made a previous long service award within the last ten years.
4. The value of the reward cannot exceed £50 per year of service - so the maximum value of an award to an employee with 20 years of service is £1,000.
5. As pointed out in the opening paragraph of this article the award has to be made in a non-cash form. Cash awards are taxable as earnings in the usual way. You should also be wary about awards that can quickly be converted into cash, for example marketable stocks or shares or precious metals - these do not fulfil the non-cash criteria.

There are a number of complicated rules to abide by if your payment falls outside the above five points - for instance if you exceed the £50 per year or if the employee has less than 20 years of service.

If you are thinking of making use of this potential tax-free perk it is best to check with us before making the award.

Beneficial loans to employees or directors

If a company makes a loan or loans to an employee or director and the combined outstanding value to an individual never exceeds £5,000 there is no personal tax or National Insurance contributions to pay. However, beware; loans to employees who are also shareholders and directors may create a corporation tax charge for the company even if the loan does not exceed £5,000.

If the combined amount exceeds £5,000 a potential benefit in kind charge may arise if no interest is charged to the loan account or interest is charged at a lower rate than the official rate published by H M Revenue & Customs.

The official interest rates for the last three years are:

From 6 April 2007 to 28 Feb 2009 - 6.25%

From 1 March 2009 to 5 April 2010 - 4.75%

From 6 April 2010 - 4%

As we are now approaching the deadline for filing forms P11D, the forms that declare employees' and directors' benefit in kind, it is essential that loans are examined to reveal any benefits due. Overdrawn directors' loans can create difficulties where the amount of loans fluctuates during a tax year.

If you would like clarification on the amount of benefit in kind you may have to pay please contact us as soon as you can. P11Ds have to be filed by 6 July 2010.

Cars qualifying for 100% tax write-off

Unless the rules change on the 22 June 2010 company cars that have CO2 emissions of 110g/km or less qualify for a 100% write-off for tax purposes in the year of purchase.

The list of vehicles that come within this range of CO2 emissions is expanding. Take a look at the following website that displays a fairly comprehensive list:

<http://www.comcar.co.uk/newcar/companycar/poolresults/110tax.cfm>

A few of the more surprising sub-110g/km cars are listed below:

Audi A1 and A3;
BMW 3 series saloon - 320d EfficientDynamics;
Mini Hatch, Clubman, Cambden and Mayfair;
Peugeot 207 - 1.6 HDi Economique;

Smart - fourtwo coupe and cabrio
various VW Golf models;
various Volvo C30, S40 and V50 models.

VAT - starting on the Flat Rate Scheme

As an incentive to new VAT registered businesses to consider using the Flat Rate Scheme, H M Revenue & Customs allow a 1% reduction in the flat rate percentage for your type of business for one year. This can be a significant benefit for newly registered traders. If your turnover including VAT is £117,500 in the first year the 1% will be worth a reduction in your VAT payments of £1,175.

Please note that this reduction is only available in the twelve months following registration for VAT. It is not available for the first twelve months you decide to convert to the Flat Rate Scheme if you are an existing VAT registered business. Unless - if say you registered for VAT on the 1 January 2010 and decided to apply to join the Flat Rate Scheme on the 1 April 2010, you could apply the 1% reduction in the rate applicable to your business until 31 December 2010; for the nine months until your first anniversary of registration is reached.

For smaller businesses who qualify for the lower flat rate percentages, the scheme can be cash flow positive. If you are about to register, or have recently registered for VAT and would like more information please call.

Tax Diary June/July 2010

1 June 2010 - Due date for corporation tax due for the year ended 31 August 2009.

19 June 2010 - PAYE and NIC deductions due for month ended 5 June 2010. (If you pay your tax electronically the due date is 22 June 2010)

19 June 2010 - Filing deadline for the CIS300 monthly return for the month ended 5 June 2010.

19 June 2010 - CIS tax deducted for the month ended 5 June 2010 is payable by today.

1 July 2010 - Due date for corporation tax due for the year ended 30 September 2009.

6 July 2010 - Complete and submit forms P11D return of benefits and expenses and P11D(b) return of Class 1A NICs.

6 July 2010 - Deadline for submission of new Tax Credit application for 2010-2011, if you want to secure a full years claim.

19 July 2010 - Pay Class 1A NICs (by the 22 July 2010 if paid electronically).

19 July 2010 - PAYE and NIC deductions due for month ended 5 July 2010. (If you pay your tax electronically the due date is 22 July 2010)

19 July 2010 - Filing deadline for the CIS300 monthly return for the month ended 5 July 2010.

19 July 2010 - CIS tax deducted for the month ended 5 July 2010 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.

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Foot Davson is registered for VAT under reference 238810947.

Principals of the firm are members of the Institute of Chartered Accountants of England and Wales (ICAEW). This body has its headquarters in the UK and its rules of professional conduct can be obtained from its website. Foot Davson is authorised to act as statutory auditor by the ICAEW.

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