

# A R Lee & Co

CHARTERED CERTIFIED ACCOUNTANTS & REGISTERED AUDITORS

## News from The Street

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The slight optimism we started to see six months ago has all but disappeared due to continuing turbulence within world economic markets and political unrest, both at home and abroad.



We therefore face a period of continued uncertainty, which makes it extremely difficult to make any detailed plans for the future. We are now four years in to this recession, but we fear it may still take several more years before we begin to see any real improvement.

On a slightly brighter note, as a firm, we continue to be very busy, having welcomed a steady flow of new clients to our practice. The investment

we made earlier this year in replacing all our computer equipment is already paying dividends, as it has increased our capability and efficiency.

The partners are extremely well supported by all our staff which, as a team, enables us to provide a very high standard of service and support to all our clients.

However, we continue to face the challenge of adapting to rapid change within our industry, particularly in dealing with the substantial changes being made by the Revenue to our working practices and the compliance obligations of our clients. Dealing with PAYE & VAT, let alone Income Tax, Corporation Tax, CGT and IHT, has become so complicated that we are now assisting large numbers of clients on a continuous basis to meet the almost daily challenge of compliance.



Our system of taxation is in very urgent need of simplification and at long last the Government has recognised this. As we write, a Committee of very well respected individuals is identifying the areas in need of most urgent reform and is preparing recommendations for improvement. Hopefully, it will not be too long before we begin to see the benefit of this work.

In the meantime, this newsletter draws your attention to the most recent changes that you may need to be aware of in relation to your own business. Please do speak to us if there are any matters you would like to discuss in more detail.

# SELF-ASSESSMENT - NEW HIGHER PENALTIES FOR LATE FILING

## Important Changes

We would like to draw to your attention some key changes concerning the penalties that will be charged if your 2010/11 Tax Return is filed late or your tax is paid late. Help us to help you by sending in all information requested as soon as possible to enable us to complete your Tax Return on a timely basis, advise you as to your tax position and avoid these penalties!

## Late Tax Returns

HMRC will still charge a penalty of £100 if your Return is filed late. The appeal route will still be available if you have a reasonable excuse.

However, previously the amount of this penalty has been 'capped' for some taxpayers. This basically meant the penalty could not be more than the unpaid tax at 31 January following the end of the tax year. This capping did not apply to late Partnership Returns.

One key change that will be introduced is the removal of the cap. **This means that the full penalty of £100 will always be due if your Return is filed late even if there is no tax outstanding.**

**Additional** penalties can be charged as follows:

- Over 3 months late – a £10 daily penalty up to a maximum of £900;
- Over 6 months late – an additional £300 or 5% of the tax due if higher;
- Over 12 months late – a further £300 or a further 5% of the tax due if higher. In particularly serious cases there is a penalty of up to 100% of the tax due.

## Late payment of tax

New late payment penalties will be introduced which are similar to the previous penalties (surcharges) which mean that from 31 January 2012 HMRC may charge the following penalties if tax is paid late:

- A 5% penalty if the tax due on 31 January 2012 is not paid within 30 days (the 'penalty date' is the day following);
- A further 5% penalty if the tax due on 31 January 2012 is not paid within 5 months after the penalty date;
- Additionally, there will be a third 5% penalty if the tax due on 31 January 2012 is not paid within 11 months after the penalty date.

**These penalties are additional to the interest that is charged on all outstanding amounts, including unpaid penalties, until payment is received.**

If you wish to discuss any aspect of these changes, please do not hesitate to contact us.

## STAFF NEWS

We are delighted to report that Laura Jones, who joined our firm two years ago, recently successfully completed her final exams for the Association of Accounting Technicians (AAT). Laura put a lot of hard work into her studies and we are all very proud of her success.



## EMPLOYMENT NEWS

### Support for Training

Some limited grant funding is available in the East of England for certain industries of up to 70% of the cost of training equivalent to NVQ levels 2 to 4+. The funding is provided by the East of England Development Agency and the European Social Fund and is delivered by the Financial Skills Partnership (FSP) who are available to assist potential applicants. Some additional funding is also available for developing leadership and management skills for businesses with the potential for high growth. Funded by the Skills Funding Agency, the Leadership & Management Advisory Service is delivered by EMB Ltd.



### Latest Fuel Rates

New rates for both Income Tax and VAT were announced from 1 June 2011:



Engine Size	Petrol	Diesel	LPG
1400cc or less	15p	12p	11p
1401cc to 2000cc	18p	15p	13p
Over 2000cc	26p	18p	18p

### National Minimum Wage (NMW)

From 1 October 2011 the NMW will increase to:

- Workers aged 16-17 £3.68 (currently £3.64)
- 18-20 £4.98 (currently £4.92)
- 21 and over £6.08 (currently £5.93)
- Rate for apprentices under 19, or 19 or over in the first year of their apprenticeship, will increase to £2.60 (currently £2.50).

### Employment Status

The Revenue has recently won a significant employment status case in the Supreme Court against Autoclenz Ltd. who engaged car valeters on a self-employed basis. Although the company had detailed contracts in place, the 'employees' and the Revenue argued the contract terms did not accurately reflect the reality of the relationship that existed between the company and their workers. Basically, the Court determined the company had abused its stronger bargaining position to impose terms on the workers that did not exist in reality and should therefore be ignored.

If you engage self-employed workers on a regular basis, it is extremely important you regularly review your procedures and paperwork and we will be pleased to assist you to do this, if required.

### Cloud Based Accounting Software



We have been looking for some time for the best accounting package available to small businesses and after considerable deliberation, we have chosen to partner with a company called Xero, who specialise in providing cloud (online) based software. Their product is simple to use and can be accessed from anywhere with an internet connection, even your phone. We also have the ability to view and work on your data simultaneously while talking to you on the phone, for instance.

We have already assisted many clients to use the new software and it is working very well. Please let us know if you would like a demonstration.

### Capital Allowances

Please note the current limit for the Annual Investment Allowance of 100% initial tax relief for qualifying capital expenditure of up to £100,000 is being reduced to £25,000 from 1 April 2012 for companies and from 6 April 2012 for individuals and partnerships.



If you have any plan to invest more than £25,000 in new machinery or commercial vehicles in the near future, you may wish to ensure your purchase takes place before the new limit takes effect in order to maximise the amount of tax relief available.

## HMRC - BUSINESS RECORDS CHECKS

At the beginning of this year HMRC launched a new system of Business Records Checks (BRC) under which they have been visiting businesses and examining their current financial records and recommending possible improvements. Originally described as a pilot exercise and with a reassurance that penalties would not be charged, a mixed picture is now emerging of the results.

Standard letters appear to be issued after each visit recommending that sales invoices be issued with consecutive numbers and a cash book maintained. Other recommendations suggest a drawings records should always be kept, a mileage log maintained and business records written up at least weekly.

The original intentions of the BRC was to improve record keeping and to give businesses the opportunity to discuss their record keeping obligations with the Revenue. However, anecdotal evidence to date points towards an alternative agenda. HMRC appear to regard the BRC as a potential cash cow with a pool of 50,000 annual targets. We will have to see how the new system develops.



## HMRC - NEW COMPLIANCE PROCESS

In addition to the BRC, the Revenue is carrying out trials of a single compliance process for their enquiry work across a range of taxes. The new process will focus on the risks and behaviours identified in individual cases and throughout the life of the compliance check. Four different levels of intensity of enquiry will apply:

- The first level will consist of working cases remotely by carrying out desktop studies of the data available.
- The second level will look at a simplified and faster route for those cases where there are not many risks, but some face to face intervention is required, similar to VAT assurance and employer compliance visits.
- The third level will address cases showing more in-depth risks and will address behaviours short of evasion.
- The fourth level will tackle cases indicating evasion characteristics.

As each case is worked, it will be capable of moving between each of the four levels, depending on what is encountered. The new process is due to be rolled out nationally from January next year.

## HMRC - EDUCATING NEW BUSINESSES



HMRC are piloting a telephone education strategy aimed at new small businesses. They will call new business owners "to offer to talk them through some of the main things they need to know as a new business and to signpost them to the available help online".