

CI Accountancy Ltd

Newsletter

August 2008



boatside business centre, warden
northumberland ne46 4sh
tel: 01434 601133
fax: 01434 609977
web: www.ciaccountancy.co.uk

In this issue of the newsletter we have included new guidelines from HM Revenue & Customs regarding the tax status of certain workers. We have also included an interesting tip for business owners who trade through a limited company and manager their business from home. There is also a useful tip for charities and voluntary registration for VAT purposes and finally a warning regarding the latest e-mail scam purporting to be from HM Revenue & Customs.

The next issue of our newsletter will be published on Thursday 4th September 2008.

Meet the C I Accountancy Team – Sau Ying Wilson – AAT – Trainee Accountant	Client of the Month – August – The Tone Inn
Tax status; are you employed or self employed?	Running your company from home
VAT Voluntary registration charity shops	The latest email scam!
Tax Diary August/September 2008	

Meet the C I Accountancy Team – Sau Ying Wilson – AAT – Trainee Accountant

Sau joined CI Accountancy in June 2007 as a Trainee Accountant and is presently studying ACCA. She was born in Hong Kong and then emigrated in 1974 to Westerhope, Newcastle-Upon-Tyne.

Sau studied at what is now the University of Northumbria, where she achieved an HNC in Business Studies.

Following this she worked for 13 years for a Civil Engineering Company in Newcastle City Centre. She was initially an accounts clerk and latterly a bookkeeper.

Sau then took a career break to bring up her two children. During this time she not only looked after her children, but also studied and achieved her Accounting Technician qualification. She welcomed the opportunity offered, following her career break, to study for her ACCA with CI Accountancy.

Her career and studies have given Sau an experience and knowledge in many areas including all aspects of administration, bookkeeping and payroll.

Sau is looking forward to passing her exams and bringing her wide experience and knowledge to the clients, where she will pride herself in offering a professional service with the client's best interests at the forefront of the service offered.

When not working, studying or looking after her children, Sau enjoys jogging and spending time with family and friends.

Client of the Month – August – The Tone Inn

THE TONE INN – A centuries old coaching Inn situated midway between Corbridge and Otterburn on the A68, has been owned by ourselves Sinclair & Sheila Russell and daughter Claire for 20 years – although for the last nine years opening only one day per week – Sunday, for Traditional Sunday Lunch Carvery.

We have four sittings; 12pm – 1.30pm – 3pm – 4.30pm – although these times are flexible.
Bookings by telephone; 01434 270417 – or online at – www.thetoneinn.co.uk

When we first bought The Tone Inn in 1988 we were open 7 days per week but after eleven years we decided to concentrate only on Sunday Lunch, this has proved very successful. Our customers come from far and wide and say they are very happy to do so for good food and a homely atmosphere.

We try to use local services for all of our needs and buy most of our trade stock at Lowrie's in Hexham. All our meat; Beef, Pork and Lamb, is sourced locally, bought at Walton's of Wark, our fresh vegetables are bought from Roots and Fruits of Corbridge, all are prepared, along with the homemade Yorkshire Puddings and cooked freshly throughout the lunchtime. We also have a vegetarian option of Nut Roast accompanied by vegetables and Yorkshire puddings served with a vegetable gravy.

Sweets & Coffee are an optional extra and our home made meringues are especially popular. Other sweets, including sponges, sticky toffee pudding and chocolate fudge cake can all be accompanied by freshly made custard, ice cream or cream. Various ice creams are also very popular and refreshing.

A few years ago our accountant in South Shields, where we originate from, retired leaving us in need of a new firm. After ringing a few numbers found in the Yellow Pages, we spoke to C.I. Accountancy and felt extremely confident with their ability to conduct our financial affairs. We must now thank them for all their help and professionalism to which we are indebted. Although we are a very small business we are afforded all the courtesies which they apply to everyone. These things we would hope we give to all our customers.

Tax status; are you employed or self-employed?

If you would benefit from being self-employed rather than employed, or vice-versa, you may be interested in this article. HM Revenue & Customs have recently published new guidelines to help taxpayers decide if they are employed or self-employed. We have reprinted below some of the criteria that they suggest you use in order to arrive at a decision.

The comments that follow are quoted from the HMR&C publication.

"In most cases your employment status will be straightforward. In general terms, you are employed if you work for someone and don't have the risks of running the business. You are self-employed if you are in business for yourself and are responsible for the success or failure of that business.

To help you check your employment status, answer the following questions. These also apply if you are a casual or part-time worker. If you have more than one job the same questions apply for each job.

Employed - if you answer yes to most of the questions you are likely to be employed:

- Do you have to do the work yourself?
- Can someone tell you where to work, when to work, how to work or what to do?
- Can someone move you from task to task?
- Do you have to work a set number of hours?
- Are you paid a regular wage or salary?
- Can you get overtime pay or bonus payments?
- Are you responsible for managing anyone else engaged by the person or company that you are working for?

Self-employed - if you answer yes to one or more of the questions you are likely to be self-employed.

- Can you hire someone to do the work, or take on helpers at your own expense?
- Can you decide where to provide the services of the job, when to work, how to work and what to do?
- Can you make a loss as well as a profit?
- Do you agree to do a job for a fixed price regardless of how long the job may take?

If you can't answer yes to any of the above questions, you are still likely to be self-employed if you can answer yes to most of the following questions.

- Do you risk your own money?
- Do you provide the main items of equipment (not the tools that many employees provide for themselves) needed to do the job?

- Do you regularly work for a number of different people and require business set up in order to do so?
- Do you have to correct unsatisfactory work in your own time and at your own expense?"

Please note that the opinions quoted above are those of HMR&C; we do not necessarily agree with all of the comments made! If you are at all uncertain about your tax status can we suggest that you give us a call and we will provide you with advice based on your own individual circumstances.

Running your company from home

If you run your business through a limited company and your base of operations is your home office, it is possible to charge your company rent. Of course if you do this the company will be able to deduct the rents from its profits and you will need to declare the rents on your self-assessment return. On the face of it there would seem to be no advantage.

But what if you also have buy to let properties and are making losses? Very often buy to let property owners have more costs (loan interest etc) than they have rents receivable. Unfortunately it is not possible to set off these rental losses against other income. The losses have to be carried forward to be set against rental profits in future years.

If on the other hand you do charge your company rents for the use of a Home Office it would be possible to set off any buy to let losses against this income. The rents from your company and your buy to let rents are taxable as property income. Effectively you would be getting tax relief through your company for the rental losses you personally suffer on your buy to let property. A number of considerations need to be taken into account:

1. If you charge your company rents you must have a proper rental agreement between you and your company, otherwise the revenue could seek to treat the rental payments as part of your salary from the company.
2. The rents that you charge for your home office must be charged on a commercial basis. It may be sensible to have a formal valuation undertaken.
3. The rental agreement should state that the office space at home is only available for fixed periods each day. This is necessary to observe the non-exclusive principle. Without this you could jeopardise your principal private residence exemption for capital gains tax purposes.
4. If you have a mortgage, you may need to check with your lender before entering into such an arrangement

VAT Voluntary registration charity shops

For VAT purposes income from sales in a charity shop are zero rated. If a smaller charity has shop sales under the present VAT registration limit, presently £67,000, it may consider the hassle of voluntary registration to be unnecessary.

This may not necessarily be the best course of action.

Presumably the charity will be paying rents for the use of the shop. It is likely that the landlord will have opted to add VAT to the rent charged. If so the charity will presently be absorbing this VAT as part of its costs.

The solution may be for the charity trustees to register on a voluntary basis, for VAT.

If this is done there will be no VAT to pay on the shop sales, as stated before these are zero rated; however it would now be possible to recover input tax charged to the charity for overheads specifically related to the shop trade. This could include VAT on rents and other direct overheads, telephone etc.

One final tip for charities who pay VAT on their rents. If your charity is paying rents for a building, or part of a building which is used solely for charitable purposes (other than as an office or shop) the supply from the landlord may be exempt from VAT. Even if your landlord is required by other VAT rules to charge VAT on rents this would be the case. If you have been overcharged as a result you could ask your landlord, if justified, to send you a VAT credit backdated three years!

If you feel that this may apply to your charity please call as we would be happy to negotiate or organise appropriate action on your behalf.

The latest email scam!

Please beware that you may receive an email purporting to be from H M Revenue & Customs offering to send you a tax refund if you provide certain information.

H M Revenue & Customs would never advise you of this type of transaction by email.

If you receive this e-mail please delete it immediately. Any action that you take to follow the link embedded in the e-mail will result in a request for personal information that will be used for fraudulent purposes.

Tax Diary July/August 2008

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

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

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

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

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

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

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

19 September 2008 – CIS tax deducted for the month ended 5 September 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

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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.