

CI Accountancy Ltd

Newsletter

July 2008



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The newsletter this month includes an update on the new H M Revenue & Customs powers; the effect of charging rents and claiming the new CGT entrepreneurs' relief; new filing details for limited companies and limited companies and limited liability partnerships, and finally new mileage rates effective from 1 July 2008.

Our next newsletter will be published on Wednesday 5th August 2008.

CI Accountancy – The best Independent Accountancy Practice in the North East 2008.	Meet the CI Accountancy Team – Jackie Wolloms – (AAT) Office Manager
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CI Accountancy – The Best Independent Accountancy Practice in the North East 2008.

The CI Accountancy team was very proud to receive the award for the best independent accountants practice in the North East.

The whole team attended the Nigel Wright awards dinner on the 5th June at the Hilton Hotel in Gateshead.

The judges citation complemented the team on many areas including high quality customer service and that in many areas they exceeded the required criteria for the award.

Another award well earned by the hard work of the CI Accountancy team.

Meet the CI Accountancy Team – Jackie Wolloms – (AAT) Office Manager

Jackie has been with the company since the closure of Tynedale retail park in 2005. Whilst the closure was a blow for Hexham it was good for CI Accountancy.

Jackie brought to the company an abundance of experience and knowledge.

Jackie started her working life as a hotel receptionist, administrator and restaurant cashier; she had hoped to become a chef and still enjoys cooking to this day. It was the lure of a pay packet and meeting her husband Bill, whilst working as a lab assistant that meant a move to Hexham.

It was then she started working with Robbs as a purchase ledger clerk in the first instance and within 6 months became the assistant manager, then latterly worked with Tynedale retail park from it's opening to it's closure. During this time she was the administration and warehouse manager, had experience in all aspects of administration and finance including Bookkeeping, stock control, audit and all things financial. Jackie brought all this experience to the firm and not only do clients benefit but she is instrumental in supporting and helping to train the junior staff to her own high standard which is of benefit to everyone.



Jackie likes to work with clients and prides herself on offering the best service possible, being constantly available to offer advice and support when needed.

In her spare time Jackie likes to cook, garden, read and walk the family's dog.

Congratulations to the Phonebox in Hexham

The Phonebox in Hexham was 2nd in the whole of the UK for independent retailers, they were up against many of the big names associated with mobile phones and came an outstanding 2nd. The criteria was based on the exemplary services provided as judged by the network providers.

Well done The Phonebox!

Client of the Month – July – EANS Ltd

EANS Ltd. Electrical, Mechanical, Plumbing & Heating Engineers
Builders and Property Maintenance Services

EANS is a team of tradesmen offering an in house "Complete Solution" covering all aspects of electrical, mechanical, plumbing and building requirements.

The company's founder and principal is Edward Stewart who followed his chosen engineering career path to the highest level, beginning with a fitting, turning and machining apprenticeship at sixteen and continuing his significant practical and theoretical knowledge and experience culminating into senior engineer responsible for all systems including gas and oil fuel supply, steam and internal combustion power generation plant and associated distribution, auxiliary support and control systems, together with hotel services from refrigeration and air conditioning plant to domestic portable water and sewerage treatment. Edward has always been a keen practical engineer and has completed numerous building works in his spare time prior to his formation of EANS.

EANS initially entered the marketplace predominately concentrating within the commercial and industrial engineering sectors as electrical, mechanical, process and control repair, maintenance and installation engineers.

Noting an increased residential enquiry rate, the company added this sector to their portfolio of electrical and mechanical services. Residential customers' electrical requirements were found often to be only part of their overall requirement and after measuring the data compiled from customers; it appeared that there was a demand for a service provider combining all the trades necessary to undertake a project in house. The main requirements for the demand were to eliminate confusion and errors by having a single contract for the project, to progress works and avoid delay by having the required trades to hand at immediate notice, to ensure that quality was maintained throughout the works and at the forefront was to save the customers time by eliminating the need to liaise with separate contractors to progress their project.

Now the EANS team comprises experienced skilled tradesmen including, Felix, Leonard, Michael, David, Richard, James and Edward.

The combined EANS team offers a wall to wall, ceiling to floor services, including joinery and carpentry, plastering and tiling, plumbing and heating, brick and stone masonry, roofing, glazing, electrical and mechanical installations including wind turbines, thermal and photo voltaic solar systems, air source heat pumps, repairs, maintenance and testing services (and more) for our domestic customers. For our commercial and industrial customers, we offer additional services including, suspended ceilings, shop fitting, safety and resin flooring, machinery control and repair, automation and welding.

EANS is a complete solution. We are in Hexham and we have the combined skills, knowledge and experience to deliver your small repairs and your larger projects on time, in full, whilst keeping your business operation running smoothly. Call 01434 600 24 7 for your solution.

HM Revenue & Customs' new powers

The Finance Act 2008 brings together a number of issues that are going to affect your future relationship with H M Revenue & Customs.

In the past regular visits have been restricted to a VAT audit and possibly a payroll check. Additionally inspectors may have picked up on areas of concern in your annual tax return and launched a formal aspect, or full enquiry into your affairs.

The Finance Act 2008 takes this whole process to a new level!

In future you will be penalised if HMR&C believe you have not taken reasonable care in preparing any information (accounting or otherwise) that underpins any return made to them. It is likely that any under-declared tax that is discovered will be subject to a penalty approaching 30%, and if HMR&C can prove negligence or fraud this could rise to 100%.

The way in which these errors will be discovered are set out in changes to HMRC's legal powers to investigate your returns. It is envisaged that an officer of HMRC might begin a compliance check in respect of any of the relevant taxes for one or more of a number of purposes. These include checking that:

- A tax return, amendment to a return or claim is correct;
- Statutory record keeping requirements are being met;
- Tax has not been underpaid or over-claimed; or
- Any issues concerning possible tax avoidance are considered.

Accordingly you can expect that future visits by tax officers will take an interest in the care that has been taken to keep proper accounting records. In particular how these records affect your VAT and payroll returns.

Access to information

HMRC have included changes to the law in the Finance Bill 2008 that would give them rights regarding access to records that underpin your returns.

Accordingly there is to be no right to appeal against HMRC seeing records.

Another interesting development recognises the use of computers in storing relevant data. HMRC are quoted as saying:

"An authorised person may, at any reasonable time, obtain access to, and inspect and check the operation of, any computer and any associated apparatus or material which is or has been used in connection with a relevant document."

This would provide officers of HMRC access to any computer which has been used in connection with the accounting records (including supporting documents) required of the taxpayer. This is a new development, as normally taxpayers would expect HMRC to have access to the records themselves, but not the computers on which the records have been prepared or maintained. The practical implications of this are significant.

You may want to ensure that no critical business information is kept on the same computer as the accounting records, so that risk of breach of confidentiality, or even business disruption, is kept to a minimum should HMRC require access to the computer during the course of an enquiry.

Visits will be made in-year to check that the record keeping provisions are being complied with during the accounting period, and given the significant concern expressed about the quality of accounting records by HMRC and the impact on tax take, this is likely to be the main HMRC compliance contact that small businesses will have in the coming years.

What to do?

For most businesses the new rules will have effect for accounting years ending 31 March 2009. Therefore the records that you are presently updating for this period of account may be open to inspection. Can we suggest you contact us if you are interested in a formal review of your accounting and related administration systems, in order to minimise any possible financial consequences of future HMRC visits.

Selling business property previously rented

Many business owners have brought commercial property that has been fully or partly occupied at various times by their trading concerns, and rent may have been charged for the use of the property; either the property owner has been paid rent by his business, or by other third parties.

This article discusses the way in which the new capital gains tax rules apply to the disposal of these properties on or after 6 April 2008.

As you may remember, all taxable capital gains are now subject to a flat 18% tax charge. There is one notable exception. If a disposal qualifies as the sale of a business asset you may be able to claim entrepreneurs' relief. If you can claim, the first £1m of qualifying lifetime disposals are subject to tax at the reduced rate of 10%. Generally speaking the disposal of a business property should qualify for entrepreneurs' relief as long as it is sold in conjunction with the sale or cessation of the business, or within 3 years of that date.

Obviously, if you have purchased a property for the purposes of running your business you may feel that this relief will be available to you when you sell the property. Unfortunately the position of certain property owners, particularly those who have charged rent to their business, may not be so straightforward.

The issues that affect the availability of entrepreneurs' relief when commercial property has been rented to a business, are complex and certainly beyond the scope of this article to fully explore. However, we have highlighted below the fundamental difference between a disposal by a partner or company shareholder.

1. **Sole traders** are treated differently to partners and owners of limited companies. If you are a sole trader there would be no commercial or tax purpose in charging your business rent for the use of your property – both property and business are in your name. There could be circumstances where part of the property has been let to a third party. However as long as part of the property is sold, a claim to entrepreneurs' relief should be effective; at least to some extent.
2. **Partnerships and limited companies.** If a partner or shareholder has purchased a property and made this available to the business for a rental payment, the CGT position on disposal is more complex. If rent has been charged by the owner to the partnership or company, a claim for entrepreneurs' relief on sale may be precluded.

A final point. Relevant legislation has not yet completed its passage through Parliament. The Treasury are aware that a sale of a business property prior to 6 April 2008, that would have qualified for taper relief, may not now qualify for relaxation of the rules in any amended legislation.

If you are contemplating a sale of this type of property please contact us before completing the sale in order that we can help you organise contracts in the most tax effective way.

Companies House filing and other charges

Filing deadlines:

Companies with accounting periods beginning on or after the 6 April 2008 should note the following changes to the filing deadlines with Companies House.

1. **Private companies and LLPs** – the delivery deadline has been reduced by one month from 10 to 9 months.
2. **Public companies** – the delivery deadline has been reduced by one month from 7 to 6 months.

Consequential changes include:

- Full calendar months for filing periods have been introduced. Where the accounting period ends on a month end date the accounts filing period will end on a month end date. (Except for the first accounting period)
- Qualifying companies can still file abbreviated accounts.

Late filing penalties, private companies:

(Penalties for public companies are shown in brackets)

- Not more than 1 month late, penalty £150 (£750)
- More than 1 month but not more than 3 months late, £375 (£1500)
- More than 3 months but not more than 6 months late, £750 (£3000)
- More than 6 months late, £1500 (£7500)

If a company fails to file on time for two successive years, the penalties are doubled in the second year.

Company Secretary

From 6 April 2008 private companies can choose whether they wish to have a company secretary or not.

If you decide to dispense with a company secretary's appointment you will need to:

- Notify Companies House using the appropriate form.
- Amend the company's articles of association. (Only necessary if the articles specifically require that company has a secretary.)

A company can now have a sole director and no company secretary.

Please note that from 1 October 2008, if you do keep your company secretary, they will be able to file a service address for the public record.

Changes to Fuel Rate from 1 July 2008

From 1 July 2008 the revenue have published new mileage rates that company car users can use to calculate the fuel cost of running their vehicles for private purposes. If this private element is repaid to employers the employees will avoid the penal car fuel benefit charge. The new rates are:

Engine size:

- 1400cc or less: petrol 12p, diesel 13p, LGP 7p.
- 1401cc to 2000cc: petrol 15p, diesel 13p, LGP 9p.
- Over 2000cc: petrol 21p, diesel 17p, LGP 13p.

Employers can also use these rates to calculate the VAT input tax on fuel included in staff mileage claims – employers will need to retain fuel receipts from staff to prove the fuel was purchased. (Obviously, it is unlikely that staff will have receipts that exactly match the fuel element on their claim forms. Receipts should cover the same time period and be sufficient to cover the VAT claimed.)

Tax Diary July/August 2008

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 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.

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.

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.

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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.