

LAWRENCE ROSE LTD CHARTERED ACCOUNTANTS

Newsletter 7
Oct 2007

There are quite a few things changing in the exciting world of accounting and tax. Here is a few of the more interesting issues that you may like to know about.

VAT registration—how to cope with delays

HM Revenue & Customs is currently struggling to cope with the number of new registrations for VAT- there are considerable delays. Businesses that have sent in the VAT1 registration form may have to wait months before receiving their VAT registration number.

This creates a difficult issue for these businesses. If you are required to register by a certain date, you must account for VAT to be added to your sales from this date - unless you sell goods or services that are normally zero rated or if your trade does not normally issue VAT invoices, a hairdresser for example. However, you cannot issue a VAT invoice until you are notified of your VAT registration number.

Although you cannot charge VAT before you are registered or show VAT as a separate item on any invoices you issue, you can change your prices to include VAT. You will need to explain to your customers that you will be sending them VAT invoices later - the following words should be added to your invoice:

“This invoice is raised pending a VAT registration number. A full VAT invoice will be issued on receipt of the VAT registration number”

Once you have your registration number you should send replacement invoices, showing VAT, within 30 days. If you have asked for voluntary registration you will need to start accounting for VAT from the registration date you asked for on your application form, as long as you actually made supplies/provided services from that date.

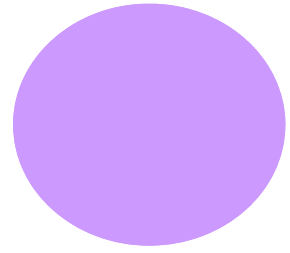
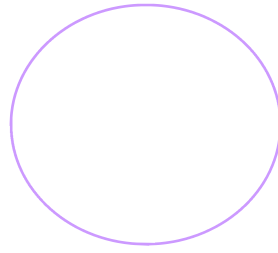
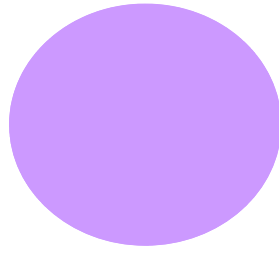
Test case issue to resolve bank charges debate

The Office of Fair Trading (OFT) is taking a case to the High Court to decide whether or not the level of unauthorised overdraft charges made by banks are legal. According to the OFT, tens of thousands of complaints that these charges are unfair have been received by the County Courts and the Financial Ombudsman Service.

The debate considers whether, under current consumer law, it is lawful for banks to charge a penalty for unauthorised overdrafts and ‘bounced cheques’ in excess of the administrative costs needed to process them. In many cases, these penalties can be £30 or more for each transaction which occurs whilst an individual’s bank account is in the red. Consumer groups argue that the actual administrative costs involved are a fraction of the penalties.

As a result of high profile campaigns by consumer groups, thousands of dissatisfied bank customers have been sending their banks letters of complaint demanding refunds. Some banks have settled out of court rather than reveal the actual costs of dealing with overdrafts and bounced cheques.

There have been several cases where the courts have found in favour of the bank which has left the question of bank charges unresolved. The OFT has entered into an agreement with eight leading high street banks to bring a test case to the High Court to resolve the legal issues. Until the case is settled, decisions on all existing and future claims for refunds are likely to be put on hold.



Arctic Systems - HMRC

Following the decision in the Arctic Systems case HMRC have provided guidance on how tax returns are to be dealt with following the House of Lords' decision. The decision effectively permitted gifts of shares to be made between spouses and subsequent dividends issues on those shares to be taxed separately on each spouse. Quite a few businesses up and down the country have been celebrating.

Cases currently open

Any cases left open pending the outcome of the case will now be reviewed by HMRC and settled in line with the decision in the Arctic Systems case where the facts indicate that is the appropriate outcome. The guidance indicates that the taxpayers will be dealt with in the same way as Mr & Mrs Jones where the spouse owns either ordinary shares in a company or an ordinary unlimited interest in a partnership.

2005/06

The guidance notes that these returns should have been submitted in line with the Court of Appeal decision, which was in favour of the taxpayer, so that no amendments should need to be made to these returns following the House of Lords' decision.

2006/07

The deadline for submission of these returns is 31 January 2008 and the guidance states that they should be completed on the basis of the House of Lords' decision.

Forthcoming legislation

Following the decision, the government announced its intention to legislate to prevent what they regard as the use of 'non-commercial arrangements' to divert income from one spouse to another. We will keep you up to date with developments.

Fuel used for private motoring

Any businesses which recover VAT on fuel used for private motoring will be affected by new changes from 1st May 2007

The existing VAT private use charge is changing from engine size to carbon dioxide (CO₂) emissions. This change aligns the basis of the VAT private use charge with that for company car tax.

A new table with detailed provisions which sets out how private use charges should be calculated has been introduced. Contact Lawrence Rose Ltd if you want to find out more.

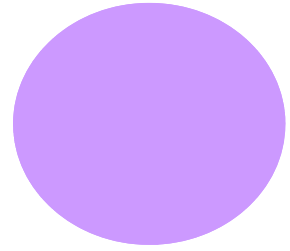
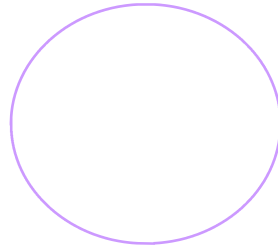
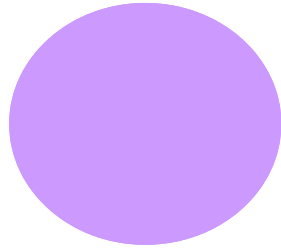
Late filing of monthly returns

From October 2007 HMRC will be introducing penalties for late filing of monthly returns, and will also be commencing rolling automatic compliance checks for contractors paid gross.

HMRC is typically only receiving around 60% of the monthly returns they expect by the due date, with a further 20-30% coming in over the following couple of months. Returns not received by HMRC by 19th October 2007 will be liable for a penalty. Therefore, contractors should be reminded that they need to submit to HMRC all outstanding returns for all months back to the start of the scheme in April, or "nil" returns where appropriate for those months, by 19th October 2007 if the penalties are to be avoided.

"Nil" returns may be filed by simply ringing the CIS Helpline on 0845 366 7899. If payments to subcontractors have not been made for a while, contractors can ask HMRC to record them as "inactive".

Finally, HMRC are having to send back a significant number of returns which are otherwise complete because the signature has been omitted. Contractors should therefore be reminded to sign the return before sending it in.



HMRC is launching a campaign

HMRC is launching a campaign - on radio, in women's magazines and online - to encourage tax credit recipients to report changes in their circumstances.

Parents and guardians with children over 16 who have started, or who are about to start, further education at school or college, should ensure that they advise the HMRC Tax Credits Department as soon as possible - failure to do so could result incorrect payments of tax credits being awarded.

Notifying HMRC is particularly important if there is a change in circumstances, for example, if childcare costs have increased or decreased, or if working hours or earnings have changed. In addition, those who told HMRC that their child was staying on at school or college after their exams and they've since changed their minds, should ensure that they update their claim accordingly.

In this regard, Sarah Walker, HMRC Director of Benefits and Credits, said "We know people lead busy lives and it can be easy to forget, or put off, telling us about these changes. But letting us know about changes in your work and home life means your details are up to date, and helps us make sure you are receiving the right entitlement".

The Tax Credits Helpline number is 0845 300 3900. It is available from 8am to 8pm, every day including weekends.

HMRC change in regulations

HMRC are considering a change in the regulations governing mistakes made when businesses account for and pay over their VAT.

Currently, where a trader makes a net error of less than £2,000 on a VAT return, he can correct the mistake on the following return. If, however, the error involves a sum of more than £2,000, the trader must report the discrepancy to the tax authorities.

Larger firms have complained that the current threshold for reporting errors is too low and adds unnecessarily to the burden of administering VAT.

On average, HMRC receives 45,000 voluntary disclosures each year where businesses have made miscalculations on their VAT returns.

Following discussions with accountants and the Administrative Burdens Advisory Board, HMRC have agreed that the present threshold can cause additional work and a consultation has therefore been launched to examine how the rules may be amended.

A number of changes are being considered, including:

- an increase in the error reporting threshold;
- the introduction of a series of different thresholds according to the size of business; and
- abolishing the threshold altogether and permitting businesses to correct all errors on their next VAT returns.

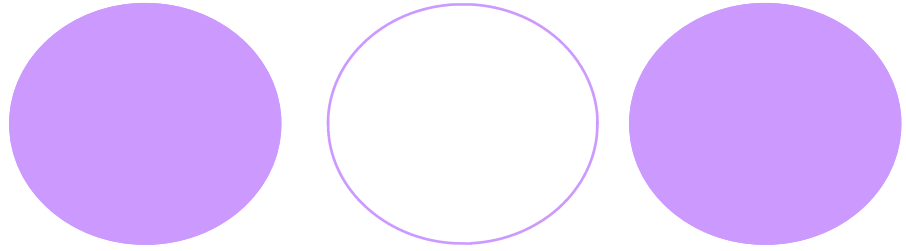
The consultation runs until 31 October.

Commentary on the HMRC online services, and responses to agents' questions, can be heard in the latest HMRC podcasts

HMRC Chairman, Paul Gray, says in an interview that while HMRC has "come a very long way", there are more improvements it can make to its online services, and admits that there are "some features of our systems that don't give the service people are looking for".

In another podcast, Dave Hartnett, HMRC's Director General (Business), answers tax agents' questions on a whole host of subjects, including VAT registration delays, the restructuring of HMRC, and the difference between acceptable and unacceptable tax avoidance.

More than 6,000 people have already subscribed to the HMRC podcast feed, which means that each time there's a new podcast, it's automatically delivered to the subscriber's computer.



Childcare Vouchers

If you give your employees childcare vouchers, the first £243 a month of the cost of providing the vouchers to each employee are free from both tax and NICs if the qualifying conditions are met.

These are:

- that your childcare voucher scheme is generally available to all of your employees where the scheme operates; and
- that your employees can only use the childcare vouchers to pay for childcare that has been registered or approved.

Please ensure you have a written policy in place even where the directors are the only employees.

New information to disclose on your website and e-mail

WEBSITE

From the 1st January 2007 companies must include certain information on their website as required by the new Companies Act 2006. In summary this includes:

- The company's name.
- The company's registered office address.
- The company's place of registration and registration number (ie registered in England and Wales, or Scotland, company registered number 10101010).
- If the company is an investment company a statement to that effect must be included.
- If the company is exempt from the obligation to use the word "Limited" as part of its name, it must state elsewhere that it is a limited company.

This information must also appear on Company business letterhead and Company order forms.

Additionally the EU regulations require the Company VAT registration number to be posted on the site.

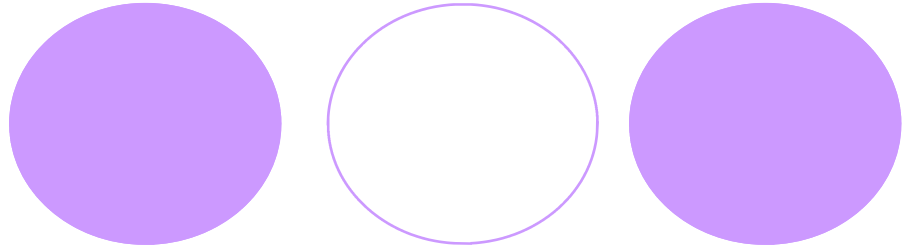
EMAIL

Email could be considered your electronic letterhead. Consequently the information required for Company letterhead is also required to be shown on Company emails - normally as footer text displayed below the email signature. There are other European directives that also require the VAT registration number to be included.

Minimum Wage Changes

Following the Budget announcements on 21st March 2007 it is confirmed that the national minimum wage rates from 1st October 2007 are:

- Main rate for adults aged 22 and over - £5.52
- Development rate for 18 - 21 year olds - £4.60
- Development rate for 16 - 17 year olds - £3.40



Two clients of mine who offer services that may be of interest to you:

For the benefit of your business do you want to either:

- close more sales deals?
- improve internal team working?

The key to improving both is better communication; and that doesn't just mean talking! Stress Management Ltd, through its Beyond Coaching and Training methodology, makes big differences to the performance of individuals, teams and businesses everyday. Visit our website: www.stressm.co.uk to find out about who we're helping right now, and then call us in confidence to give yourself a better chance of success; 01793 873451

"Beyond: Where intention becomes reality"

Payment Protection Insurance (PPI) and how it was missold

Renaissance, can help potential customers who are paying PPI on perhaps a personal loan or credit card by making a complaint on their behalf. Most UK households have taken out PPI at some point. They have won 90% of the cases they have taken on and the average amount of compensation they have secured is over £2,000. They provide a free assessment of the customer's case and will take things forward if they can help. Their fee is 25% plus VAT of any compensation secured for the customer.

If you have, or you know anyone who has (or had) Payment Protection Insurance give them a call on 0800 612 0000.