

tlp - news

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The monthly newsletter of The Long Partnership — www.thelongpartnership.co.uk

Let's Get Real or **L**et's Not Play.

We want you to succeed. We know our products and services have helped clients' success in the past. Our intent is always to find a solution that exactly meets your needs. This helps to ensure a good fit between what we do and what you need. If there is a good fit, let's work together.

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Quotes

"Hope works in these ways: it looks for the good in people instead of harping on the worst; it discovers what can be done instead of grumbling about what cannot; it regards problems, large or small, as opportunities; it pushes ahead when it would be easy to quit; it "lights the candle" instead of "cursing the darkness.""

-- Anonymous

"The successful man is the one who had the chance and took it."

-- Roger Babson, executive

"I learned that good judgment comes from experience and that experience grows out of mistakes."

-- Omar Bradley, general

I recently found myself speaking to a man who was so happy in his work that you could hear him smiling at the other end of the phone. He was very busy because there was so much business around for him just now which he put down to "the state of the economy". I was speaking to a man from the Enforcement Section of HMRC, the ones who take you to court and sequester. He made me think of an executioner who saw it as his duty to despatch his victims in an appropriate manner because they deserved the sentence.

However, what did not make sense to me was the fact that all these Tax Debtors were there, according to him, "because of the economy" but they deserved to be sequestered, etc because they had by some personal choice not fulfilled their responsibilities to pay their taxes on time, which was unfair on others who had fulfilled their obligations. It did not seem odd to him that the "state of the economy" might be the reason for non payment, not a deliberate attempt to evade payment.

HMRC must be running training courses at the moment because the "speak" from many of the Revenue staff that I talk to is the same. That taxpayer has failed to fulfil their responsibilities, the VAT that they have collected should not have been used in the business because that money belongs to HMRC, the PAYE that has been deducted is the employee's tax. Cobblers!

If you are on Standard Accounting for VAT you incur a liability to pay VAT to HMRC before you get paid. Whose money is that? If you employ people, the wages that you pay may only be recouped when the goods or services are sold or invoiced some time later. Who pays the wages and the taxes in the meantime?

Maybe we should apply the same logic and if government fails in its responsibilities to us, what should we do? Better not go there or I'll end up on the run with a price on my head (20p Ed).

The problem with the Revenue's attitude at the moment and to a certain extent the Banks, is that they are taking down currently profitable businesses providing valuable employment because of historical debts. That is very short sighted but it keeps my man at HMRC's Enforcement Section happy in his work.

Anyway, how was your Xmas and New Year? We hope you had a good break and are back ready for the fray. It's going to be an "interesting" year. Banks are already calling in their overdrafts, grant funding seems to be drying up for the smaller businesses and then the VAT goes up. On the other hand times like these bring their own opportunities and you must be ready to grasp one when it comes along, because they do not come along very often. In addition, we are seeing developments over a wide area. In Orkney, there is the new pier extension for renewable vessels. In Scrabster, funding is falling into place for the harbour development to encourage renewables. Wind farms (not everyone's cup of tea, I know) are being developed in a number of locations. Things must look up in 2011 and after.

Anyway, we have some interesting stuff for you this month. HMRC are clamping down on late payers. When cash flow gets tight, one of the first things to be unpaid in most businesses is the PAYE. With penalties of up to 4% of the tax paid late in the year as a whole plus other surcharges, HMRC are signalling that PAYE can no longer be used as working capital.

HMRC are also clamping down on poor record keeping with planned visits to check that your books are adequate for their purposes with penalties up to £3000 if not.

Many businesses now get us to do all their bookkeeping. Not as mad as you think, because there can be a significant saving in the cost of year end accounts. Combine this with our Fixed Price arrangements and you get everything done with no worries about the taxman and there is a regular fixed standing order.

If this interests you, get in touch and we will be happy to discuss your requirements and give you a quote using our very own Fee Calculation Software - telephone numbers are up on the left.

Accountant jailed for running home brothel

A 64-year-old married accountant was arrested for running a brothel from his house in a police raid which found him naked in bed with his Chinese girlfriend, surrounded by cash.

Police observed some 400 men visiting the Nottingham home of Leslie Baleham over a three month period.

The accountant deposited £57,000 in a joint account he held with his lover, Ping Ping Li, over two years.

The house was purchased by Baleham along with his wife Glynis, and Li later moved in.

Baleham pleaded guilty to keeping a brothel and two charges of money laundering at Nottingham Crown Court, saying he only discovered the property was operating as a brothel in January.

Prosecutor Adrian Reynolds said "Never was the relationship between sex and money more clearly to be seen."

Baleham's lawyer Harry Bowyer told the court that Baleham was not involved in the day-to-day running of the brothel. He said: "Baleham felt he was having a relationship with her. Now he feels he has been used by her. He is now divorced from his wife."

Li is said to have disappeared after Baleham's arrest in May last year and has not been seen since.

Baleham was sentenced to a year in prison, with Judge John Burgess saying: "The evidence shows you were involved in the running of a successful and busy brothel that in the space of a few weeks had 400 men visiting it".

Surely, instead of being criticised, this man should have been complemented on his entrepreneurial spirit, on the way in which he planned and implemented the marketing. I doubt whether many accountants would know how to set about marketing a brothel.

In these tough times many people in business might be looking to diversify. Farming diversification might attract some grant funding

Pay Your PAYE in full and on time, or else.....

To avoid paying late you must make sure HMRC have cleared funds by the due date. If you pay electronically this is the 22nd. However when the 22nd falls on a non banking day (weekend or bank holidays) HMRC must have cleared funds by the last bank working day before the 22nd. You may therefore need to change your payment date to ensure you pay on time. If you do not do so, you will be noted as paying late, and late payments for this tax year may result in a penalty being charged.

Penalties will be charged on each PAYE reference number or scheme independently. Therefore, if you operate more than one PAYE scheme you need to make sure that amounts due for each individual PAYE scheme reference is paid in full on time.

Monthly PAYE/Class 1 NICs payment deadlines by payment method

Electronic Direct Debit, BACS Direct Credit, Internet or telephone banking, debit or credit card over the Internet using BillPay, CHAPS, GBS Transfer (formerly known as Paymaster), Bank Giro, Post Office.	22nd of each month	Cleared payment must reach HMRC bank account no later than the last bank working day before the 22nd of each month
Post	19th of each month	Cheque must reach HMRC by the 19th

Quarterly PAYE/NICs payment deadlines by payment method

Electronic Direct Debit, BACS Direct Credit, Internet or telephone banking, debit or credit card over the Internet using BillPay, CHAPS, GBS Transfer (formerly known as Paymaster), Bank Giro, Post Office.	Q1 - 22 July Q2 - 22 October Q3 - 22 January Q4 - 22 April	Cleared payment must reach HMRC bank account no later than the last bank working day before the 22nd of each month
Post	Q1 - 19 July Q2 - 19 October Q3 - 19 January Q4 - 19 April	Cheque must reach HMRC by the 19th

Penalties

You will not be charged a penalty if only one PAYE amount is late in a tax year - unless that payment is over six months late. The amount of the penalty will depend on how much is late and how many times your payments are late in a tax year. So, if you pay part of what is due on time then any penalty will only be charged on the part that is late. The table below shows how the penalties are calculated.

Penalty charges for late monthly and quarterly PAYE payments

No. of times payments are late in a tax year	Penalty percentage	Amount to which penalty percentages apply
1	No penalty	Total amount that is late in the tax year (ignoring the first late payment in that tax year)
2-4	1%	
5-7	2%	
8-10	3%	
11 or more	4%	

Additional penalties

There will be a 5 per cent surcharge if you are 6 months late and another 5 per cent at 12 months.

Late year end adjustments will also attract a penalty. This applies even where you pay roughly the right amount each month and then make an end of year adjustment. To avoid receiving a penalty you must make certain that you pay the right amount on time each month.

For payments such as Class 1A and 1B NICs; HMRC determinations and assessments; and amendments or corrections to returns you may have to pay:

- a 5 per cent penalty if you have not paid within 30 days of the due date
- an additional 5 per cent penalty if you have not paid within six months
- a further 5 per cent penalty if you have not paid within 12 months.

Business Assurance Visits - Sounds innocuous doesn't it, but read on.

HMRC intend to start a programme of Business Records Checks (BRCs) that will review both the adequacy and accuracy of business records. The programme of checks will start in the second half of this year with HMRC projecting 50,000 reviews annually for the next 4 years.

Additionally, the BRC programme will be accompanied by a tariff-based penalty regime for failure to keep proper records. The maximum penalty for failure to maintain business records currently stands (and will remain) at £3,000, but the imposition of any penalty – let alone the maximum - has historically been quite rare. HMRC have said that they do not intend to have a regime which simply levies £3,000 every time there is a failure to keep proper records. The implication is that some level of penalty will be charged and the only question is how much.

HMRC expect that this initiative will bring in £600 million over the four years which is an average penalty of £300 per visit.

The legislation provides that anyone must keep and preserve the records they need to make a complete and proper return, and for traders that they include records of:

- All amounts received and expended in the course of the trade...and the matters in respect of which those receipts and expenditures take place.
- In the case of a trade dealing in goods, all sales and purchases of goods made in the course of the trade.

HMRC has now been given the power to inspect business records even where no return has been made including in advance of a return being made. In some circumstances a plastic bag full of receipts and copy invoices can be enough, but much will depend on the experience and training of the inspector as to how the rules are applied so you do not want to take any chances. This is where you start to get worried. They should take the nature of the business and the records necessary into account but will they?

The 'business records checks' campaign will target the 40% of all 4.9 million businesses that HMRC said suffered from poor record keeping and where unpaid tax was "likely to be due as a result".

The programme will target businesses with a turnover of less than €50 million and fewer than 250 employees, and will typically be pre-return checks, taking half a day on average to complete. HMRC expects the programme to raise £600 million of extra revenue over the next four years.

Here is some of the typical information HMRC would expect you to keep.

1. A record of all sales and takings, including cash receipts:
 - till rolls
 - sales invoices
 - bank statements
 - paying-in slips
 - accounting records
2. A record of all purchases and expenses, including cash purchases:
 - receipts
 - purchase invoices
 - bank and credit card statements
 - cheque book stubs
 - accounting records
3. If you are VAT registered:
 - VAT account
 - VAT sales and purchase invoices
 - Import and export documentation, for example, delivery notes
4. All PAYE records. For example:
 - payments made to employees
 - deductions from your employee wages of Income Tax, National Insurance contributions (NICs) and Student Loan payments
 - details of employee benefits and expenses
 - all records of statutory payments (including sick pay and maternity pay)
5. Contractors:
 - Details of all payments made to all subcontractors for work done and materials subcontractors have purchased. For example, subcontractor invoices.

Want us to take care of all this for you? We can give you a quotation using our very own fee calculation software. Ask about rolling all our services into a Fixed Price Agreement paid by monthly standing order.

The Sales Prevention Department

More stories from our own experiences of organisations that want to profit from us in one way or another, have goods, services or ideas to sell, but fall short when it came to fulfilling our expectations, just did not deliver the value we were expecting and who will inevitably fail to maximise their potential at the end of the day.

The Cafe

We travel quite a bit as you would imagine and we have our regular watering holes. This particular one is fine enough and we visit it on average about twice a week. The order (and the price) is generally always the same.

We were there on 4 January and had "our usual" which includes a latte. As it happened, we were back on 5th January. Overnight the latte had gone up from £1.60 to £2.20. I queried the increase and even produced the till slip from the previous day. The very nice young girl on the till explained that there must have been a price increase entered on the till. I pressed her again and she explained very politely that the increase was due to the rise in VAT. Suddenly I remembered that the rate of VAT had gone up from 17.5% to 62%. Question answered!

I jest, but there is a serious side to this story. We have stopped buying lattes from here. The reason is that the increase of 37.50% was without any explanation or apparent reason. The cups were the same size. The coffee tasted the same. The increase was not supported by reasons and therefore lacked credibility. So we have stop buying.

The Bank

This bank uses card readers. I rang the given number to say that I did not seem to have a card for one of the countless readers that live in my drawer.

First problem - The guy could not speak clear English. Second problem - He was poorly trained. It took 15 minutes on the phone for him to decide he could not help and to give me another number to call. During this time he kept asking me to insert the card that I did not have, into the reader. And did the new phone number help? No, they referred me back to the first number that I had been speaking to for the last 15 minutes. I did not bother. It was clear that this most helpful of banks according to their marketing, could not help me. I should close that account.

Tax Tips and Tricks

PAYE Underpayments and Pensioners

HMRC estimate that there are about 250,000 cases in respect of 2008-09 and 2009-10 where a taxable state pension has been paid by DWP and the tax due on this pension should have been collected through a tax code adjustment.

Since pensioners who received a P800 calculation showing an underpayment would have a strong case for the sum to be written off under a published Extra Statutory Concession (ESC A19), the government has decided that HMRC should write off all the underpayments rather than requiring those affected to claim the concession individually.

With HMRC continuing to work on the backlog of PAYE reconciliations that piled up when it made the switch to its new NPS computer, the government has decided that no further underpayment notices will be issued for years earlier than 2007-08.

Any amounts due for 2007-08 will be included, where possible, in the tax code for 2011-12.

The department will also not chase outstanding sums less than £300. Taking these concessions into account, HMRC still expect to be in touch with around 450,000 people before the end of March to collect underpayments to the value of some £180 million.

For those who will be caught with a potential liability for 2007-08, many such taxpayers receiving a demand for that year will have a good case to resist the collection of the liability. If you think this affects you, get in touch with us.

New (or not so new) Enterprise Allowance

The new proposals include offering grants and loans to unemployed people with a viable proposal who want to start up their own businesses. Is this déjà vue - remember a similar scheme in the 1980's when a lot of small businesses sprang up to take advantage of the grants and then stopped when the grants dried up.

The government says the new scheme will create up to 40,000 new businesses by providing financial and mentoring support to unemployed people.

Do you think that the only beneficiaries are going to be those offering to write business plans for the applicants who probably will not understand what is being put forward in their name.

The NEA will be launched in Merseyside shortly and rolled out across the country in the Autumn with around £50m available.

The scheme provides allowances of £1,275 over six months and a £1,000 loan to cover start-up costs. The assistance being offered is small compared to the cost of launching most new enterprises and this is likely to mean that the proposals may make little discernable difference to potential entrepreneurs.

@hmrcgovuk: Welcome to Twitter

As part of its marketing push for Self Assessment season, HMRC has become active on Twitter as @hmrcgovuk.

“We will be trialling the use of Twitter in the run-up to the Self-Assessment filing deadline on 31 January 2011.”

Among the points raised in the HMRC Twitter feed so far we learned that on Christmas Day last year, more than 700 people filed their SA tax return online. Fascinating.

Universal Credit and the Self Employed

The new system will begin in 2013.

One of the major differences between the current benefit and tax credit system and the proposed new system is that the proposals are to assume a level of income for the self employed. This is likely to be around the rate of national minimum wage, so substantial capital allowance claims taking a business into loss, or the actual incidence of losses or even just low profits will be completely ignored under universal credit; the income will be deemed to be around £6.40 per hour minimum. This is merely a “floor” to income – higher levels of income would obviously be recognised through the new system.

Clearly, planning ideas will emerge as the new system comes closer, but it is clear at present that “lumpy income” which is a significant advantage under the current tax credit system is likely to be a disadvantage under the new system. It is not presently clear how Universal credit will be administered.

However, if you are self employed and presently rely on the tax credit system, you will need to plan carefully for the potential loss in financial support.

It also means that there is a limited time to get the tax credits boost from buying equipment, e.g. a van, and the resulting claim for capital allowances.

Saving grace for Furnished Holiday Lettings (FHL)

The Chancellor announced in the June 2010 Emergency Budget that previous plans to abolish the FHL tax regime from April 2010, were to be scrapped.

From April 2011, losses from furnished holiday lets will only be available to be set off against the same UK or EEA FHL business.

From 6 April 2012, the minimum period over which a qualifying property must be available for letting to the public in the relevant period will increase from 140 days to 210 days in a year and the minimum period over which a qualifying property is actually let to the public in the relevant period will be increased from 70 days to 105 days in a year.

In addition, you will be able to elect to treat a property as continuing to qualify where otherwise it would fail to meet the 105 day 'actually let' requirement. This 'period of grace' will be available for up to a maximum of two years after at least one full qualifying year, provided there was a genuine attempt to let the property during the grace period.

Capital Allowances - From April 2012

The rate of writing down allowances (WDAs) from 20% to 18% for all assets other than those in the special rate pool.

The rate of WDAs for assets in the special rate pool (e.g. integral features, long life assets and cars acquired after 1 April 2009 with carbon emissions of more than 160g/km), from 10% to 8%.

The Annual Investment Allowance, which broadly entitles businesses to claim 100% of the cost of qualifying plant and machinery (except for cars) as a deduction from their profits, from £100,000 to £25,000.

You may wish to accelerate your planned capital expenditure, in order to take advantage of the current higher rates.