

# tlp - news

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The monthly newsletter of The Long Partnership and A A Mackenzie & Co.

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## Quotes

**"The difference in winning and losing is most often... not quitting."**

-- Walt Disney,  
Animator, Film  
Producer

**"Keep your fears to yourself, but share your inspiration with others."**

-- Robert Louis  
Stevenson, writer

**"Anyone who stops learning is old, whether at twenty or eighty. Anyone who keeps learning stays young. The greatest thing in life is to keep your mind young."**

-- Henry Ford,  
Industrialist

**"In order for you to profit from your mistakes, you have to get out and make some."**

-- Anonymous

**A**t last! We know the true value of an accountant ...€10,000.

An Irish man has been arrested after offering an undercover hitman €10,000 (£8,600) to kill an accountant. He wanted a revenue official and fraud squad detective killed at the same time. I am assuming that the €10,000 was just for the accountant. Was the price the same for each one? Are accountants charged at the same rate as tax inspectors?

It appears that the man has been linked to a mortgage fraud investigation concerning false documents used to get mortgages and a probe into misappropriation of funds from clients. Apparently, the people he wanted dead were probing his financial affairs. It puts a whole new perspective on tax investigations and settlements.

The man was allegedly connected with separate incidents including bullets sent to the targeted accountant and a letter bomb sent to a revenue official.

Last year a man in the UK declared a jihad against accountants. I do not suppose you had realised just what dangers we face on a daily basis. Accountancy is a dangerous profession. You run the daily risk of becoming boring.

Anyway, now we have it. We are worth just €10,000. Does not seem much. I wonder what the price would have been for a lawyer, but let's not go there.

Apologies! If you are not involved in employing people or in operating a payroll, you will not find much to interest you in this issue. RTI is almost upon us. It will change the operation of payrolls for ever. It is a very simple concept. Everyone has to notify HMRC online of the amount that they are going to pay someone. It starts on 6 April for every employer, virtually without exception. We thought we would largely devote this issue to some of the more practical problems that you are likely to come up against.

Can you imagine the chaos up and down the country as everyone gets to grips with all this next month. Will the HMRC systems cope? We will find out shortly.

Why are they doing it? Well, at least part of it is cash flow. In the good old days you could overcome short term cash flow shortages by not paying your PAYE to HMRC and they were none the wiser as long as you got caught up by the following 5 April. No more! From April, they will know exactly how much PAYE is due and on what dates because you told them in advance. There is also a new penalty regime to make sure you pay on time. Game, set and cash flow advantage for HMRC!

April is going to be fun for employers and providers of payroll services alike.

Anyway, we all have other matters demanding our attention so, let me ask you a question. **What things are you complaining about just now**, either mentally, emotionally or physically? I have a reason for asking. You see, we often set ourselves targets or goals in various parts of our business or personal life. But, there are areas that we don't address, we just moan and complain. It could be about people, suppliers, legislation or anything.

The whinging is sometimes a clue. These are areas that we need to address, but just don't quite get around to it for whatever reason.

So, if you carried a notebook around for the next 3 days and wrote down all the things that were just bothering you continuously, what would they be? These can be like viruses in your brain, running continuously, making you feel depowered and tired. When we think of anything, what we think about expands. So, these issues that are continuously running in our brains expand and start to take over.

So, what is the answer? If you have recognised any such "viruses" then you have the clues to what you need to do. We like setting goals for the things we like doing but sometimes you need goals for the outcomes you want, even though you know that the actions required to achieve those outcomes, will not be pleasant.

These viruses are likely to fall into this category. We need the outcome and we must take the unpleasant medicine to achieve it. That's what will mark you out from most other people.

Now, go blow your nose.

## Merv says “split RBS”

Sir Mervyn King told MPs that RBS needs to be restructured to make it attractive to the market.

### Is he getting ready to sell off the family silver?

Ignoring the economic arguments, the strategy that was adopted for resolving the banking issues was to strip Scotland of its banking assets with Bank of Scotland now run by Lloyds TSB and RBS temporarily under government control but eventually to be sold off, presumably to the highest bidder.

**Maybe it is time for a new Scottish bank and why not? What shall we call it? I know, The Bank of Scotland. Has a certain ring about it, don't you think? Well, if Merv has The Bank of England, why not?**

Merv was making a case for splitting up Royal Bank of Scotland sooner rather than later.

"The whole idea of a bank being 82%-owned by the taxpayer, run at arms' length from the government, is a nonsense. It cannot make any sense."

"I think it would be much better to accept that it should have been a temporary period of ownership only, to restructure the bank and put it back. The longer this has gone on the more difficult it has become to return RBS to the market."

"RBS is worth less than we thought and we should accept that and get back to finding a way to create a new RBS that could be a major lender to the UK economy."

"There is no immediate sign of it going back to the private sector. So I think that means that we have not been sufficiently decisive in either recapitalising the banks or restructuring them."

RBS chief executive Stephen Hester said that the bank's return to the private sector was on track and that he could get the bank ready for a possible flotation next year.

Merv is about to retire and be replaced. Sounds as though it was his time, or possibly past it!

# The Countdown to RTI - 6 April 2013

Do you know your FPS from your EPS. If you don't now, you soon will. **RTI will affect every employer no matter what size or number of employees.** Final preparations for the roll-out of RTI from 6 April should already be underway.

Bare in mind that the penalty regime for RTI (when it comes fully into force) carries the potential threat of cumulative penalties up to £1,200. You cannot delegate this legal responsibility to others and so you must check that submissions prepared for you are correct and complete before you approve them.

## What is RTI?

If you operate a payroll, you should not be asking this question at this late stage and **you probably want to call us urgently.** RTI is a new PAYE regime under which employers file information online before they make payments to employees. This replaces the old regime under which you kept your own records all year and then submitted a P35 to reconcile the payroll deductions with the sums paid or due to HMRC.

In order to file online you will need RTI software either from HMRC who offer a free package dealing with up to 9 employees or commercial providers or you can get us to look after it for you. Just give us a ring.

**Remember, this is not optional. You have no choice but to operate RTI, and there are penalties for getting it wrong or being late.**

## RTI notices and first submission

HMRC have begun to send out RTI notification letters recently and you may already have received yours. Some employers have been operating RTI for some time on a voluntary basis or as part of the HMRC trial. Most employers will join RTI from 6 April.

The initial Full Payment Submission (FPS) will update HMRC's database with employee details. **It is therefore important that you check that the details that you have for all your employees are correct.** A bit of time spent validating information now will save a lot of grief after 6 April.

**This is the biggest change in PAYE ever and it will be a real test of the HMRC online systems.**

**Expect glitches in the system until it settles down.**

**Just make sure that any problems don't arise from inaccurate information from you.**

## Potential trouble spots

### 1. Directors:

What if you take most of your income in the form of dividends? Directors of small companies can continue to pay themselves below the lower earnings limit and so avoid having to operate a PAYE scheme. But, if even just one employee is paid above the LEL or ticks box "C" on the P46, then the payment details of **all company employees** (including directors), have to be included in the RTI submissions.

So, if the company has no employees above the LEL in any week, and P46s are held for all employees with boxes 'A' or 'B' ticked (i.e. you have a declaration from them that this is their only job), then you don't need a PAYE scheme and you don't need to submit under RTI.

It will be important that you indicate which employees are paid infrequently as filing nil returns for 3 consecutive months, could result in the them being removed from the list of employees maintained by HMRC for that employer. You would then have to set them up again.

Some directors of small companies will draw cash and leave us to work what to call it i.e. salary or dividend. This is not a good idea. If you already have an overdrawn balance with your company, the amounts you draw and subsequently decide to designate as salary, breach the "on or before" rule of RTI. This presents the risk of substantial penalties (of up to £1,200) in 2014/15 when the late filing penalties commence.

You should therefore decide in advance what you are going to be paid and exactly when, and then the payroll and RTI submission can reflect this. The important thing is to make payments of the amounts at the time stated on the RTI submission (at "date of payment") and therefore penalty free.

Remember that you can file a FPS at any time before payment is made and in these circumstances you could consider running the payroll quarterly in advance but make sure the actual monthly payments are made on the correct dates.

## 2. Starters and leavers

You will not need to submit any joiner or leaver information as the RTI submission itself covers everyone being paid by the employer. You will still have to issue form P45 to a leaver to take to his new employer so that they can pick up his PAYE code and gross pay and tax to date correctly. P46s will be replaced by a Starter Checklist for your own use which does not get submitted to HMRC. It is available from the HMRC website. It should be completed and retained for all starters.

## 3. CIS

CIS tax deducted will not go through the RTI system. You should continue to file your CIS300s as previously. HMRC will then add the CIS300 and FPS submissions together to arrive at total liability.

Companies will, however, need to file an EPS to claim their CIS offset. Then their payments will balance with their RTI filing.

## 4. Payroll when you are on holidays

What happens when the person responsible for submitting the payroll goes on holiday. This will cause problems for any employer or payroll bureau run by one person with weekly paid employees so that the submission to HMRC is made weekly.

A simple answer is to get all employees being paid monthly. Many will not like it but it is a simple and effective way around the problem. You can also run a submission in advance if you know nothing is going to change.

Is the alternative getting a cheap laptop, loading your payroll software onto it, synchronising the data with your main PC, taking it with you and making sure you have an internet connection when you are on holiday.

**\*\*\*Alternatively, you can get us to look after it for you\*\*\***

## 5. RTI and employees posted abroad - foreign tax paid

In these situations employers will not have to report PAYE information 'on or before' the time they pay their employee.

HMRC has said it would apply "common sense" in allowing some employers to claim a reasonable excuse for late RTI filings or PAYE payments on behalf of expats. However, HMRC expects the filing to take place no later than the next regular monthly payroll date.

## 6. Splitting full payment submissions (FPS)

You are free to submit several FPSs per month or cycle, reporting separate employees, e.g. weekly and monthly. You will just file each bit of the payroll on or before, at the appropriate time. Make sure that all of the references are correct on the software – same employer reference and same accounts office reference.

## 7. Number of hours worked - entry on FPS

Just select the band that most closely represents the hours a person is normally expected to work. Those not expected to work a set number of hours would fall into band D, "Other". You don't have to continually re-evaluate this field every period. You only need to worry if the number of hours a person is normally required to work changes to a different band. Otherwise it's not that important.

HMRC's view is that the number of hours for many directors will be 30+ on the FPS, but if you know that a director does very few hours you should report accordingly.

However, if a **spouse of a director** is an employee then you should be paying NMW for hours worked otherwise the company is exposed to penalties.

## 8. Hidden Costs of RTI

Many employers have incurred charges to upgrade to more sophisticated software with additional functionality. In addition, many larger employers paying via BACS will be incurring extra charges to make their software RTI compliant. These costs only apply to the small number of employers. However, everyone who operates RTI will incur some additional costs in money or time or more likely, both.

## RTI

### What can we do.....

In addition to preparing payslips and summary reports for employers showing the reconciliation from gross to net for each employee, tax paid and all relevant payroll totals, we can prepare the Full Payment Submission (FPS) for taxable pay and payrolled benefits for each employee.

The FPSs will be submitted online to HMRC after being approved by you, but must reach HMRC **on or before payday**.

At the year end, a final end of year payment summary (EPS) must also be made and we can help with that as well.

Other RT-related tasks include:

- Dealing with secure messages about your payroll sent electronically direct to us by HMRC.
- Submission of National Insurance number verification requests and obtaining national insurance numbers for new employees.

### What's not changing?

While it's always worth keeping abreast of the changes, here's what is staying the same under RTI:

- Coding notices
- Reporting an employee records change to HMRC
- HMRC messages to employers - these will still be via EDI and DPS
- Payment dates to HMRC
- P60s
- Expenses and benefits reporting

### And finally.....

**If you don't want all the hassle, we do!**

**Call us right now and let's see what we can do to de-stress your life.**

## The Peedie Bits.....

### Furnished Lets will not get IHT relief

The upper tribunal overturned a first-tier ruling on business property relief in the case of HMRC v Pawson. Under the precedent set in the Pawson case, furnished holiday lets would not normally qualify for BPR. The relief would only be available if the services provided to the holiday maker were more significant than the mere use of the land.

This will potentially impact upon farms that have sought to diversify into furnished holiday accommodation and also where surplus cash has been invested into property in which only lets have been established in the hope that BPR would

### New HMRC Campaign - 2nd homes

A property sales campaign targeting those who have profited through owning and selling second homes or multiple properties is due to start in March 2013. The concentration is more likely to be on buy-to-let landlords. How do HMRC gather information?

They will be encouraging voluntary disclosures but can also use the following:

- **Banks** - these are required to provide more information now than just details of interest over a set amount
- **Property websites** - a mine of information not only for house purchasers and renters. It produces an estimate of the capital appreciation of a house since the last transaction
- **Credit agencies** - such as 'Experian' are required to give details of loans and mortgages as well as identifying linked names and addresses
- **Databases** - the Northgate Public Services Information System is just one used by HMRC that contains details of housing benefits paid to landlords by any UK council
- **Land Registry** - HMRC will make use of documents held
- **Electoral Register** - a first place to look
- **Property purchase documents** - since July 2011, these require the declaration of NI numbers for individuals and UTR and/or VAT registration number for companies and partnerships
- **On foot** - during Wimbledon fortnight, HMRC investigation teams apparently knock door-to-door to ascertain whether homes have been rented out or are being used as unofficial boarding houses. Rumour has it that they first identified them from adverts on websites. The information is retained and checked to tax returns or indeed, when the property is finally sold, potentially denying part of the principal private residence relief for CGT.

HMRC has recently interrogated data on over 10 million property transactions to identify which ones may not have been accurately returned. Need we say more.

### Missing Employee NINOs

Missing NI numbers can be obtained by completing form CA6855 which can be downloaded from the HMRC website.

### Email confirmation of your own NINO

You can obtain written confirmation of your own National Insurance number by completing form CA5403. HMRC has introduced an online version of the form so that individuals can now email to ask for written confirmation of their National Insurance number.

See [www.hmrc.gov.uk/forms/ca5403.htm](http://www.hmrc.gov.uk/forms/ca5403.htm)

### NEW proposed dis-incorporation relief

The government is to introduce a dis-incorporation relief in the Finance Bill 2013. However, it is expected that this will be time limited and will run initially for only 5 years.

It is expected that the relief will permit goodwill and interests in land to be transferred from a company to its shareholders without the company incurring a Corporation Tax charge. However, plant machinery is to be excluded from the relief but that is not too much of a problem.

In addition, the relief will only apply to companies with assets of up to £100,000.

### High Income Child Benefit Charge

The deadline for high earning child benefit recipients to decide whether to stop receiving the benefit passed on 7 January.

If you are in receipt of child benefits and either of you has income in excess of £50,000 then it is likely that you will need to submit a 2013 Self Assessment Income Tax return. You should contact HMRC without delay or, alternatively contact us and we can take care of it for you.

### Pre- 5 April pension contributions

The annual contribution limit for 2012/13 is £50,000.

Income tax relief is given on the greater of £3,600 of gross contributions or 100% of taxable earnings (excluding dividends) subject to the £50,000 cap.

It is possible to carry forward unused tax relief limits from the previous 3 years and use them in the current year subject to the annual allowance and your taxable earnings.

If you are interested in making a substantial contribution either personally or through your own company prior to 5 April, you should contact your IFA or, alternatively, we will put you in touch with someone who can deal with this for you.

### IR35 - New Guidance Expected

HMRC is planning to bring forward further guidance on when and how IR35 rules will apply to office holders and directors providing their services through limited companies. The new approach could herald more restrictions on contractors and increased IR35 tax investigations.

The draft Finance Bill 2013 clauses, published on 11 December will amend the IR35 rules to clarify that the existing provisions apply to office holders as well as employees. The change will impact on non-executive directors currently operating through personal service companies, who will now (in effect) be taxed as though the majority of the fee paid to their personal service company represented their earnings.