

tlp - news

February 2015

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

Kashflow

- ⇒ Easy to use
- ⇒ Easy to access
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Online bookkeeping that can be easily accessed by your accountant any time you want.

Don't just tell them, show them online in real time.

Quotes

People are often unreasonable, irrational, and self-centred. Forgive them anyway.

If you are kind, people may accuse you of selfish, ulterior motives. Be kind anyway.

If you are successful, you will win some unfaithful friends and some genuine enemies. Succeed anyway.

If you are honest and sincere people may deceive you. Be honest and sincere anyway.

What you spend years creating, others could destroy overnight. Create anyway.

If you find serenity and happiness, some may be jealous. Be happy anyway.

The good you do today, will often be forgotten. Do good anyway.

Give the best you have, and it will never be enough. Give your best anyway.

In the final analysis, it is between you and God. **It was never between you and them anyway**

So, that's it! Another tax return campaign comes to an end. By the time you read this we will have done our evaluation of our successes and our failures (yes, there will always be things that we could have done better) and we will have started the planning for the year ahead.

I saw the New Year in at our office in Inverness. Today (1 February) I spent some time in Thurso before getting the ferry over to Orkney for a couple of days. In contrast my daughter has spent the last couple of weeks on a road trip around Australia. She has been out there working (and enjoying herself) for the last year and is now on her way back to the UK and sightseeing on the way.

I have nothing against Inverness, Thurso or indeed Orkney, but as the boat pitches and rolls in what must be a 5 to 10 metre swell and my fingers have only just thawed out enough to type, the west coast of Australia (her last known whereabouts was Shark Bay and Monkey Mia) seems very appealing.

Never mind, when I get a bit younger, I can do the same and go exploring. Meantime, there's another tax return campaign to plan.

Do you like the quote (on the left) this month? I first heard it a few weeks ago. It reminded me that a true test of character is what you do when no-one is watching, that is, you do the right thing because you believe it is the right thing to do, and not for any adulation or because you have been told that is what you must do. You do it for you, and you may be the sole witness. Similarly, isn't that also the best sort of "giving" anyway, with no applause or kudos. Just you.

This quote is often attributed to Mother Theresa but she modified an earlier version. Who actually wrote it is unimportant but it carries an important message for all of us, so I thought I would share it with you.

The message is as important in business as it is in life, but in reality, there is no real difference between business and life anyway.

If you are seriously in business, it is a major part of your life and there is no getting away from that. I know we are all supposed to have a "work life balance" but only after the immediate business issues are safely put to bed.

Anyway, what this quote says to me is that you have to be yourself and just accept that everyone else will have different views, will act differently and could even set out to cause you grief. That is the joy of living in a diverse community. You must make your own way. If you let everyone else row your boat, you will end up where they want you to be. That is not good. Row your own boat gently along in the tide of life but always good natured in spite of whatever the rest of humanity might throw at you. And, row your own boat in the direction you want to go.

As this is the start of a new year (1 February in the accountants' calendar) I thought I would share something else with you. You see, I have two quotations that live on my desktop. One is on the left. The other is from Mohamad Ali and it is one that has appealed to me ever since I found it. Again, I think it has an essential message for anyone in business.

"Impossible is just a big word thrown around by small men who find it easier to live in the world they've been given than to explore the power they have to change it. Impossible is not a fact. It's an opinion. Impossible is not a declaration. It's a dare. Impossible is potential. Impossible is temporary. Impossible is nothing."

In other words "impossible" is just an opinion. It is someone else's opinion. It may not be your opinion. Just look at all the "impossible" things that we now take for granted, like flying, or walking on the moon, computers, Google Street View. The list goes on and on.

So, what "impossible" goals have you set for yourself this year. If they are not "impossible" to you then they are not impossible. They will be impossible to others, but that's OK. They are rowing their boat in a different direction and trying to tow you along behind. Time to cut the rope and head off by yourself. We've got some impossibles to do this year, what about you?

Don't forget your lifejacket.

So how do you tell an HMRC email is fake?

The Revenue has outlined some common characteristics fake emails tend to have:

- Poor spelling and grammar
- An email address that is similar to but not the same as HMRC's email addresses. Fraudsters often have email accounts with HMRC or revenue names in them (such as 'refunds@hmrc.org.uk'). In addition, fraudsters can falsify the 'from' address to look like a legitimate HMRC address (for example '@hmrc.gov.uk')
- HMRC won't ever send notification of a tax rebate via email or ask taxpayers to disclose personal or payment information via email
- Fake emails usually want urgent action. Be wary of emails containing phrases like 'you only have three days to reply' or 'urgent action required'
- Fake emails may have links to fake HMRC websites - ones that look like HMRCs, but aren't. This is to trick taxpayers into disclosing confidential information. Bogus webpages often contain links to banks/building societies, or display fields and boxes requesting your personal information such as passwords, credit card or bank account details
- False emails may sometimes even include genuine links to HMRC web pages to make their emails look real
- Use of a generic greeting such as 'Dear Customer' and not your own name is something to watch out for

Always be cautious of attachments as these could contain viruses designed to steal personal information.

Other simple measures to take include having the latest version of any web browser and operating system you are using.

Remember, on some systems like Windows XP, you may not have the latest security features.

Ensure you have a good quality anti-virus and keep this up to date too.

HMRC do email, at last!

The disappearance of paper reminders from HMRC was a bit of a surprise to everyone. The reason is apparently that they were sending email reminders to those who had not yet filed. But most people thought these were scams, mainly because they have been told by us and others that HMRC does not email.

So, if HMRC has belatedly entered the digital age and is using email to communicate more efficiently, how can you tell what is a genuine HMRC digital communication, and what's a potential scam?

Self assessment email reminders

The Revenue began sending these from 16 January. If you've opted in to get digital instead of paper contact for SA, you will get email alerts from HMRC. These won't ask for personal or financial information.

Tax credits letters from Concentrix

From November 2014, a company called Concentrix has been working on behalf of HMRC to check that taxpayers receive the correct amount of tax credits. Some will get a joint letter from HMRC and Concentrix telling them what they need to do. The company may also make contact via phone.

Any communications via this method won't ask customers to disclose any personal or payment info by text or email.

Tax credits text messages

Texts or voice text prompts are now being sent to a number of tax credit customers where income details to HMRC differ from information shown on employer records. The Revenue is asking taxpayers to call them on an 0300 number.

These messages won't ask for bank details or information not relating to tax credits income.

Employer email alerts

HMRC sends informational emails several times a year to employers who have registered to receive them. These emails never ask you to provide personal or financial information.

PAYE notices and reminders

If taxpayers have set up email reminders and notifications using one of the options available in HMRC's PAYE Online Service, they will automatically get an email when there's something new to view.

HMRC has also started to send electronic reminders if your **payroll submissions aren't sent on time**, or you're late making payments to HMRC.

Educational emails

HMRC will periodically send emails to taxpayers which include links to online digital education material used to offer help. These will be from: no-reply@hmrc.gov.uk.

Tax Return Filing Penalties

4.3 million customers filed their personal tax returns in January. Approximately 7% of the total of number of submissions missed the deadline resulting in rather large bonus to the Treasury.

HMRC is considering different methods and level of penalties with the aim of encouraging taxpayers to comply with their obligations. The reason is that it costs to collect relatively small amounts of penalties and so HMRC believes that they could be adding more to the governments' coffers by concentrating on persistent defaulters or those who, when brought to account, have the potential to owe larger amounts of tax. HMRC is aware that it already issues a large number of low-value penalties and know that there will be more to come when the last of the smaller businesses join RTI.

The main suggestion is to replace the current financial-based system with one based on 'penalty points' similar to the loading used by insurance companies for motor claims. The first failure will result in a penalty letter but no penalty points being allocated, subsequent defaults will incur points, the exact number being depended on the frequency of default and the amount of tax owed. HMRC believes that this system of points will provide an increased 'credible threat' to compliance.

Apparently it intends not to penalise customers who are a few days late. I wonder when the points expire, 1, 2 years or later.

HMRC: Personalised Customer Accounts

It is intended that personalised customer accounts will be in place by 2018. These accounts will enable the differing types of tax paid by any one customer i.e. you, to be viewed on one screen similar to the online screen page used by banks. This may ultimately lead to a penalty system based on your overall tax position and not whether you are late with one tax or another.

HMRC will be looking for a pattern of non submission or late payment and allocate penalty points accordingly. This will also have implications for the calculation of interest charges.

Hopefully these penalties will not be automatic because being late over a range of taxes may in fact point to a financial situation within that business and the need for a tax repayment strategy.

Shooting the “The Accountant”

Ben Affleck will shortly be starring in a new film called The Accountant. Filming has just started in Atlanta, Georgia.

The story is about a mild-mannered accountant who immerses himself in the twin delights of tax and audit by day and the murkier but equally exciting world of being a high-class assassin by night. Describes me to a tee.

The film had been in limbo for years, but it will shortly see the light of day.

Anyone fancying themselves as a very minor star of the silver screen should get in touch with the producers as they are reportedly casting for extras in the film, specifically Italian-American and Middle Eastern, not accountants.

The online future of business

The shift in the use of technology in our everyday lives is destined to continue. It has changed how we work for ever, and it will continue to change and evolve.

Offline is over

Everything is going to be connected to the internet and each other. There is an App that allows you to lock the doors in your house without keys. There are things such as bottles that text you when milk is going off or babies' nappies with alerts and sensors built in.

We will wear technology

We are already seeing this with the advent of wearable technology and we will start to see more of the use of materials woven into clothes that contain sensors.

Customers and clients - won't tolerate friction

The 'instant' nature of today and how technologies have made us less likely to want to wait for things, means that any business needs to deliver quality service in real time to the consumer.

Will you start expecting things yesterday? Will you expect service delivery at the speed of service from, for example, online banking, ordering groceries over the internet and instant messaging?

Barriers to entry collapsing

Relatively unknown figures are able to run very successful businesses purely due to technology and the internet; from fashion bloggers to YouTube stars. And there is no longer much of a need for some tech companies to spend anything at all on marketing. If you have a simple product that people will love, it will do its own marketing.

Power has shifted to the crowd

Crowdfunding and crowd-owned currencies are fuelling a lot of growth in start up companies, who won't always need existing financial institutions.

Security is becoming an issue

Security is becoming a problem as a result of everything going online. Take the example of the smart toilet, which was discovered could be hacked quite easily - ensuing disaster for the user. Everything is vulnerable online and cybercrime is on the rise. Make sure you have the latest antivirus software and stay safe online.

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.

On a recent long weekend I wandered into a branch of Debenhams. I don't think I was looking for anything in particular but settled on buying a couple of casual tops (well, they were buy one get one half price). I proceeded to the till.

Middle aged assistant chewing gum. Maybe I am a little old fashioned but I do not like carrying on any sort of business while someone is chewing gum, as anyone who works for us will tell you. But, I'm on holiday, it does not matter.

However, I notice that on one top is a “large” label, when the thing on the hanger says medium so I ask the assistant if I can change it. I don't do “large” any more! Without looking at me or saying anything, she picks up the offending top and walks off to fetch a replacement.

On her return she rings the two items through the till. I point out that the second top was on offer. Huff and puff! She adjusts the price manually. No words are spoken and she never looks at me.

The transaction is concluded and I am passed my tops, without much more than a single word. She walks away from the till while I am still standing there and putting my tops in a bag.

As a shopping experience this was not good. I felt like I was a nuisance.

Will I go back to Debenhams? Probably. But it is unlikely to be that branch and it certainly will impact on my feelings about buying from other Debenhams stores. That's just human nature.

Do you have staff that interact with customers or clients in this way? Sure?

How much has it cost you?

The peedie bits ...

Non Cash Accounting Bad debt relief

A business can claim bad debt relief on a VAT return when the following conditions are met:

- The sales invoice in question is more than six months overdue for payment;
- The invoice has been written off in the business records and accounts i.e. the customer's sales
- ledger account has been credited and a bad debt expense also created; and
- Output tax must have been accounted for on the original sales invoice and declared and paid to HMRC on a VAT return
- The debt must not have been sold, factored or paid under a valid legal assignment.

The latest time a claim can be made is four years and six months after the later of the time of supply (usually invoice date) or due date for payment.

If an invoice is written off and bad debt relief has been claimed, then output tax must be declared on any payment subsequently received from the customer.

If the invoice is a vat only invoice, because for example, the net amount has been paid from an insurance policy, bad debt relief can only be claimed on 1/6th of the vat only invoice, even though the whole invoice was for vat.

RTI Late Penalties

Automatic penalties for late PAYE filing are due to come into force for small companies from **5 March** - the first notices will arrive just over a month later.

Filing penalties began on 6 October for employers with schemes of 50 or more employees. It is now the turn of smaller employers.

Social Investment Tax Relief

SITR will provide income and Capital Gains Tax reliefs for investment after 5 April 2014 by individuals in qualifying social enterprises, broadly charities and CICs.

Main features:

- 30% income tax relief for qualifying investments.
- Deferral of capital gains on the disposal of other assets to fund the investment in the social investment.
- Minimum investment period of 3 years
- Unsecured loans will be eligible for SITR
- The enterprise must have fewer than 500 employees and under £15M of gross assets.

The amount of investment that can be sourced is limited by EU State Aid rules to approximately £345K in any 3 year period.

Anti avoidance measures will broadly mirror those in place for the Enterprise Investment Scheme.

Further guidance on SITR is available on the HMRC website.

HMRC digital charity registration

New charities can now register their details with HMRC for tax purposes. The service includes in-built checks and guidance, and can be accessed via the Government Gateway.

After registering, charities will be provided with a number which they need to send HMRC any supporting documentation.

According to the Revenue, there are 15,500 new charity registrations a year.

Married couples tax break opens

Married couples and civil partners are able to apply for the Marriage Allowance - a tax break that could save them up to £212 a year.

The allowance permits a spouse or civil partner who doesn't pay income tax to transfer up to £1,060 of their personal tax free allowance to their partner.

If that partner is a higher rate taxpayer - earning more than £42,386 a year - the couple will be excluded from the tax break.

Pension changes wef 5 April 2015

The Taxation of Pensions Act 2014 contains the new legislation regarding how people can withdraw funds from their pension schemes.

From the age of 55, policyholders have complete freedom as to how much to withdraw from the fund as well as the timing of those withdrawals. With careful planning income tax liabilities can be minimised.

Under the new rules, 25% of each withdrawal will be tax free with the balance being chargeable at the taxpayer's marginal rate of tax. Where the taxpayer continues working after 55 but maybe with reduced hours, pension funds can be used as a 'top up' income and where possible, withdrawals can be limited to avoid moving into the higher rate tax band.

Unlike annuities, the money withdrawn can be varied to tie into changes in the taxpayer's personal circumstances year on year. In years of high income, less or no money needs to be withdrawn while in years of low income, more money can be withdrawn from the fund.

Where higher rate tax relief was obtained on the original contributions put into a scheme, even if the taxpayer remains a higher rate taxpayer, currently they still get more out of their fund than it cost them to put it in.

Death benefits:

The rules are different depending on whether the taxpayer dies before or after they are 75.

Careful planning:

If a particular fund is not needed to fund retirement it can be left within the pension fund, where it is protected from tax, for the next generation to use.

Remember commercial property can be held within a pension fund to use (your own office) or to let out?