

COBLEY DESBOROUGH & CO

Chartered Certified Accountants

Chartered Tax Advisers

July 2005

Tax Deadlines

5 July

Final day for PAYE settlement agreement for 2004/05.

6 July

File forms P11D and P9D with HMRC and give copies to employees. Return form P11D(b) for class 1A NIC due for 2004/05. Submit form 42 if shares or share options provided to employees or directors, in 2004/05.

19 July

PAYE and NIC due for month to 5 July and for 1st quarter 2005/06. Class 1A NIC due for 2004/05.

30 July

Private companies with year end 30 September 2004 must file accounts at Companies House.

31 July

Second payment on account of income tax due for 2004/05. Automatic £100 fine for all 2003/04 tax returns still not submitted. 5% surcharge on unpaid income tax and CGT due for 2003/04.

2 August

Submit forms P46 (car) for quarter ended 5 July 2005.

19 August

PAYE & NIC due for month to 5 August.

19 September

PAYE & NIC due for month to 5 September.

30 September

Paper version of personal Tax Return for 2004/05 to be submitted so tax due of £2,000 or less can be collected through 2006/07 PAYE coding.

20 BILLING ROAD
NORTHAMPTON
NN1 5AW

Tel: 01604 632233

Fax: 01604 634435

email: enquiries@cobdes.co.uk

When PAYE Inspectors call...

PAYE Inspectors rarely arrive without warning. You should receive a letter from the HMRC Employer Compliance Unit giving you several weeks notice of the visit. A copy of this letter should be sent to us, but in case it isn't please ring us as soon as you get such a letter. If the date given is not convenient you can ask the Inspector to reschedule.

If HMRC officers do turn up unannounced demanding access to your business, check their identification and ring us as soon as possible. The Inspectors do not have to make an appointment but surprise visits usually spell trouble.

Before the Inspectors arrive brief your accounts and payroll staff, and appoint one experienced person to look after the visitors while they are on site. It is important to control exactly who the HMRC staff speak to and what they see. So do not let members of the inspection team wander around looking for information and picking up gossip. Take all the files and records they wish to see to the designated inspection room, which should be cleared of all other material.

The HMRC officers will want to review your PAYE records, but also staff expense claims, sickness or absence records and details of any employee benefits and entertaining. The Inspectors may want to take copies of certain records. This is fine but make sure you know which documents the Inspectors have by photocopying the item yourself and taking an extra copy for your own file.

The Inspectors may want to question you or your staff about procedures. Tell your people to think before they speak, only answer the exact question posed, if the question is not clear ask for clarification, do not guess at the 'right' answer, and never, never lie. You may want to record exactly what was said in any meetings with the Inspection team to avoid misunderstandings arising at a later date.

If there is time before the HMRC inspection team arrive it may be worthwhile asking us to do a pre-inspection review. Any irregularities found can then be dealt with up front giving you good co-operation points in the eyes of the Inspector.



Don't let them rummage around

Stop Press

The Inland Revenue and Customs & Excise merged into HM Revenue & Customs (HMRC) on 18 April 2005.

The former departments are operating as before although there may be more information flowing between VAT officers and Tax Inspectors. Any HMRC officer who contacts you will state clearly what tax, duty or tax credit the enquiry is about.

Practice News

New Partners

We are very pleased to announce that Ashley Dunkley and Jonathan Cobley have accepted offers of partnership. Ashley and Jonathan have both been with us for many years so will be well known to most clients.

Exam Success

Well done to staff members Tim and Liz who won two out of the three major prizes for ACCA accountancy qualification courses at University College, Northampton. Zoe Fitzpatrick, our Office Manager, is very proud of them and said, "We pride ourselves on our quality of all our staff and of our work!"

This Newsletter is written for the general interest of our clients and is not a substitute for professional advice. Please contact Cobley Desborough & co before taking any action.

Family funding for children at University

Supporting your child at University for three, four or even five years is a huge financial commitment, so it would help a great deal if your business could sponsor him or her. There is a tax rule that lets an employer pay a tax free scholarship of up to £7,000 per academic year, or £15,000 from 1 September 2005, for an employee who studies at a recognised college or University.

Unfortunately the tax law does not let parents save money by getting their employers to pay scholarships to their children, unless the money is paid through a special trust fund available to all employees. Under an anti-avoidance rule an employee is deemed to receive the benefit of any scholarship or maintenance expenses paid by their employer to a member of their family or household.

However if your child should work for the business of a more distant relative, perhaps an Uncle, Grandparent or cousin, and you and your spouse are not also connected to that business,

they can receive the study support completely tax free. The scholarship can cover the student's rent, subsistence, travelling expenses, and perhaps a book grant, but not their tuition fees. The student can get a loan from the Student Loan Company to cover those fees.



University support is expensive

The employer should ask the student to complete regular itemised expense claims to support the amounts paid out. The student needs to be employed by the business before the course starts, perhaps over the three month summer break, and the employment contract must continue during term time. The student must also actually attend the college full-time for at least 20 weeks per academic year, but course content does not have to be related to their employment at all.

When can I put my property in my pension scheme?

From 6 April 2006 the investment rules are changing to let pension funds hold residential property, antiques and even racehorses or boats. To have some control over the assets your pension savings are invested in your business needs to run a self-administered pension scheme, known as a SIPP (personal) or SASS (company based). These schemes require expert pensions advice to set-up.

Holding a let property in a SIPP or SASS is tax efficient as the income and gains generated by the property will be protected from tax. The property will also escape inheritance tax on your death. However once the value of the property is inside your pension scheme it cannot be withdrawn until you are old enough to take your pension benefits. In this respect it's a one-way street for your property investment.

For your pension fund to buy a property it will have to raise sufficient funds to make the purchase. But from April 2006 it

will only be able to borrow 50% of the total value already in the fund, so you may have to boost the pension fund with cash contributions first. Transferring a property you own into a SIPP does not qualify as a pension contribution. If the SIPP acquires a property directly from you any gain you make will be subject to capital gains tax.



Wrapping a property in a SIPP is permanent

It is true that your pension scheme will be able to buy your holiday home, or even your main home, but when you use that property you will have to pay rent to the pension scheme, or suffer a tax charge. If the pension scheme buys property abroad there will be foreign taxes to consider, so local tax advice is essential.

Private use of company vans



Take the van home but not shopping

On 6 April 2005 the rules for taxing the private use of company vans were relaxed. Now employees can use a company van to commute to and from work without being taxed on an extra £500, (or £350 for old vans), as long as the van is not used for other private journeys such as the

weekly shopping trip. If your workers still have the van benefit charge in their PAYE codes but only use the company vans for commuting, write to HMRC and tell them to remove the charge from the specified employees.

The HMRC inspectors know that this 'commuting only' rule is

likely to be broken, so they are looking out for abusers. We have heard that some officials have been monitoring supermarket car parks, noting down the van registration numbers along with company name printed on the side on the vehicle. It is then a short step to check the coding notices for the employing company to see if anyone is being taxed on the private use of the van.

Unfortunately it only takes one private journey to make the tax charge stick, so please make sure your van drivers are aware of the commuting only rule. From 6 April 2007 it will be even more important to be very strict about who can use the vans and for what journeys, as the taxable benefit will be £3,000 per year plus £500 for fuel provided.