



Cobley Desborough

chartered certified accountants-chartered tax advisers

Tax Deadlines

19 July

Cheques for PAYE/NIC for month and quarter to 5 July 2008, and class 1A NIC for 2007/08 must reach HMRC. CIS monthly return due

22 July

Electronic payments of PAYE/ NIC must reach HMRC.

30 July

Company accounts to 30 Sep 2007 must reach Companies House.

31 July

Pay second on account tax instalment for 2007/08. Unpaid tax for 2006/07 attracts 5% surcharge. £100 fine for all outstanding 2006/07 tax returns. Return renewal claims for Tax Credits.

2 August

Submit form P46(car) to report new or changed company cars in quarter to 5 July.

19 August

Cheques for PAYE/NICs for month to 5 August must reach HMRC. CIS monthly return due

22 August

Electronic payments of PAYE/ NIC must reach HMRC.

19 September

Cheques for PAYE/NICs for month to 5 Sept 2008 must reach HMRC. CIS monthly return due

22 September

Electronic payments of PAYE/ NIC must reach HMRC.

17 October

Cheques for PAYE/NICs for month to 5 Oct 2008 must reach HMRC. CIS monthly return due

31 October

Submit 2007/08 paper tax return to avoid £100 fine and for tax due of up to £2,000 to be included in your 2009/10 PAYE code.

Stop press

Employees who work from home on a regular basis can now claim expenses of up to £3 per week from their employer with no receipts necessary. This also applies to you if you run your own home-based company.

Artisans' House 7 Queensbridge Northampton NN4 7BF

Tel: 01604 823560 Fax: 01604 823588 E-mail: enquiries@cobdes.co.uk Web: www.cobdes.co.uk

How to achieve and keep CIS gross payment

If you are new to the Construction Industry Scheme (CIS) or your old CIS5 or CIS6 card is about to expire, you will need to register your business under the CIS with HMRC. This first stage of registration only allows you to be paid by contractors with 20% tax deducted. If you want gross payment status, so no tax is deducted by the contractor, you and your business need to pass these tests:



Be as precise with tax as you are with a drill

Business test

Your must show you carry out construction work in the UK and run your business through a bank account. We recommend that you keep your business income and expenses in a separate bank account to your personal and family expenses.

Turnover test

In the previous 12 months your business income, net of VAT, must be at least £30,000, or £30,000 per partner or director in your partnership or company.

Compliance test

This is the most difficult test to pass as it involves looking at the tax forms and payments made by all the partners or company directors, as well as by the business itself. In the 12 months before you apply for gross payment status all your tax forms and payments must have reached HMRC on time and have been paid in full. There is a little wriggle room if you are just slightly late with up to three monthly CIS or PAYE returns, but not if this is a regular occurrence. You may also be allowed up to 28 days to pay an annual tax bill such as corporation tax, but any amounts of £100 or more over due by more than 28 days will mean gross payment status is refused.

Continuing review

Once you have gross payment status you can't relax, because HMRC could revoke it at any time, giving your business only 90 days notice to adjust to net payments. The HMRC computer system selects a random sample of gross registered businesses each month to check their tax compliance records. You should expect to be reviewed once a year, but you won't know about it unless HMRC find something wrong. If you receive a letter saying your gross payment status is revoked, contact us immediately, as you need to appeal within 30 days. To avoid such trouble you must get your tax forms and tax payments in on time every month.

Please visit our website: www.cobdes.co.uk

It contains many useful and free resources such as: online calculators, the tax rates and allowances, economic market data, topical business news and a detailed summary of the Budget Report 2008.

If you register on our website you'll benefit from even more:

- Factsheets covering business and personal issues;
- Monthly eNEWS email newsletter which will keep you up to date with the latest business news and tax calendar date reminders (this service is optional);
- An eNEWS mailing with a detailed summary of the Budget Report announcements.

You only have to register once, and we GUARANTEE that you won't be bombarded with letters, emails or phone calls from us. You'll simply get the services you've subscribed to ... and the option to unsubscribe at any time.

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

Planning to sell your company?

When you are planning to sell your established business it makes sense to smarten up the company financially first by disposing of any assets which are not really pulling their weight, such as obsolete machinery. Also any assets which have a personal connection with the directors, such as holiday homes or valued cars, should be put in the directors' own names.

You also need to plan to take advantage of the new entrepreneurs' tax relief which reduces the effective rate of tax from 18% to 10% on the first £1 million of gains made by each shareholder who qualifies. This can save up to £80,000 in tax for each shareholder, where the shareholder and the company meet all of these conditions:

- The shareholder holds at least 5% of the ordinary shares of the company and 5% of the voting rights for the company for at least one year ending with the sale;
- The shareholder is an employee, or director, or company secretary of the company for at least one year up to the date of the sale;

- At least 80% of the company's activities are trading, as opposed to investment related, or it's the holding company of a trading group.



Plan for the best deal

Where family members hold a small number of shares check whether they each meet the 5% threshold based on their own shareholdings alone. Consider gifting some shares to your adult children or spouse to achieve this threshold. Where shareholders do not work for the company, consider making them a director, or giving them a small part time job at the company. Both of these actions need to happen at least one year before the sale.

Company sales require a lot of planning, so talk to us as soon as you consider selling so we can help with the long term arrangements.

New self-assessment tax return form

There are some new questions to watch out for on the 2007/08 tax return form. On page TR4 there is a new question entitled 'Service companies'. This targets businesses that fall within the IR35 rules or the Managed Service Company (MSC) rules. These rules apply extra tax and NI charges where an individual works through a service company, in which he may own most of the shares, to avoid being treated as an employee of his main customer. This question is trying to determine whether all that extra tax and NI has been paid. In most cases the service company question can be safely ignored.

There is an extra question in the land and property section asking how many properties were rented out. This is because the energy saving allowance for installing insulation in let residential properties applies per property and not per taxpayer. When you install wall, floor or loft insulation in your let properties, you can claim up to £1,500 per property to cover the costs incurred. Landlords who hold their properties



**New deadline
31 October**

in a company can claim this energy saving allowance for costs incurred from 8 July 2008.

If you were self-employed but not VAT registered in 2007/08, you can complete a short version of the self-employed pages.

Where your total sales were less than £30,000, HMRC only want to know the totals for sales, expenses, profit or loss. We should still check through your expenses to make sure they are all tax deductible.

Finally don't forget the deadline for filing a paper tax return is now **31 October 2008!** If you plan to submit your own tax return make sure you are geared up for that earlier deadline. We can submit an electronic return for you, for which the filing deadline is still **31 January 2009.**

How to survive a tax investigation

The best way to survive a tax investigation is to avoid one occurring in the first place. A very small percentage of tax returns are selected for investigation on a random basis, in the majority of cases something triggers the HMRC to flag the tax return as questionable.

If you have an unusual transaction in the year, perhaps a high level of repairs, we need to explain the reason for the variation in the white space on your tax return. HMRC's computer looks for patterns in income or expenses year on year, and compares your business to a typical business in the same sector. So if your trade has unusual aspects, perhaps due to its location, we need to give the Tax Inspector this information to stop him having to open an investigation to ask why.

If you do get selected for investigation the best defence is having complete and accurate records, which agree precisely to

the figures reported on your tax return. Every aspect of your business should be supported by either a third party document; receipt, contract, or bank statement, or a note of the expense or income made at time the transaction occurred.

The Tax Inspector may ask you to explain one-off deposits made into your bank account. Using a separate bank account for your business income and expenses can avoid family gifts being mistaken for undeclared business income.

Many tax investigations will result in additional tax, interest and penalties to pay. We can help negotiate down the penalties and minimise the interest. At Cobley Desborough our clients can opt to take a fee protection service which will meet all of the professional costs of the tax investigation, but not any tax, interest or penalties due.