Winter 2008

Business Focus

News and Information from Turner Peachey

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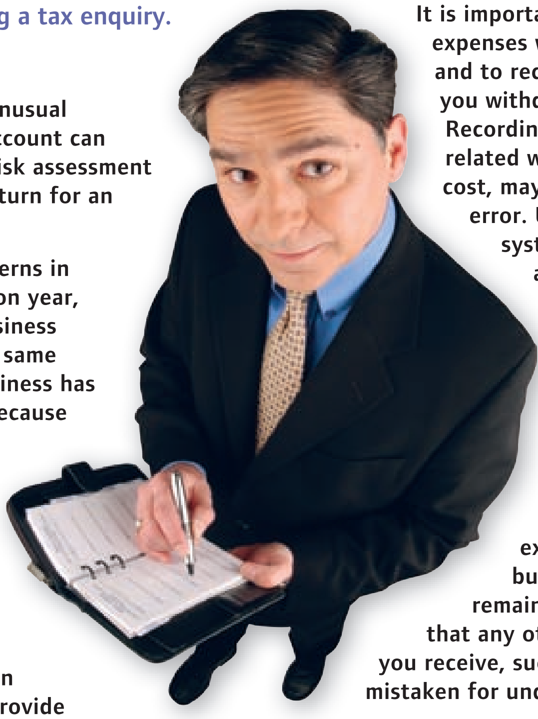
When the taxman comes knocking...

A very small percentage of Tax Returns are selected for full enquiry on a random basis. However, while being subject to an enquiry by HM Revenue and Customs (HMRC) can be unsettling, there is no need to panic! Here are some tips for surviving a tax enquiry.

'Suspect' activity

Sometimes an apparently unusual transaction or item in an account can trigger HMRC's computer risk assessment program to flag the Tax Return for an enquiry.

The program looks for patterns in income and expenses year on year, and also compares your business to a typical business in the same trade sector. So if your business has unusual aspects, perhaps because of its location, you may need to provide this information to the tax inspector to prevent him from opening a formal enquiry.



If you are selected…

If you do get selected for an enquiry it is important to provide complete and accurate records, which agree precisely with the figures reported on your Tax Return.

Every business transaction should ideally be supported by a third party document such as a receipt, contract or bank statement. For cash transactions you should make a record at the time, ensuring that you note the amount, date and nature of the cost (e.g. taxi fare to a business meeting).

It is important not to confuse personal expenses with business transactions, and to record accurately all the money you withdraw from your business. Recording an item as business-related when it was in fact a personal cost, may be viewed as a deliberate error. Under the new penalty system, deliberate errors may attract penalties of up to 70% of the tax avoided. The penalty may be charged in addition to the tax due and interest on the late paid tax.

Using a separate bank account to manage your business income and expenses will guarantee that business and personal costs remain separate. It will also ensure that any other personal payments you receive, such as family gifts, are not mistaken for undeclared business income.

Should you be selected for a tax enquiry, we can deal with HMRC on your behalf and help to negotiate any proposed settlement. Please contact us if you wish to discuss this in more detail.

NEW WEBSITE!

We are delighted to inform you that our fresh new website was launched early November. The new website includes lots of added extras and represents a significant upgrade on our previous site. This reflects the fact that technology has moved on and so the opportunity has arisen to use our site to deliver our services in different ways.

Elwyn Turner, partner responsible for IT, said: "The website has until now only provided clients with the facility to download forms and access general and topical information. There will be a password accessed area with individual e-filing cabinets where clients can select, store and access their files at will. An eco-friendly paperless facility with easy navigation, view and download, it means clients can access their accounts from desk, laptop or even from a mobile phone whilst sitting in front of their bank manager."

Last year we upgraded our computer and telecommunications systems and the revamped website is another step forward. Each of these systems help our clients to access the knowledge and experience of our staff and allow our specialist departments to provide support across all of the offices of the firm.

Protect your business against soaring utility costs

In times of economic difficulty, it is more important than ever to avoid unnecessary costs, and rising utility bills can represent a significant proportion of a firm's overheads.

Conducting a utility audit might seem like a time consuming distraction but you could be pleasantly surprised by how much it adds to your bottom line. By understanding your utility services and implementing conservation habits, you can reduce energy waste and develop energy savings and solutions.

Don't get left in the cold! Use the checklist (right) to identify potential savings for your business.

Tick

- ☐ **Have a member of staff responsible for checking all utility bills** – Make sure they know how the bills are calculated, what tariffs are available etc, and question any suspect charges
- ☐ **Carry out your own readings of all energy and water meters each month** – Use the information to plot patterns of use
- ☐ **Annually review the tariffs you use** – Not only do your usage patterns change, your suppliers also change the deals they offer
- ☐ **Shop around for cheaper electricity and/or gas suppliers** – Even as suppliers raise their prices, you could shave pounds off your bills
- ☐ **Monitor overnight energy usage** – Check if it is being used by essential equipment and if so that you have the best overnight tariff
- ☐ **Make the best use of cheap rate electricity** – If you can arrange usage by water heaters etc so that 15% of total electricity usage occurs during off-peak hours, you might benefit from switching to a day/night tariff
- ☐ **If you are on a Maximum Demand tariff, review your supply capacity** – If your declared supply capacity is more than 15% higher than your highest Maximum Demand, contact your supplier to have it lowered
- ☐ **Find ways to reduce usage during peak hours** – Try rescheduling non-essential activities
- ☐ **If you are on a monthly tariff, check your power factor** – Check that you are not being penalised for a poor power factor
- ☐ **If your site has more than one gas meter, make sure they are aggregated for billing purposes** – This can reduce both standing and unit charges and could lead to a better rate
- ☐ **Make sure your water meter is the right size** – Standing charges are calculated according to meter size – don't pay for an unnecessarily large one
- ☐ **Invest in energy efficient appliances and equipment** – Have you considered the enhanced capital allowances for energy-saving equipment? Contact us for more details of the allowances available to you.

Resolving disputes in the workplace

In April 2009 various parts of the Employment Act are scheduled to come into force, including the repeal of the existing statutory dispute resolution procedures. Following the recommendations of the Gibbons Review, employers will now receive updated guidance on how to manage conflicts in the workplace and prevent potentially expensive – and lengthy – tribunal claims.

Preventing conflict in the workplace

Minimise the likelihood of disputes developing in your workplace by considering the following tips.

Establish formal procedures – If you haven't already, it is essential to devise a company policy and procedure for dealing with dispute resolution, grievances and disciplinary matters. Moreover, ensure staff are aware of its existence and content. If appropriate, include it in induction and training programmes. And, once a procedure has been drawn up, ensure that it is kept up-to-date.

Remain vigilant – Most problems can be remedied if detected early enough. Be aware of triggers and indicators of discontent and deal with them appropriately to prevent a potential conflict further down the line.

Brief employees – Keep staff informed of any changes which could affect their working practice. Make sure everyone understands the company's goals and expectations and be as clear as possible about job descriptions, responsibilities, and territories.

Provide appropriate training– Ensure your managers and HR staff are equipped with the skills required to facilitate early conflict resolution and have a thorough understanding of company procedures.

Resolving disputes: What to do

But how should you manage a conflict if one does arise, and what course of action is most appropriate? Below you will find a summary of the official ACAS guidelines on resolving workplace disputes.

1. Early intervention

Early intervention in potential and emerging conflicts pays dividends in terms of avoiding unnecessary disruption, stress and waste of valuable management time.

This initial stage often involves simply talking, and listening, to employees. Giving people the time and space to express their feelings and concerns can often help to clear the air. Employees also need to know who they can go to if they have a problem at work and that their concerns will be taken seriously.

2. Investigate informally

In many disputes between individuals there is a clear transition from an informal to a formal stage in the conflict. Avoid making imprudent decisions and knee-jerk procedural solutions as this can often prove counter-productive, deepening discord and ill feeling. Rather, take the time to talk to colleagues and gather any relevant information about those involved.

3. Use dispute resolution procedures

If an employee lodges an official grievance with a manager then the conflict has moved towards a more formal stage. If this happens you will need to revert to company procedures for dealing with such cases, and consider issues such as bullying, absence, and misconduct.

4. Consider getting help

Don't get out of your depth – know when a conflict has become too complex and needs to be referred to an experienced internal or external mediator. A skilled mediator can take an objective and unbiased approach, which is particularly pertinent when the dispute has 'political' or highly sensitive inter-personal implications.

For more advice on dealing with disputes in the workplace, visit www.acas.org.uk.

Is it time to review your pension contributions?

With some reports suggesting that millions of pounds have been wiped off the value of the UK's pension pot, sound planning is essential to achieving the desired standard of living in later years. If you are making regular contributions into a personal pension scheme, you should review how much is actually ending up in the scheme to be invested for your future pension.

The reduction in the basic rate of income tax from 22% to 20% for 2008/09 results in a corresponding reduction in the amount reclaimable from HMRC by the pension trustees. This means that in order to maintain the same gross input to your pension scheme your net contribution would need to be increased accordingly.

For example, in order to maintain a gross input of £600 a month, net contribution would need to rise from £468 to £480. At the same time, for 40% taxpayers, higher rate tax relief will balance things up – the additional £12 going into your pension scheme will be matched by an additional £12 of higher rate tax relief through your PAYE code, or when we complete your self assessment Tax Return.

If you are employed, rather than self-employed, it can be more tax efficient for your employer to make contributions directly into your pension scheme, instead of you making your own contributions.

	Employee contribution (£)			Employer contribution (£)	
	Pension Scheme	Individual Income	Employer cost	Pension scheme	Employer cost
Gross Salary		695	695		
PAYE		(139)			
National Insurance		(76)	89		
Net Salary		480			
Pay into Pension Scheme	480	(480)		600	600
Income tax reclaim	120				
Gross cost			784		600
Corporation Tax relief (21%)			(165)		(126)
Net cost to employer			**£619**		**£474**
Total pension scheme input	**£600**			**£600**	

The total saving made when your employer pays into your pension fund directly is £145 (£619-£474), and that's just on a relatively small contribution of £600! However, salary sacrifice is not appropriate for all and there are strict rules to be observed. Please contact us for more information.

If you are already over the pensionable age set for your particular pension scheme, which may be only 50 years (55 from 6 April 2010), you can withdraw a tax-free lump sum of 25% of your pension fund. Technically you also need to withdraw a regular pension, which can be set at a minimal level, to be increased when you need a regular income.

You don't need to retire to start to draw on your pension fund. You can also carry on making tax efficient contributions to other pension schemes, possibly with the same company, until you reach age 75.

There are some tax rules to be aware of when you are both withdrawing from and paying into pension schemes in the same tax year, so please talk to us first.

Stamp duty 'holiday' commences

The Government has suspended stamp duty on properties costing less than £175,000 in a bid to revive the UK's ailing housing market. Chancellor Alistair Darling has announced that the unpopular tax will not apply to residential property purchases for one year from 3 September 2008.

Following the reforms, stamp duty is now charged at 1% on properties sold for between £175,000 and £250,000, with the tax rising to 3% above this level. Homes worth more than £500,000 attract stamp duty at a rate of 4%.

Please note: special rules may apply for non-residential property, residential property in disadvantaged areas, and zero-carbon homes.

Business Round-Up

Apprentices to receive pay boost

Apprentices are to receive a higher minimum wage under new plans unveiled by the Government. Skills Secretary John Denham has announced that the minimum rate of pay for apprentices in England will rise from £80 to £95 per week. Approximately 26,000 apprentices are expected to benefit from the £15 increase, which is likely to take effect from August 2009.

New consumer watchdog is launched

A new consumer watchdog has been launched following the amalgamation of the National Consumer Council, Energywatch and Postwatch. Consumer Focus, which went live on 1 October, will work on behalf of consumers in England, Wales, Scotland and, for postal customers, Northern Ireland.

The Government claims the group will have greater powers than the organisations it replaces, including the ability to investigate consumer complaints. However, the business community has voiced concerns over the new body, claiming that the demise of the former champion Energywatch will jeopardise consumer protection.

Late filing penalties to be increased

First introduced in 1992, late filing penalties were intended to encourage directors of limited companies to file their accounts on time for the purpose of public records.

However, from 1 February 2009 the penalties for filing accounts late at Companies House are to be greatly increased. Further penalties will also arise for companies who file more than one month late. The penalties are as follows:

How late are the accounts delivered?	Penalty Private company	Penalty Public company
Not more than one month	£150	£750
More than one month, but not more than three months	£375	£1,500
More than three months, but not more than six months	£750	£3,000
More than six months	£1,500	£7,500

Furthermore, where the previous financial year's accounts were filed late (and that previous financial year had begun on or after 6 April 2008), then the penalty will be double that shown in the table above.

If you would like more information on any of these changes, please contact us.

Web Watch

Essential sites for business owners

www.personneltoday.com
Useful information and legal guides on a wide range of employment-related issues

www.smallbusinessjourney.com
Information on responsible business practice developed specifically for SMEs

www.consumerfocus.org.uk
Official site of the new consumer watchdog, offering help and advice for energy customers

www.hse.gov.uk
Useful information for businesses on health and safety legislation

Reminders for your Winter Diary

December 2008

30 Last day to file your 2008 Tax Return electronically if you wish to have a 2007/08 balancing payment of less than £2,000 collected through your 2009/10 PAYE code.

31 Last day for non-EC traders to reclaim recoverable UK VAT suffered in the year to 30 June 2008.

End of relevant year for taxable distance supplies to UK for VAT registration purposes.

End of relevant year for cross-border acquisitions of taxable goods in the UK for VAT registration purposes.

End of CT61 quarterly period.

Filing date for Corporation Tax Return Form CT600 for period ended 31 December 2007.

January 2009

1 Due date for payment of Corporation Tax for period ended 31 March 2008.

14 Due date for income tax for the CT61 quarter to 31 December 2008.

19/22 Quarter 3 2008/09 PAYE remittance due.

31 First self assessment payment on account for 2008/09.

Capital gains tax payment for 2007/08.

Balancing payment – 2007/08 income tax/class 4 NICs.

Last day to renew 2008/09 tax credits.

Deadline for amending 2006/07 Tax Return.

Last day to file the 2008 Tax Return online.

February 2009

1 £100 penalty if 2008 Tax Return not yet filed. Additional penalties may apply for further delay.

Interest starts to accrue on 2007/08 tax not yet paid.

2 Last day for notifying car changes in quarter to 5 January – P46 (Car).

14 Last date (for practical purposes) to request NIC deferment for 2008/09.

28 Last day to pay any balance of 2007/08 tax and Class 4 NIC to avoid an automatic 5% surcharge.