



Summer Update 2011

HM Revenue and Customs Compliance Checks

In my last newsletter I highlighted the need for complete and accurate record-keeping. For some business owners this will be tested by HM Revenue and Customs whose compliance checks are now underway. In the last few years it has been unlikely that you would be selected for a tax investigation, and people have tended to assume it won't happen to them. As long as your records are complete and accurate you should have nothing to worry about.

However, HM Revenue and Customs now has an additional £900 million to fund tax investigations, checks and inquiries. The government aims to raise £70 billion in the next 4—5 years, and has identified sole traders and small limited companies (including those with only one director), as a main group to target.

Possible Consequences

Penalties for non-compliance can be severe. In a recent tribunal case HMRC accused a taxpayer of receiving income, several years earlier, that was not declared on his tax return. The taxpayer was unable to provide sufficient evidence to support his earlier tax returns, and pleaded guilty. The estimated amount of underpaid tax was £3,000. In the past HMRC would negotiate penalties with the taxpayer's advisers and they'd settle for maybe £5,000.

Recent changes to legislation mean that HMRC can now consider all of the benefits that the taxpayer has gained since earning the undeclared sum, including the value of his property and other assets. The taxpayer was ordered to pay £707,000 within three years, or face an 8 year custodial sentence.

Perhaps it's an extreme example, but the situation could have been avoided had the taxpayer recorded, declared and kept evidence of his earnings and expenditure.

How to Avoid a Compliance Check

Tax investigations are now more likely than ever before, so please;

- Provide me with full and accurate disclosures of your income and outgoings.
- Keep accurate and complete books, and receipts for everything you buy, even items purchased in cash and online.
- Make sure tax returns, VAT returns, payroll returns and other required documents are filed on time.
- Pay all taxes on time.
- Remember that HMRC has access to bank accounts, property accounts and other information, so don't assume that you'll go unnoticed.

If you receive any communication from HM Revenue and Customs, especially if the words 'Compliance Check' are used, inform me immediately and I can advise on your rights. They may contact you by letter or telephone, but email messages are likely to be spam. Take details from callers but avoid giving out any information.

Issue 2, 2011

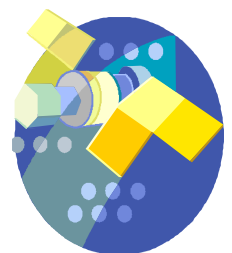
Compliance Checks

Income Tax & NIC

Budget 2011

Special points of interest:

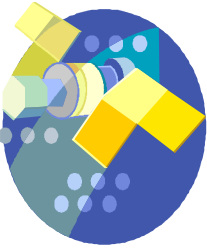
- New record-keeping checks being introduced.
- Property Tax
- Profit Extraction
- Tax Investigation Insurance



Collins Bookkeeping
& Accountancy

18 Towneley Fields
Rowlands Gill
Tyne and Wear
NE39 1RB

Tel: 01207 549 126



Collins Bookkeeping
& Accountancy

18 Towneley Fields
Rowlands Gill
Tyne and Wear
NE39 1RB

Tel: 01207 549 126

Property Tax 2011

Conditions applying to furnished holiday lets (FHL) have changed.

From 5 April 2011

- Losses made on a holiday let can only be offset against income made on that same holiday let. The previous rules stated that losses could be offset against general income.

From 5 April 2012:

- **A property must be available to let for no less than 210 days a year.** The current minimum requirement is 140 days a year.
- **The property must be let for 105 days in the year.** The current minimum letting period is 70 days.
- There will be a 'period of grace' to allow businesses that don't continue to meet the 'actually let' test for 1 or 2 years to elect to continue to qualify throughout that period, providing that there was genuine intention to meet the condition

Limited Companies

Company owners can choose how to extract profits from their company, and there are ways to do this and minimise the tax and national insurance payable.

It's also easy to get it wrong, and end up paying more tax, or even making illegal payments.

Please contact me if you would like any assistance or advice on paying yourself from your company.

Summer
Update
2011

Tax Investigation Insurance

There is insurance cover available to protect against accountant's fees charged for dealing with tax investigations (compliance checks). There can be significant work and costs involved in a tax investigation, which could put unnecessary strain on your finances.

Please contact me if you would like to find out more.

But before considering tax investigation insurance check if you're already covered. It may be included in your business insurance policy, or as a benefit of membership of the Chamber of Commerce, Federation of Small Businesses, or your trade organisation etc.

Deadlines

Class 1A national insurance due	19th July 2011
Self assessment tax payment on account due	31st July 2011
Class 2 national insurance due (unless paid by direct debit)	31st July 2011

Please contact Deborah for help with these or any other tax and accountancy matters.