Business Update>

March / May 2008

VAT FLAT RATE SCHEME

This scheme is designed to simplify VAT accounting and compliance, and its use can result in both a profit and cash benefit for a business when compared with accounting for VAT under the standard method.

Before use of the scheme is considered the figures have to be checked to see whether it is worthwhile this can initially be done at **http://vatreadyreckoner.hmrc.gov.uk/.** I have found that a number of clients have made substantial savings by electing to use this scheme.

EU VAT

A number of our clients have been incurring VAT in other EU member states in course of their business. It is a popular misconception that this foreign VAT need be considered an additional cost and that it cannot be reclaimed. However this VAT may be reclaimed by way of a relatively straight forward process.

If advice is required on either of these two VAT matters – please do not hesitate to contact me

Buy to Let Income – have you declared all your rental income

In February the HMRC launched a small campaign to track down those who may not have declared all their property income. I am aware from a number of new clients that this seems to be a popular fallacy – in as much it does not have to be declared - particularly if in fact there is no "profit" and / or the property is overseas.
This current campaign was based on information received – there are many sources on which the HMRC can draw – land registry, EU information exchange etc.
If there is a chance that full disclosure has not been made – then there is the possibility to repair previous returns and rectify matters – if I can assist – then please contact me.

Self Employed v Employed

This topic appears quite regularly - but this time there is some good news – in as much that where a self employed person is deemed to actually have been and should have been treated as an employee – then any tax that that person may have paid in respect of their self employed income will be offset against the potential PAYE liability. So this provides a measure of relief and takes away the ambiguity of the previous approach taken by HMRC. If the employee has not in fact declared the income – then the employer is still in the same position as before and liable for all tax that should have been deducted.

Income shifting

The Revenues' failure in the courts to stamp out income shifting between spouses means that they are having to introduce legislation to cover what they see as abuses. While it was expected that such laws would be introduced in this year's budget – they have been deferred for at least a year while they work out the practicalities. Reports suggest that logs of work done and time spent may have to be kept. It is clear that the basis of the rules will be that any "remuneration" will have to be on a commercial basis and so clients will have to be prepared to reassess on how salaries and dividends are paid in the future.

New Penalties

From next year new penalties will be levied on incorrect returns as a percentage of tax liabilities:
30% penalty if reasonable care in providing a return is not taken
70% for a deliberate understatement
100% for a considerable understatement
These will be reduced where there is co operation – but again the emphasis is on submitting correct information.

119 The Hub 300 Kensal Road London W10 5BE

T> 020 8969 6956 **F>** 020 8969 6958 **M>** 07968 347 035

HILTON CONSULTING
CHARTERED ACCOUNTANTS

Business Update>

Most clients do co-operate in this, but there are a number who think that they may "get away with it" if the accountant is not told or in many cases just do not realise that disclosure is required.
Likewise the proactive advisor should "audit" what information he is given from his general experience, knowledge of the client's affairs and general common sense and in many cases this can winkle out any omissions. Many tax practitioners now work on the basis that they report what they are told – period. This is, in today's climate, dangerous and not professional – while the client thinks he may be making a saving - this is a short term fix and should be avoided at all costs.
There is no substitute for good proactive tax advice.

Car Fuel Benefits

This rose by 17.4% this year and so where private fuel is provided – the tax effect can outweigh the benefit. The approach would be to pay the business fuel on the approved Revenue mileage basis – thus saving tax and National Insurance. The arithmetic is easy to work out based upon each individual example and if assistance is required then I would be happy to do so.

Forms P11D's

It is that time of the year when all the compliance issues come in at once – including P11D's for all directors and higher paid employees. The forms are a nightmare. A simple way of avoiding the aggravation and cost of compliance is to apply for a dispensation to cover many of the main headings covered. There are conditions. While it may be too late for last tax year – application for 2008 / 09 should be considered.

Changes in the Companies Act

There are changes in the legal compliance requirements for companies. Changes in information to be displayed on letterheads / emails etc are now in force – but many companies have ignored these changes.

Other changes include

1. A company secretary is no longer required
2. Filing of accounts must be after 9 months

If you want to be brought up to date or have any queries – please call me to resolve any issues.

Budget Overview

Much has been written about the budget and in particular the effect of the new proposed rules for non domiciles and capital gains tax. We are now into the new rules and while they are not definitive until the Finance Act is passed - the overall principles seem to be certain and if bespoke advice is required, then I would be pleased to assist clients in planning for the new tax regime.

Ben Warren

119 The Hub 300 Kensal Road London W10 5BE

T> 020 8969 6956 F> 020 8969 6958 M> 07968 347 035

HILTON CONSULTING LIMITED REGISTERED IN ENGLAND NO: 4149350 REGISTERED OFFICE: 63 COPSEWOOD WAY, NORTHWOOD, MIDDLESEX HA6 2TZ VAT REG. NO: 769 830773

HILTON CONSULTING
CHARTERED ACCOUNTANTS