

# Business Update >

May/June 2007

## **SPONSORSHIP:**

A recent case was decided in favour of the tax payer when the Tax Commissioners found that although a rally driver was indulging his interest in his hobby by paying for his rally driving expenses through his business – the taxpayer was able to demonstrate and convince the panel that the marketing advantage of the sponsorship was not vague or uncertain – but that the expenditure was proved to have resulted in new business.

A number of clients have tried in the past to indulge their hobbies in a tax efficient manner – here we have new guidance that such a claim can be successful if the evidence points to the fact that the expenditure is for the benefit of the business.

If you would like to discuss the benefits of sponsorship and what needs to be done to try and ensure that it will be treated as an tax deduction – then please call me.

## **NATIONAL MINIMUM WAGE**

A reminder that the rate rises again from 1 October 2007 to £5.52 per hour. For those aged between 18 -21 it will be £4.60 per hour and 16 – 17 years £3.40 per hour.

## **REVENUE SCAMS**

It has been reported that taxpayers are receiving emails from bogus Revenue web sites or phone calls from “officers” asking for information such as NI numbers or tax reference numbers or asking for money to clear goods at points of entry. Please be careful if you receive such a call or enquiry.

## **...HOWEVER**

As reported in earlier Updates some calls are genuine with Tax Inspectors asking for points of clarification about accounts or returns by way of phone calls rather than starting up written enquiries.

In the last few weeks the Revenue has sought to increase their powers and a consultation paper has been issued by them seeking views on proposed new rights such as the right to enter business premises and examine goods and records. This could also include private residences. They also want further rights to personally visit private tax payers – especially in cases where the understanding of tax “may be limited” This approach is already available through the wide powers given to what was previously known as the Customs and Excise, based upon their centuries of experience of dealing with smugglers. I am afraid that this is the trend with Revenue enforcement and it requires greater vigilance by the tax payer, greater involvement / awareness of the accountant and the need for insurance against tax enquiries.

## **TAX AMNESTY**

After many years of discussion the Revenue have introduced a tax amnesty for those who have not fully disclosed their offshore income – either from bank accounts and / or investments – including property.

The term “amnesty” is a little far fetched as it is not exempting tax payers – it means that if the Revenue is notified of the intention to make a disclosure by June 22, 2007 a fixed penalty of 10% of the unpaid duties will be levied. Thereafter full disclosure must be made before November 26th this year. Interest on unpaid tax will be due.

# Business Update >

The stated policy is that if discovery is made after the amnesty closes the Revenue will seek full retribution on the tax payer – including possible criminal charges.

The disclosure will not stop the Revenue from making further enquires into the source of the unearned income – i.e. where the funds came from originally – but there is now a window of opportunity to those who may have been cavalier in their personal financial planning in the past and now with the benefit of hindsight, would like to sleep easy at night.

I am able to take clients through the formal disclosure procedure.

## CLIENT QUESTIONNAIRE

I would like to thank all clients who responded to my Client Questionnaire – I was not wholly convinced as to the idea of asking for feedback – but it proved a positive experience and 60% of clients replied. One point that did come out was that clients wanted clear advice which they could understand. Unfortunately all professions have their own jargon and accountants are no different. I would hope that any client who was not clear as to what has been discussed would not be that timid not to ask for clarification.

## HIRING STAFF

One recurrent problem is the hiring of staff, the interview and suitability of prospective employees. I am now subscribing to a Profiling Service which will allow clients to set out the parameters for their business and to measure the candidate's answers to a series of test questions against that profile and so compute their personal suitability. It does not test their competence. One client has used the service for many years and is very satisfied with it. Given the cost of hiring staff these days it strikes me as being a positive step in removing the uncertainty of recruiting. If any clients would like to take advantage of the service – then please contact me.

If you would like to discuss any of the above – please call me or visit my website [www.hiltonconsulting.co.uk](http://www.hiltonconsulting.co.uk).

Ben Warren