

SPRING 2010
GH NEWS
The George Hay Newsletter

CONGRATULATIONS!

Congratulations to Hayley Huckle who recently passed the final exams of the Association of Chartered Certified Accountants.

Hayley works at our Letchworth office which she joined in 2007. She has only taken two years to complete her studies, which she did while working full time and also bringing up a young family. It is a great achievement well done Hayley.

SWIMATHON CHALLENGE

Gill Hallybone, a secretary from our Biggleswade office, has decided to take up the Duncan Goodhew Swimathon Challenge in which she will be swimming a massive 2.5k in aid of Marie Currie Cancer Care.

Gill will be swimming 100 lengths of Hitchin Pool on Sunday 18th April and has been busy training for the event. We wish Gill every success in her endeavour. Anyone wishing to sponsor Gill can do so by visiting our website where you will find a link to her online sponsorship page.

FAREWELL



John joined the practice in 1968 as a qualified Chartered Accountant having previously worked at a City of London firm. In 1977 he became a partner in the practice and eventually took on the role of Senior Partner in 1993.

John has been instrumental in the development of the practice over the years and has contributed a number of innovative ideas due to his forward vision and progressive thinking. The remaining partners look forward to building on the success of the practice and to continuing to provide the same level of service and expertise to clients which they have come to expect from George Hay.

The partners and staff thank John for all his hard work and commitment to the practice over the years. He now moves on to pursue his own activities and we all wish him well and every success for the future.

Taking over at the helm will be Eddie Fuller who becomes the Senior Partner of the practice. He will be supported by the six other partners of Nick Willis, Barry Jefferd, Keith Middleton, Richard Dille, Tony Newman and Toni Hunter.

SMALL BUSINESS AWARDS

We are proud to be one of the sponsors at this year's Small Business Awards organised by the FSB Hertfordshire.

We will be sponsoring the Self Employed Person of the Year Award which is presented to the person the judges consider: is self motivated; demonstrates they have developed their business and has a strong business plan for the future.

The awards are intended to recognise talent in the small business sector and can be of enormous benefit to the winners. More information about the event can be found at www.fsb.org.uk/hertsawards



PENSION CHANGES

New pension rules are to be introduced from April 2011 which will restrict the amount of tax relief available on contributions. To prevent people making substantial contributions prior to the new legislation coming into effect the chancellor introduced anti-forestalling rules in his 2009 budget

The anti-forestalling measures introduced a pension special annual allowance of £20,000 as the maximum amount of relievable non-regular pension contributions for high income individuals, i.e. those with relevant income over £150,000, any contributions above the special annual allowance would be subject to a tax charge restricting relief to the basic rate.

However, in the Chancellors Pre-Budget Report the anti-forestalling rules were revised so that the 'relevant income' threshold was reduced from £150,000 to £130,000, meaning the tax charge will kick in sooner. Individuals will be affected by this if their relevant income in 2009/10 or either of the two preceding years exceeds £130,000. This change took effect from 9 December 2009.

The Chancellor also announced in his Pre-Budget Report a change to the proposed new pension rules to be introduced from April 2011. He announced the definition of 'gross income' for the purpose of the new legislation will include the total pension savings amount of an individual, meaning employer contributions would now be included as part of the income computation.

This change could have an impact on family businesses which make an annual employer pension contribution, as it will affect individuals where their 'gross income' is £150,000 or over and their 'relevant income' £130,000 or over. The contribution will still be able to be made up to £245,000 providing income is below £130,000.

The new rules are complex so it is well worth seeking advice before making any contributions.

FURNISHED HOLIDAY LETTINGS

From April 2010 the holiday is over for those with Furnished Holiday Lettings (FHL).

Previously FHL could be treated as a deemed trade and so enjoy extra tax benefits that are not available to any other property business. Some of the consequences of this change are:

- **Capital Allowances**

Capital Allowances will no longer be available on FHL. Previously Capital Allowances could be claimed on plant and machinery expenditure made in respect of a FHL property, this will not be possible for expenditure incurred after 6 April 2010. However, it will still be possible to claim Capital Allowances on expenditure which was in the pool prior to 6 April 2010.

FHL will in future be permitted to claim wear and tear allowance which was not previously available. It has been clarified this is in addition to any capital allowances available.

- **Losses**

Any unused losses on FHL which are carried forward from 2009/10 will be treated as property business losses and be available to set off against other property business profits in future years.

- **Entrepreneurs' relief**

As the FHL will cease to be a business trading activity after 5 April 2010 it will be deemed to have ceased for the purposes of Entrepreneurs Relief. Therefore the disposal of any assets of the FHL in the three years following will be treated as the disposal of an asset of ceased business and Entrepreneurs relief will be available providing all other relevant conditions have been met.

One minor anomaly is that Labour seem to have missed actually putting the legislation in place and the Conservatives have said they would put the legislation back anyway, so watch this space it could all change.

HMRC TARGETS HEALTH

The HMRC hit squad has decided to launch its latest attack on professionals with those in the health industry being their first target. They believe that medical professionals may be failing to declare all of their income, particularly with regard to private work.

The latest initiative is called 'Tax Health Plan' and works on a similar basis to that which was available regarding off-shore bank accounts.

The initiative gave medical professionals the opportunity until 31 March 2010 to notify HMRC of their intention to make a disclosure of any undeclared liabilities. They then have until 30 June 2010 to make their disclosure and pay any taxes, interest or penalties which are due.

HMRC are expecting disclosures to not just include undeclared income but also admissions of over claimed expenditure. They will be particularly looking at excessive motor expenses claims, use of home as office, wages paid to family members and excessive travelling costs to conferences.

HMRC will treat those who have come forward voluntarily under the plan more favourably than those who don't, providing there is full co-operation by the taxpayer. Those who do voluntarily come forward will face reduced penalties of 10% as opposed to potentially up to 100% of the tax due.

HMRC will be making use of information which they have available to them from various sources such as NHS trusts, private hospitals and medical insurers to identify those who do not make a disclosure.

Other professionals should beware, HMRC are warning they intend to target varying different professions.

END OF YEAR

The end of the tax year is a busy time for those administering the payroll function. There are a number of forms which need to be filed and it is a good time to check that you have been carrying out your payroll calculations correctly throughout the year and rectify any mistakes.

2009/10 is the first year that online filing is mandatory for all employers regardless of the size of the business. Paper filing of forms is no longer an option.

It has been mandatory for large employers to file their forms electronically for some time now but up to last year smaller employers still had the option to file in paper format should they choose to. Electronic filing has now become mandatory for the smaller employer too.

The deadlines which affect end of year payroll are summarised in the table below.

Due Date	Task
19 April	Outstanding PAYE tax and Class 1 NICs postal payments must reach your HMRC Accounts Office
22 April	Outstanding PAYE tax and Class 1 NIC cleared electronic payment must reach HMRC bank account
19 May	File your Employer Annual Return (P14s and P35)
31 May	Give each relevant employee a form P60
6 July	File expenses and benefits annual return (forms P11D, P9D and P11D(b)) if applicable give copies to your employees
19 July	Class 1A NICs postal payments must reach your HMRC Accounts Office
22 July	Class 1A NICs cleared electronic payments must reach HMRC bank account

LATE PAYMENT OF PAYE PENALTIES

Late payment penalties are being introduced from May 2010 if your PAYE is paid late. Currently interest is only charged when the final PAYE payment for the tax year is received either later than 19th April for postal payments or arrives in HMRC's bank account later than 22nd April if paid electronically.

From May 2010 your PAYE payment will need to be received on time either each month or each quarter depending upon which basis you pay. The new late payment penalties will apply to all employers and contractors that do not pay on time.

Details of the new penalties will not be sent out until April 2011 but will apply for the whole of the 2010-11 tax

year. Penalties will start at 1% of the late amount and will increase to 4% depending upon how many times you pay late. You will not have to pay a penalty if only one payment is late unless it is more than six months late. Payments that are more than six months late may attract a penalty of 5% and a further 5% if still outstanding after more than twelve months.

Businesses will have to ensure that HMRC always receive their payment on time to avoid the penalties. Postal payments will need to be received by HMRC by the 19th of the month. Electronic payments will need to be received in HMRC's bank account by 22nd of the month.

COMPANY CAR CHARGES

Various changes have either come in to effect recently or are due to which will affect company cars.

For those with company cars it is worth considering the effect the changes will have on your tax bill particularly if you are changing your car it could influence your decision.

• **Company Car bandings**

The company car benefit bandings change from 6 April 2010. All thresholds will move down by 5g/km of CO2. This movement is to be repeated in 2011/12 and again in 2012/13. This will mean a car taxed at 25% of its list price in 2009/10 will be taxed at 28% of its list price by 2012/13.

• **Company Car Fuel Benefit**

The company car fuel benefit for those where private fuel is paid for by their employer increases from £16,900 to £18,000 from 6 April 2010. This figure is multiplied by the cars relevant tax percentage to calculate the taxable benefit.

Anyone who has their private fuel paid for by their employer may need to consider whether it is still cost effective to do so following the increase.

• **Company Car Fuel Rates**

The company car fuel rates for those provided with a company car where private fuel is not paid for by the employer increased from 1 December 2009.

Engine size	Petrol	Diesel
1400cc or less	11p	11p
1401cc to 2000cc	14p	11p
Over 2000cc	20p	14p

The rates are reviewed twice a year with the next change due on 1 June 2010

If you have any queries regarding the preparation of your payroll our in-house payroll bureau PayScheme will be happy to help. Contact a member of the team on 01767 220199.

VAT - ONLINE FILING

As a reminder from our last newsletter from 1 April 2010 it is mandatory for all VAT registered businesses with an annual turnover of £100,000 or over to file their VAT Returns online and to pay any VAT due electronically. It will also be mandatory for any businesses newly registered for VAT to file electronically from 1 April 2010 regardless of the level of their turnover.

The new regulations apply to VAT return periods commencing after 1 April 2010. It is important that you ensure you are ready to file your return online before its due date. You will need to enrol for the online VAT filing service via the HMRC website. Upon registering you will need to be sent an activation key therefore waiting until the night before your return is due will be too late.

We already assist a number of clients with the online filing of their VAT returns and should you require any help in this area we would be happy to advise.

CROSS COMPLIANCE VISITS

A year ago HMRC introduced cross compliance visits in a move to help their 'customers'. Put simply this means that the inspectors of each tax discipline all meet with the business owner together at the same time to carry out an inspection of the business and review their records as opposed to each tax discipline investigating separately.

HMRC's reasoning behind the new style of cross compliance visits is that they hope it will improve efficiency and reduce the disruption to the customer's business. In reality it enables the individual inspectors to benefit from information and discussions that would not normally come to light when each department previously did not speak to one another.

An example of the inspectors speaking to one another is where the Corporation Tax inspector may inspect a particular Company Tax Return that covers one accounting period but the VAT inspector is entitled to look at up to 4 years worth of returns, so his conversation with the business owner will naturally take a different course and may enlighten the

Corporation Tax inspector.

Recently one of our clients was selected for a cross compliance visit, in this particular case entertaining expenses shown in the accounts was one area being challenged. This was of interest to the VAT inspector, PAYE inspector and Corporation Tax inspector for different reasons and all required different information from the business owner.

At George Hay our team of specialists are skilled at handling enquires and due to our wide range of expertise across all of the tax disciplines our experts are aware of the different procedures used by each inspector and what their individual line of questioning would be looking to achieve.

Our team ensure that questions are managed appropriately, don't intimidate the business owner and comply with the legislation. This is particularly important considering the new powers to 'subjectively' decide whether any errors were intentional and impose penalties accordingly.

Any business which is subject to a visit should seek professional advice.



OUR SERVICES:

- Raising Business Finance
- Tax Planning
- Investment Strategy
- Business Start-ups
- Cash Flow and Budgeting
- Management Accounts
- Accounting and Audit Services
- VAT and PAYE Planning and Advice
- Payroll and Bookkeeping Services
- Inheritance Tax Planning
- Business Loans
- Management Consultancy
- Independent Financial Advice for Investments, Pensions and Life Assurance

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