

Tax Factsheet - August 2006

Welcome to the August edition of our monthly Tax Factsheet.
The issues covered in this Factsheet are aimed at providing outline guidance only, and further specific advice may be needed before decisions are taken.

Proposed new Self Assessment deadline – a victory for common sense!

Further to our article in last month's Tax Factsheet, Lord Carter has revised his recommendations on bringing forward the Personal Tax Return submission deadline.

After consultation with the professional bodies the proposed deadline from 2008 will be **31 October** for paper returns and will remain at **31 January** for returns filed electronically.

Lord Carter's original proposals were 30 September for paper returns and 30 November for returns filed electronically, so the change in deadlines represents a significant revision of the proposals and is to be welcomed.

Contact Robert Bradley on (01509) 212890 if you require further details. Turner and Smith already file Tax Returns electronically and can help you meet these deadlines.

Business fuel reimbursement rates increase

HMRC have announced new fuel only business mileage reimbursement rates, which apply from **1 July 2006**. (The previous rates are as shown in brackets)

These rates can be used by **company car drivers** who:

- are reimbursed by the employer for business mileage paid for by the employee *or*
- reimburse the employer for private mileage to avoid a taxable Benefit in Kind

Engine Size	Petrol	Diesel	LPG
1400cc or less	11p (10p)	10p (9p)	7p (7p)
1401cc to 2000cc	13p (12p)	10p (9p)	8p (8p)
Over 2000cc	18p (16p)	14p (13p)	11p (10p)

Note that this is a different reimbursement system to the tax-free approved mileage rates (AMRs) of 40p per mile 1st 10,000 miles; 25p per mile thereafter, which applies to the reimbursement for the running costs of your **own vehicle** for business journeys.

However, Customs will allow employers to use the fuel only advisory rates to reclaim input VAT on the fuel element of AMR payments to employees.

Remember that these are advisory rates only, and an actual cost method (if higher) can be negotiated with the Tax Office. Contact Robert Bradley for more information.

Avoiding the Inheritance Tax (IHT) trap...

Despite Budgetary changes which will tighten the tax rules on the use of Trusts (see June 2006 Factsheet), there are still other ways to pass on money without falling foul of inheritance tax:

- Regular giving - each person can make annual gifts worth up to £3,000 per tax year without any risk of IHT.
- Gifts from income - you are also allowed to make unlimited regular gifts from income if said gift does not affect your standard of living
- Outright gifts - these do not count for IHT if you survive 7 years from the date of the gift
- Gifts to a spouse or charity – these are always free from IHT

The potential for new tax charges on Trusts mean that more people could be faced with an IHT bill of 40% in respect of the value of their Estates over and above the IHT nil band (currently £285,000).

It is therefore likely that we will see more taxpayers using a mix of both trusts and outright gifts to avoid IHT.

IHT and Will planning is a complex area needing careful thought – please call Robert Bradley for assistance.

Child Tax Credit claims – renewal deadline reminder

Families receiving child tax credit must renew their claim by **31st August** or risk losing the credit and, worse, receiving a demand to repay payments.

The system (which is dogged with problems and losing millions), is means tested.

Claimants are therefore responsible for providing the taxman with information about annual earnings, working hours and childcare arrangements.

Don't land yourself with problems with the Tax Credit Office. Remember to renew your Child Tax Credit application by the end of August.

You may need assistance from us with regard to entries required on the renewal form, and therefore you should contact us as soon as possible.

Statutory & Inland Revenue corporate filing deadlines

Currently all privately owned companies must send a copy of their signed accounts to Companies House within 10 months of the end of their accounting year.

However, the date for submitting accounts to Companies House is being brought forward. The options 'on the table' are **either 7 or 9 months after the end of the accounting year**. The consultation period has ended, and we await details.

It is believed that the taxman is thinking of following the Companies House example.

A reduction is proposed in the time allowed for submission of company tax returns (CT600) by either 5 or 3 months to **7 or 9 months** after the accounting period end.

The latter option would of course bring the deadline for submitting the CT600 in line with the date of payment of that year's corporation tax liability.

If these changes were pushed through, then the corporate tax self assessment system could mirror the income tax system in that 31 January is both (currently) a Tax Return filing and income tax payment deadline.

Tightening of the statutory deadlines will inevitably impact upon businesses and their agents. Records will need to be supplied to agents ever more promptly to ensure all deadlines are met.

We will of course keep you posted of any developments with regard to this issue. Please give Robert Bradley a call if you wish to discuss further.

Tax Diary - August 2006

- 1 Aug 2006** Corporation tax due date for the year ended 31 October 2005.
- 1 Aug 2006** Confirm CT600's for the year ended 31 July 2005 have been submitted to the Inland Revenue
- 2 Aug 2006** Submit form P46 (car) for quarter to 5 July 2006
- 19 Aug 2006** PAYE and NIC deductions due for the month end 5 August 2006.
(If you pay electronically, the due date is 22 August)

For further assistance on any of the issues raised, please contact Robert Bradley, Tax Manager at Turner and Smith on 01509 212890 or email robert_bradley@turnerandsmith.co.uk

All due care has been taken in the preparation of this fact-sheet. The authors can accept no responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication.