

Tax Factsheet - January 2006

Happy New Year and welcome to the January 2006 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.

Tax Returns – 31 January 2006 Filing Date

The Self-Assessment deadline for Tax Returns year ending 5 April 2005 is only a fortnight away.

There will be the usual last minute rush to file Returns, and postal delays in the past have led to criticisms that HM Revenue & Customs have applied incorrect penalties.

To avoid any ambiguity this year, HMRC have recently published the following filing guidance in their periodic 'Working Together' publication:

Tuesday 31 January

Returns received **up to midnight** are on time. This includes Returns received in Office letter boxes that are opened first thing on Wednesday morning

Wednesday 1 February

Returns received up to midnight are late but **incur no late-filing penalty**. This includes Returns received in Office letterboxes that are opened first thing on Thursday morning.

Thursday 2 February

Returns received from the morning post and onwards **are late and incur a late-filing penalty**.

The deadline for Returns submitted Online using the HMRC Filing by Internet system is **midnight on 31 January 2006**. If an Online Tax Return is filed on time but subsequently rejected, the taxpayer or agent has **14 days** in which to re-submit the amended Return.

If you have any deadline queries, or would like any assistance with last minute Tax Return filing, please contact Robert Bradley on (01509) 212890.

Hand delivered Self Assessment Tax Returns

On the same topic, HMRC also recently announced that they would not be issuing receipts for hand delivered SA Returns!

This has caused a lot of disquiet and many complaints from agents and taxpayers.

A hand delivery receipt obviously acts as proof of submission in the event of an incorrect late filing penalty notice. HMRC fail to understand that an incorrectly issued penalty notice can have a negative impact on a client/agent relationship.

Despite the backlash, HMRC are sticking to their guns and will not issue receipts, although they have released the following statement:

“.....we have issued guidance to our staff that in the event of an agent challenging a penalty notice on the basis that the Return had in fact been lodged, we should accept any reasonable evidence the agent has that the Return was filed on time. It is not possible to be prescriptive as to what evidence we will accept as this may vary between agents.....”

So that's nice and clear then!!

Please endeavour to submit Tax Returns well before the 31 January 2006 deadline to avoid the hand delivery rush. We can help you meet the deadline. Please contact Robert Bradley.

Input VAT recovery on employee purchased fuel

HMRC have announced that from 1 January 2006 VAT receipts will be required to support a claim for input VAT recovery on road fuel purchased by employees.

These changes are being made in response to an EC Case and subsequent infraction proceedings against the UK.

The proposed new order will make it explicit that employers recover only that VAT on fuel that is for use in their businesses in making taxable supplies, and must hold a VAT invoice in support of their claim.

The change affects the situation where employees purchase the fuel themselves and then make an expenses claim to the employer for a mileage allowance or the actual fuel costs.

From 1 January this claim will have to be supported by a garage VAT receipt for the employer to be able to reclaim the input VAT on the fuel element of the expenses claimed.

This change will affect not only those employees driving company cars, but also those employees claiming 40 pence per mile for driving their own cars for business journeys.

As the fuel element included in these expenses is between 9p and 16p per mile, the receipt will presumably only be required to support this element of the expense.

The changes do not affect employee purchases by employer provided fuel card, credit and debit cards, or garage fuel cards.

Please contact Robert Bradley if you would like to discuss these changes.

Tax Diary January/February 2006

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| 19 January 2006 | PAYE and NIC deductions due for the month end 5 January. (If you pay electronically, the due date is 22 January). |
| 31 January 2006 | File accounts at Companies House for private companies with year ended 31 March 2005. |
| 31 January 2006 | Submit CT600 to Revenue for the year to 31 January 2005. |
| 31 January 2006 | Due date for Corporation Tax for year to 30 April 2005. |
| 31 January 2006 | Deadline for submission of Personal Tax Returns for 2004/05 or receive automatic penalty fine of £100 (or unpaid tax if less). |
| 31 January 2006 | Final income tax payment and CGT due for 2004/05 plus 1 st payment on account for 2005/06. |
| 31 January 2006 | Final date for personal pension contribution to be made together with an election to backdate to 2004/05. |
| 2 February 2006 | Submit Forms P46 (car) for quarter ended 5 January 2006. |
| 14 February 2006 | Last day to defer Class 1 National Insurance Contributions for 2006/07 |

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.