

Tax Factsheet - July 2006

Welcome to the July 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.

Company van tax rules

The taxation of vans provided to employees, who use the vans significantly for private purposes, is changing from April 2007.

Currently, employees are taxed on the benefit of such a van (including double cab pickups) with an amount added to taxable earnings of £500. This amount is reduced to £350 if the van is 4 years old or over. These amounts include any fuel provided for private use.

From 6 April 2007, the discount for 4 year old vans is removed and, where employees have unrestricted private use of the van, the benefit will be increased to £3,000. Where the employer provides fuel for unrestricted private use, there will be an additional benefit of £500.

However, where a van is provided mainly for business use, and private use is restricted to commuting to work, with any other private use being "insignificant", there will continue to be no charge.

Make sure you avoid a potential tenfold increase in the company van tax bill. Both employee and employer need to consider the private use of vans well before April 2007. Contact Robert Bradley (01509) 212890 with any queries.

More Revenue small business advice letters.....

Last year the Inland Revenue targeted many small businesses with a letter 'warning' them of the need to submit accurate and timely Tax Returns.

Needless to say these letters were not particularly well received by either taxpayers or their agents.

Although the Revenue claimed the letters were not intended to imply that the taxpayer had transgressed, the receipt of these letters caused discomfort to many.

It appears the Revenue still feel this was a valuable exercise, because they have announced that more randomly selected small businesses will receive an "advice letter" over the next two months.

If you receive one of these letters, *our* advice is not to panic!

Although the letters will warn of the consequences of an inaccurate or late Tax Return, they are not meant to suggest that either the taxpayer or the agent have done anything wrong.

Furthermore, the Revenue insists that they do not mean a selected recipient is any more likely than the next person to be hit with a tax enquiry.

Quite what the letters are supposed to achieve, particularly where the client uses an agent, is something of a mystery.

If you wish to discuss any aspect of these advice letters, or would like assistance with your tax return, please contact Robert Bradley.

A new tax return submission deadline....?

Notice was given in this year's Budget of the Inland Revenue's intention to push for an earlier annual tax return filing deadline of 30 September.

This recommendation is at the forefront of a technical report, known as the Carter Review, which covers various aspects of the Taxman's and Vatman's online services.

The report made the following recommendations, and all indications suggest that the government intends to put them into effect:

- Compulsory online filing of VAT returns, PAYE forms and company tax returns to be phased in **from April 2008**.
- Compulsory electronic payments.
- Income tax self-assessment returns to be filed on **paper by 30 September** or **online by 30 November**, instead of 31 January.
- The perceived barrier to early filing of self-assessment and company tax returns should be removed by linking the period that HMRC has to query a return (the "enquiry window") to the date it is filed.
- **From 2007/08** computer-generated paper "substitute" returns for income tax self-assessment will no longer be accepted.

The shortening of the tax return filing deadline has already triggered a vociferous response from the tax profession.

The pressure on taxpayers and their accountants to prepare accounts, obtain all the relevant information, obtain approval and file tax returns by 30 September is likely to cause problems.

At least there is some room for manoeuvre. The earliest the new tax return deadline can be brought in is for the tax year 2007/08, and if the Revenue's experiences of dealing with recent online filing deadlines is anything to go by, then there is a serious question as to whether they have enough computing capacity to achieve the shortened deadline by 2008.

Certainly there will be much more to come on the issue, and there will be an opportunity for taxpayers and agents alike to find a way of working together to manage the reduced processing time.

Contact Robert Bradley if you would like to discuss any details of the Carter Report.

Tax Diary - July 2006

- 1 July 2006** Corporation tax due date for the year ended 30 September 2005.
- 1 July 2006** Confirm CT600's for the year ended 30 June 2005 have been submitted to the Inland Revenue
- 5 July 2006** Last day to reach PAYE settlement agreement for 2005/06
- 6 July 2006** Submission deadline to the Inland Revenue in respect of forms P11D(b), P11D and P9D for 2005/06. Ensure employees are given copies or extracts by the same date.
- 6 July 2006** Last days to report awards of shares or share options to employees on Form 42 and submit to Inland Revenue
- 19 July 2006** Payment by post or cash of 2005/06 Class 1A NIC liability in respect of employer benefits and expenses.
(If you pay electronically, the due date is 22 July)
- 19 July 2006** PAYE and NIC deductions due for the month end 5 July 2006.
(If you pay electronically, the due date is 22 July)
- 31 July 2006** Deadline for 2nd 2005/06 income tax payment on account, based on half of 2004/05 final tax liability
- 31 July 2006** Last day to pay 2004/05 tax to avoid 2nd automatic surcharge, and to file 2004/05 tax return to avoid 2nd automatic £100 penalty

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.