

Tax Factsheet - July 2007

Welcome to the July 2007 edition of our 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.

Increases in statutory annual leave from 1 October 2007

The increase to statutory annual leave entitlement is expected to rise from 20 to 24 days on 1 October 2007. A further increase from 24 to 28 days is expected on 1 October 2008.

The current minimum allowance in the UK is 20 days, and some employers include the eight bank holidays as part of this entitlement (pro-rata for part-time employees).

The reason behind this change is that it will protect vulnerable workers whilst allowing employers offering more than the current minimum annual leave the chance to 'compete' on a fair basis.

Research shows that businesses often cite holiday entitlement as a key factor in recruiting and retaining employees. Good holiday provision can therefore make good business sense.

National Minimum Wage Rates from 1 October 2007

Also recently announced are the following new National Minimum Wage Rates, which come into force on 1 October 2007:

- Aged 22 or over £5.52 per hour
- Aged 18 - 21 £4.60 per hour
- Under 18 £3.30 per hour

For further help with NMW rates, please contact Robert Bradley on (01509) 212890.

VAT payment deadlines - a reminder

In encouraging businesses to pay their VAT electronically, HMRC allow an extra seven calendar days for BACS, CHAPS or Bank Giro payments to be received by the Collector after the usual statutory deadline of one month following the VAT quarter end. For those paying by Direct Debit, then a further three working days elapse before HMRC collect the VAT.

However, HMRC are keen to point out that the same payment deadline extension does not apply to cheque payment. Technically, you should ensure that HMRC receive cleared funds by the due date to avoid a possible late payment penalty.

Please contact Robert Bradley for more information.

VAT cash accounting opens its door to more businesses....

With effect from 1 April 2007, HM Revenue Customs will allow businesses with a tax-exclusive turnover of not more than £1,350,000, and who are up to date with their VAT returns and VAT payments, to use the VAT cash accounting scheme.

The threshold at which a growing business then using the scheme business must come out has also nearly doubled to £1,600,000.

So as the initial entry turnover threshold has more than doubled, it offers the opportunity for many more businesses to consider whether cash accounting would ease any VAT recovery problems.

The cash accounting scheme operates by simply allowing VAT registered businesses to account for output VAT (on sales) in the VAT quarter in which payment is received.

VAT invoices still have to be issued and dated as normal using the 'tax point' rules, but it is the VAT which can be deferred until payment is received.

On the other hand, input VAT on business related purchases is not recoverable until suppliers are paid.

Businesses cannot use the scheme for hire purchase, goods and services invoiced in advance of the supply, or where payment is not due for more than six months after the invoice date.

Customs can refuse entry to the scheme if they think it is necessary to protect tax revenue. Similarly, a business can leave the scheme voluntarily at the end of any tax period.

The cash accounting scheme therefore offers a serious cash flow advantage to those businesses regularly paying large amounts of VAT, who suffer problems in recovering VAT on bad debts. Bad debt relief is effectively automatic.

Please note that the cash accounting scheme is not generally advantageous for a retailer; because retailers usually receive their payments immediately, but pay their input VAT later. So using the scheme would defer relief on the VAT charged on the inward supplies without delaying the payment of their output VAT which has already been received!

If the entry conditions are satisfied, it is not necessary to apply to Customs or even to notify them. The business can simply start to operate the scheme at the beginning of a return period.

You may wish to think about the impact cash accounting could have on your business - please contact Robert Bradley if you have any queries.

Enduring Powers of Attorney to be replaced from 1 October 2007

If unfortunately you are unable to continue managing your affairs, for example if you are incapacitated by an accident or illness, a Power of Attorney allows your choice of representative to manage your Estate or financial matters.

However, if you have not previously granted a Power of Attorney, your relatives may have to apply to the Court of Protection to achieve the same result. This can be a lengthy and costly process.

From 1 October 2007 the existing rules for the issue of Enduring Powers of Attorney (EPA's) in England and Wales are to be changed. EPA's will be replaced by Lasting Powers of Attorney (LPA's). This will effectively mean that the person granting the LPA can, if desired, instruct a Power of Attorney to deal with their financial affairs separately from their health and welfare matters.

LPAs will need to be registered and will be required to register a Certificate of Capacity - an independent opinion confirming that the person was mentally capable at the point the LPA was signed.

The new LPA rules are more complex, and may affect your Will and Inheritance Tax planning thoughts both before and after 1 October 2007. Please contact Robert Bradley if you would like assistance with these issues.

Tax Diary - July 2007

1 July 2007	Confirm CT600's for the year ended 30 June 2007 have been submitted to the Inland Revenue.
1 July 2007	Confirm abbreviated accounts filed with Companies House for private companies with 30 August 2006 year end.
1 July 2007	Corporation Tax due date for year to 30 September 2006.
5 July 2007	Last day to reach PAYE settlement agreement (PSA) with HMRC for 2006/07.
6 July 2007	Last day to file 2006/07 P11D/P9D forms and issue them to employees (penalties apply from 19 July 2007). Last day to report 2006/07 awards of shares/options to staff.
19 July 2007	PAYE and NIC deductions due for the month end 5 July 2007. (If you pay electronically, the due date is 22 July).
31 July 2007	Due date for 2 nd payment on account of 2006/07 income tax. Last day to pay 2005/06 tax to avoid 2 nd surcharge and to file 2005/06 tax return to avoid 2 nd penalty of up to £100.
31 July 2007	Last day to submit working and/or child tax credit renewal form 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.