

Tax Factsheet - June 2005

This edition of our monthly Tax Factsheet includes for the first time a new Tax Diary. Each month we will set out the various tax deadlines over the coming 30 days or so. We hope you will find the Diary useful.

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 vans - new benefit rules

If you provide vans for your employees, or if you drive a company van, please remember that new rules came into effect on 6 April 2005.

Employees previously charged a £500 or £350 benefit in kind for free use of the van for private motoring will no longer suffer this charge as long as private use is restricted to ordinary commuting to and from work.

Very occasional private use should not invalidate this exemption. However popping into a shop say once or twice a week on the way home *would* constitute regular private use.

If the employee does have regular or unrestricted private use, the van will remain subject to a taxable scale charge of £500 per annum or £350 if the van is more than four years old at the end of the tax year.

Employers should review their records and notify the Revenue of any employees who should no longer pay tax on their use of a company van.

Remember that the general rules for all vans change from 6 April 2007.

The £150 reduction for older vans will be abolished, and it is proposed that the unrestricted use of vans will be taxed at £3,000 plus an additional charge of £500 if free fuel is provided for private motoring.

Please contact Robert Bradley if you would like any assistance in deciding whether company van benefit charges apply.

Robert can also assist with any queries regarding the imminent 6 July P11D submission deadline, including how to file your P11D's online.

Inland Revenue enabling letters 2005

Between May and August 2005 HMRC will issue letters to selected small businesses with a turnover of less than £150,000 reminding them of the need to submit accurate Tax Returns.

The letters will not be announcing an enquiry into the recipients' businesses but will be reminding them of the need for accuracy in their figures; and will point out the consequences of getting it wrong.

The recipients have been identified not only on turnover, but also on a risk profiling assessment of small businesses.

Recipients will not automatically be investigated when their Returns are submitted, but may be distressed by a feeling of being watched even before their Returns are filed.

This exercise follows similar ones in earlier years and reports suggest that the profits returned by recipients of the letters were markedly higher in subsequent years than before receiving the letters!

So, whilst the tactic may be deplored by practitioners and cause distress to many recipients, the tax authorities are likely to persist with something it considers to be legitimate and cost effective.

Contact Robert Bradley if you receive such a letter, or have any concerns regarding tax enquiries. We can now offer our clients fee protection against HMRC enquiries.

Limited company - changes to directors' indemnity rules

Until 5 April 2005, a company was unable to indemnify its directors against personal liability unless they obtained a court judgement in their favour. This left directors potentially vulnerable.

However, since 6 April, the law has been relaxed, and the position in summary is:

- If a 3rd party brings an action against a director, the company can indemnify the director for both legal costs and the costs of any judgement, even if the judgement goes against the director. Note that this does not include criminal fines and the legal costs of criminal proceedings where the director is convicted.
- Companies will be allowed to pay a director's defence legal costs as they are incurred, even if the company brings the action against the director. However, if the action by the company against the director is successful, the director will have to pay any damages awarded and repay his defence costs.

These changes mean that if a company wishes to rely on them, it will need to amend its Articles of Association - contact Robert Bradley if you need assistance with this.

Claiming tax back on savings income

A few years ago the Inland Revenue introduced an initiative called “taxback” aimed at assisting non-taxpayers in recovering tax deducted from bank and building interest.

Periodically, the Revenue promotes the “taxback” scheme, and is currently doing so, mainly via their website.

Children, students, and possibly the elderly are the people most likely to be paying tax unnecessarily if their total income does not exceed the personal allowance of:

£4,895 (£94 per week)	under 65
£7,090 (£136 per week)	65 – 74
£7,220 (£139 per week)	75 or over

If you know of anyone in this situation, advise him or her to check that they are not suffering tax deductions at source in respect of bank or building society income.

To rectify the situation, the non-taxpayer should firstly complete Form R85, which will enable the interest payer to credit interest gross, rather than net of tax.

Then, repayment claims (Form R40) should be filed to reclaim tax deducted at source for earlier years. Claims can be backdated to the 1999/00 tax year.

Speak to Robert Bradley if you would like any help regarding the “taxback” scheme.

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31 May 2005 all employees should be given copies of their P60s.

1 June 2005 corporation tax due date for the year ending 31 August 2004.

17 June 2005 PAYE/NIC manual payment deadline for the month ending 5 June 2005. Due date is 19 June, which is a Sunday.

22 June 2005 PAYE/NIC electronic payment due for the month ending 5 June 2005

6 July 2005 submission deadline to the Inland Revenue for forms P11D(b), P11D and P9D. Ensure employees are given copies by the same date.

6 July 2005 file Form 42 share scheme return for 2004/05.

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.