

Tax Factsheet - November 2006

Welcome to the November 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.

The new Construction Industry Scheme

Businesses and the Self-Employed will probably be aware that significant changes will apply to the Inland Revenue's Construction Industry Scheme from 6 April 2007.

The intention of the new rules is to reduce the regulatory burden on construction businesses, and to improve compliance with tax obligations.

These changes were originally to be implemented from 6 April 2006, but the Revenue deferred the introduction of the changes for a year following consultations.

This does mean that the extra year to prepare for the changes suggests that the Revenue (HMRC) will expect everyone who works under the rules of the Construction Industry Scheme (CIS) to be fully prepared for the new system: - lack of time to prepare will not be a valid excuse.

With *less than six months* until the introduction of the new scheme, contractors and subcontractors need to understand what the changes will mean, and also ensure that all new CIS compliance requirements are met.

In summary, the main features are:

1. A new system to ensure that contractors apply the correct **employment status** to their workers.
2. New rules about **paying subcontractors** under deduction of tax or gross have been introduced. CIS cards, certificates and vouchers will no longer be used.
3. **All new subcontractors will need to register** with HMRC. If a subcontractor is not registered, payment can be made but contractors will need to apply a higher rate of deduction.
4. Contractors will need to make a **monthly return** to HMRC showing payments made to all subcontractors and declaring that none are employees. Even if no payments are made to subcontractors in a month, returns will still be required under the new scheme. Annual returns will cease.
5. Contractors must provide subcontractors paid under deduction with **pay statements**.

Please contact Robert Bradley on (01509) 212890 if you would like more details about the new CIS scheme. Our dedicated payroll bureau, Aspire PBS can help with your compliance and reporting requirements.

Employer provided vans

For 2005/06 and 2006/07 the previous fixed £500 taxable benefit charge for private use of a van only applies if there is unrestricted private use. Otherwise the provision of an employer provided van is currently a tax-free perk.

However, from 6 April 2007, please note that the unrestricted private use charge will be increased to £3,000. In addition, where the employer provides fuel for unrestricted private use there will be a charge of £500.

Remember that these charges will not apply if the employee simply takes a company van home at night.

Although most van drivers will still escape the benefit charge, a higher rate taxpayer with unrestricted use and private fuel would suffer a tax charge of £1,400, and the company would pay Class 1A National Insurance of £448.

With regard to double cab pick up trucks, note that HMRC have for several years applied the same interpretation as for VAT purposes; namely a double cab pick-up that has a payload of one tonne or more is accepted as a van for tax purposes. Such vehicles should nonetheless be designed primarily for carrying goods.

The potentially increased tax & NI revenue means that this is likely to be an issue the Revenue will look at in some detail, for example during a compliance visit.

The recommendation would be for employers who provide vans to stipulate in employment contracts that non-commuting private use is forbidden. Employees should of course have another vehicle available for domestic use!

HMRC have a list of car derived cars and combi vans on their website. The list shows whether the vehicles are classed as cars or vans.

If you need any assistance with regard to the provision of company vans, please contact Robert Bradley on (01509) 212890.

National Minimum Wage Rates

A reminder that employers are required to apply the following National Minimum Wage Rates from 1st October 2006:

- Aged 22 or over £5.35 per hour
- Aged 18 - 21 £4.45 per hour
- Under 18 £3.30 per hour

For any further assistance on NMW rates, please contact Robert Bradley.

VAT flat rate fuel scale charge

For accounting periods commencing on 1 May 2006, please note that the following private fuel scale charges should be applied:

	12 months £	VAT due per car £	3 months £	VAT due per car £	1 month £	VAT due per car £
<i>Diesel</i>						
Cylinder Capacity:						
2,000 or less	1,040.00	154.89	260.00	38.72	86.00	12.81
Over 2,000	1,325.00	197.34	331.00	49.30	110.00	16.38
<i>Petrol</i>						
Cylinder Capacity:						
1,400 or less	1,095.00	163.09	273.00	40.66	91.00	13.55
Over 1,400 up to 2,000	1,385.00	206.28	346.00	51.53	115.00	17.13
Over 2,000	2,035.00	303.09	508.00	75.66	169.00	25.17

These rates should be used to assess output VAT due on fuel used by cars for private journeys if provided at below cost by the business. There is no high business mileage discount.

Contact Robert Bradley if you have any queries.

Tax Diary - November 2006

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

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.