

Tax Factsheet - September 2005

Welcome to the September 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.

Keeping records

One of the features of the Self-Assessment tax system is that taxpayers do not need to send accounts and supporting documents to the Inland Revenue with Tax Returns.

However, taxpayers still have responsibilities to keep **all** records relevant to the Return, primarily to support the entries should the Inland Revenue have brief queries or initiate official enquiries into a Return.

For companies, the Self-Employed, or taxpayers who let property, records must be retained for 5 years and 10 months from the end of the relevant tax year. For example, if your accounting year ends in the 2004/05 tax year, business records must be stored until **31 January 2011**.

All other taxpayers are required to keep records for 22 months from the end of the tax year - ie for 2004/05 Returns, records must be kept until **31 January 2007**, which is also generally the deadline by which the Revenue must open an enquiry.

Therefore if you are in business and your accounting year end is, say, 30 April 2004 (profits taxable in 2004/05), you need to retain your business records for *nearly 7 years* after the end of your accounting year end!

The reason for the need to keep records for so long is that if the Revenue 'discover' that tax has been underpaid as a result of an enquiry or due to inadequate disclosure, then the discovery assessment deadline is extended to 5 years and 10 months.

If the Revenue have commenced a formal enquiry into a Return before the expiry of the time limit, the records must be kept until that enquiry is completed.

Records may be kept on computerised systems providing they can be produced in legible form if required. Penalties of up to £3,000 may be charged for any tax year in respect of which required records are not kept.

If you have any concerns about either your record keeping requirements or document storage facilities, please contact Robert Bradley on (01509) 212890.

Childcare & childcare vouchers

From 6 April 2005, the income tax and National Insurance implications for providing either workplace nurseries or childcare vouchers have been aligned so that both now have full tax and NI exemption.

Many small businesses do not have the resources or time to be able to provide nursery facilities, either on their own or in tandem with other employers or local authorities.

However, providing childcare vouchers equivalent of up to £50 per week of an employees salary enables the employee to use the vouchers to pay for childcare he or she has independently arranged - ie less administration for the employer.

The tax & NI savings can be substantial. A higher tax rate paying employee opting for the maximum salary sacrifice of £50 per week will currently save £1,066 per annum in tax and NI, whilst the basic rate payer will save £858. These savings are of course doubled for a working couple.

In either case the employer will save £332 in employers National Insurance. In addition, the administration costs are also exempt.

Note however that there is no exemption if the employer provides cash to cover employees own childcare expenses.

If you would like to know more about childcare vouchers and how to apply to register to operate a voucher scheme, please call Robert Bradley

Education Maintenance Allowance (EMA)

The EMA is a rarely promoted state benefit available to students who become 17 or 18 during the academic year 2005/06. It is also available to students becoming 19 in 2005/06 who live in certain areas of the country.

The award for 2005/06 is paid directly to students, and can be applied for where adult's household income is below £30,000 for the tax year ended 5 April 2005.

To qualify, the student must intend to follow a 12 hour plus course of Further Education in England and be a UK national born here or with UK citizenship.

The EMA is a weekly term-time payment of £10, £20 or £30, depending on the level of household income. The award is made for a course of up to 3 years. Regular bonuses of £100 are also available if the student progresses well on the course.

EMA guidance notes and application forms can be obtained by calling the Department for Education and Skills helpline on 080 810 16 2 19, or accessing the website www.direct.gov.uk/ema Contact Robert Bradley if you need more details.

E-VAT

Businesses are already able to complete their VAT Returns online, but now Customs & Excise have set up an online VAT payment service using BACS Direct Debit. The benefit of this service is that the required VAT is automatically paid to Customs, which means no more missed payments.

When combined with online filing, the VAT payer may be entitled to receive up to 7 extra days from the standard due date for the Return to reach Customs, and a further 3 days before payment is collected.

Log on to www.hmce.gov.uk or call 0845 010 8500 for further details.

Tax Diary September/October 2005

- 19 September 2005** PAYE and NIC deductions due for the month end 5 Sept. (If you pay electronically, the due date is 22 Sept).
- 30 September 2005** Submit CT600 to Revenue for the year to 30 September 2004. File accounts at Companies House for private companies with year ended 30 November 2004.
- 30 September 2005** Due date for Corporation Tax for year to 31 December 2005. (Actual due date is 1 October, but this is a Saturday).
- 30 September 2005** Deadline for submission of 2004/05 Personal Tax Return if the Inland Revenue is to complete the tax calculation.
- 30 September 2005** Deadline for submission of 2004/05 Personal Tax Return where taxpayer has a PAYE tax code in operation, their 2004/05 tax liability is less than £2,000, and they would like the cash-flow advantage of the tax liability being deducted monthly through a later years PAYE tax code.
- 1 October 2005** National Minimum Wage rates increase to £5.05 per hour for workers aged 22 or over, and £4.25 per hour 18 – 21 year olds.
- 5 October 2005** Individuals must inform Inland Revenue of new sources of income or gains for year ended 5 April 2005 if no Tax Return has been received.

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.