

Hobsons : Newsletter September 2006

Tax News

[Introduction](#)

[Small Business Rate Relief - Application deadline England](#)

[Employee Car Ownership Schemes](#)

[HMRC Interventions](#)

[Giving to Charities](#)

[Tax Diary September/October 2006](#)

[Disclaimer - Unsubscribe](#)

Introduction

This month we have included a reminder for the owners of "small" business properties to claim rate relief in certain circumstances, an article covering the possible withdrawal of employee car ownership schemes, HMRC interventions and Gift Aid considerations.

Clients will be pleased to know that the Revenue have backed down from their proposed changes to the filing dates for self assessment tax returns. Previously the deadlines were going to be changed to 30 September for paper returns and 30 November for online filing, but a successful lobbying campaign by the profession has resulted in these dates being changed to 31 October for paper returns and 31 January (as now) for electronically filed forms. These amended changes will apply to returns issued for 2007-08 and subsequent years.

Small Business Rate Relief - Application deadline England

The deadline for submitting applications for Small Business Rate Relief 2005/2006 in England is 30 September 2006.

The amount of relief that you may be able to claim depends on the rateable value of all the business properties that you own.

If the rateable value of all properties you own is below £5000 (In Scotland £3,000) you will be eligible for a 50% relief. This reduces as the rateable value rises.

For owners of new business premises please note the following quote from the Government's web site:

Assuming a business meets the eligibility criteria, the relief can only be granted if the property the business occupies is on the rating list from 1 April. The date of occupation of the property is irrelevant, the key date is the effective date given to the property in the rating list. If the property has an effective date after 1 April, then the relief can only be applied for from 1 April of the following year.

Forms are reasonably easy to complete, if you need help please call. For smaller business property owners this is a relief not to be missed.

Scotland has a separate scheme which has been in place since 1 April 2003. There are no specific deadlines for applications, which can be made by calling the appropriate rating authority and requesting an application form.

There is no small business rate relief scheme in operation in Wales.

Employee Car Ownership Schemes

ECOS Schemes aim to achieve the following objectives, which generally exempt the employee from the car benefit and car fuel benefit rules.

- a) improve employers' profits by funding the business travel on the part of its employees in a more cost-effective manner than continuing to fund Company Cars. Improve Health and Safety procedures.
- b) Provide employee drivers with net pay benefits, flexibility and more choice.

In some schemes, ownership of the vehicle is transferred to the employee at the start of the scheme. In others, (badly designed schemes), ownership is not transferred, but the car is not made available by reason of the employee's employment.

Where this has been the case, the Revenue will be interested to look at the following aspects of schemes to see if a tax charge applies:

- is there any tax charge in respect of a sale of the car at undervalue to the employee,
- is there any tax charge in respect of a resale of the car at overvalue by the employee,
- is the employee making good the full cost to the provider of items such as insurance, servicing and repairs, vehicle recovery assistance,
- is there a free or low interest loan.

If HMRC perceive that members of such schemes are receiving tax breaks that work against the government's plans for the environmental impact of cars, we are likely to see a tightening of the law in this area.

HMRC are currently reviewing car ownership schemes offered by employers that do not accord with HMRC approved procedures and are to report on the matter in the Pre-Budget Report 2006. (November 2006)

There are still opportunities to set up Car Allowance Schemes before Company Car taxation is increased yet again in 2007.

HMRC Interventions

There is a "new game" in town, HMRC Interventions!

The Revenue are trialling a new approach with their customers (taxpayers), the stated objectives being:

- a review of current record keeping, to make sure they meet HMRC standards.
- a short risk review.
- self audit of tax returns, i.e. phone calls or letters requiring taxpayers to consider changes to their returns.
- correction challenges - where the Revenue have good quality information, from banks etc, they will simply change your return and ask you why the information returned was incorrect.

Initial contact may be by letter or a telephone call. We would strongly advise all clients to contact us immediately should an approach be made. We would also advise against entering into a dialogue with HMRC - simply advise them that you will refer their enquiry to your accountant. It is by no means certain that we will receive copies of correspondence, or notification that calls will be made.

It is also worth mentioning that under current legislation the Revenue have no powers to carry out these interventions - they can only do so with your agreement and co-operation. The Revenue are recently quoted as saying:

"...the pilots are purely voluntary and there is no question of any customers being compelled to take part."

Giving to Charities

Gift Aid donations increase the cash benefit to charities by enabling them to recover the deemed standard rate tax that you certify you have deducted before making the gift. For instance if you make a donation of £10 the charity can recover a further £2.82 from the Revenue. This effectively increases the charity's income by 28.2%.

The tax effect for the donor depends on your highest rate of tax paid:

40% rate taxpayers

As you pay the donation net of the standard rate tax charge, you can claim an additional £2.31 for every £10 of donation made.

Standard Rate taxpayers

There is no additional benefit for standard rate taxpayers as they are deemed to have deducted the standard rate tax charge before making the donation.

Individuals who pay no tax

When making a gift aid donation you assert that you will pay standard rate tax on the equivalent amount of income. If it transpires that you pay no tax then you are required to refund the notional standard rate tax. In the example above based on a net donation of £10 you will need to repay £2.82.

Backdating donations

One further point regarding the date of payment and the tax year you can claim a deduction.

You are allowed to include in your tax return all payments made after the end of the tax year, up to the earlier of:

- the following 31 January, or
- the date on which you file your return.

This can be significant for taxpayers who realise that in the current year they will not pay higher rate tax, whereas in the past year they did pay tax at 40%. By carrying the appropriate gift aid payments back higher rate marginal tax at 23% can be recovered. Without the carry back this benefit would be lost.

Please keep a record of all the gift aid payments that you make. We can only make a claim on your tax return if we are advised.

Tax Diary September/October 2006

1 September 2006 - Due date for corporation tax due for the year ending 30 November 2005.

19 September 2006 - PAYE and NIC deductions due for month ending 5 September 2006. (If you pay your tax electronically the due date is 22 September 2006)

30 September 2006 - Last day to submit 2005-2006 applications for small business rate relief in England.

1 October 2006 - Due date for corporation tax due for the year ending 31 December 2005.

19 October 2006 - PAYE and NIC deductions due for month ending 5 October 2006. (If you pay your tax electronically the due date is 22 October 2006)

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