



# COMPASS ACCOUNTANTS

## TAXANGLES

### FOR PROACTIVE TAX PLANNING



## NEWSLETTER JUNE/JULY 2014

### QUOTATION OF THE MONTH

"I have learned that if you must leave a place that you have lived in and loved and where all your yesteryears are buried deep, leave it any way except a slow way, leave it the fastest way you can. Never turn back and never believe that an hour you remember is a better hour because it is dead. Passed years seem safe ones, vanquished ones, while the future lives in a cloud, formidable from a distance." - Beryl Markham, West with the Night.

### PENSION CONTRIBUTIONS AND HIGH INCOME EARNERS

Our previous government enacted legislation that removed the personal allowance for certain high income earners. The present government has made no change to this process. Basically, for every £2 your income exceeds £100,000, your personal allowance is reduced by £1.

Take, for example, the case of Joe Smith who has income for 2014-15 of £100,000 and a personal tax allowance of £10,000 - this leaves income subject to tax of £90,000 and a tax bill of £29,627.

Joe's best friend, Charlie, has income of £120,000. Based on the £1 reduction for every £2 of income over £100,000, Charlie has lost entitlement to his personal allowance of £10,000 and his tax bill amounts to £41,627.

Charlie's extra tax, compared to Joe's, is £12,000. His income is £20,000 higher than Joe's and accordingly, his marginal rate of tax on this amount is 60% (£12,000/£20,000).

This 60% Income Tax rate can be avoided. For instance, Charlie could pay a net contribution into his pension of £16,000 (gross premium £20,000) and this will reduce his taxable earnings to £100,000 saving him £8,000 in Income Tax – Charlie also receives 20% tax relief at source of £4,000 – the combined tax saved is therefore £12,000.

There are other strategies that can be employed to similar effect. If your income is likely to exceed £100,000 for the first time this tax year please call so we can discuss your options in more detail.

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## HMRC'S SECOND INCOME CAMPAIGN

On 9 April 2014 HMRC published details of their latest campaign to encourage taxpayers to declare and pay unpaid tax on second incomes.

HMRC will expect settlement of any taxes due four months from the date of declaration of untaxed income sources to HMRC.

The types of income highlighted by HMRC include:

- consultancy fees, for example, providing training
- organising parties and events
- providing services like taxi driving, hairdressing or fitness training
- making and selling craft items
- buying and selling goods, e.g. at market stalls or car boot sales

If you have undeclared income, making use of this disclosure opportunity should reduce any penalties HMRC may charge you. If you don't make a voluntary declaration, and are discovered by HMRC, then the penalties you will be charged will be much higher.

- If you make a voluntary disclosure penalty rates are 0%, 10% or 20% depending on the circumstances.
- If you don't make a voluntary disclosure these rates can rise to 100% of the tax underpaid.
- If the non-disclosure involves offshore liabilities the penalties can increase to 200%.

## THE END OF PRIVATE RESIDENCE ELECTIONS

At present taxpayers, who own more than one property used as residences by them, can make a formal election to determine which of their properties should be considered their private residence for tax purposes.

The election needs to be based on the facts – how has each property been used as a private residence - and HMRC has a right to challenge an election if it looks as if the taxpayer has never really taken up residence in a property and is simply trying to obtain a tax advantage.

HMRC is presently consulting on a range of issues that affect owners of residential property in the UK. One of the changes they have under consideration is to scrap the present right to make an election, and to give HMRC the right to determine private residence status based on "demonstrable" evidence.

If this change is enacted it could take effect from as early as April 2015.

Home owners with more than one property should consider their options now.

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## VAT ONLINE FILING RELAXED

HMRC has proposed to relax the current online filing of VAT returns. They are going to improve the telephone filing service by making it possible for taxpayers to ring HMRC rather than making an appointment for HMRC to ring them. They are also providing: a dedicated line, and providing a service outside normal working hours. The service will be more widely publicised and guidance provided.

The change of approach has been largely due to recent tax cases that have challenged the mandatory online filing process for most taxpayers. In one case the judge found that requirement breached the human rights of those who were unable to file online because they were computer illiterate due to age, or had a disability that made using a computer accurately very difficult or painful, or they lived too remotely for a reliable internet connection.

VAT registered traders should be able to take advantage of non-online filing if they are:

- elderly,
- disabled,
- in a remote location where internet access is not available,
- unable to file online for any other reason

The changes should provide those groups with telephone filing, or paper filing alternatives.

## FRAUD ALERT

Fraudsters are trying to have sophisticated ways to deceive your customers and your suppliers. They are constantly adapting there approach to keep up with changes in technology.

Currently fraudsters change in the bank account details of genuine suppliers in order to divert the supplier's funds into their own accounts.

We have been aware that some fraudsters are remotely taking control of a suppliers' email accounts from which they send seemingly genuine requests to change details. Having got control of these email accounts, the fraudsters can then set up new "rules" within the account settings to enable them to interrupt and/or delete further incoming emails from the target organisations.

This enables the fraudster to monitor and respond to the email correspondence and allows the fraud to continue undetected.

With undetected control over its email account, a fraudster can gain access to an invoice which had previously been emailed by the genuine supplier. Once this invoice has been picked up by the fraudster they can alter the invoice with new bank account details to divert funds paid to settle the invoice into the fraudsters bank account.

Such attacks bypass the more common manual anti-fraud measures and can be difficult to detect.

### **So what can you do to reduce risks of such frauds?**

Fighting such fraud is a continuing and never ending process – each new control is likely to be circumvented by wily fraudsters in due course.

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## FRAUD ALERT (CONTINUED)

But there are steps that you can take:

- Establish systems of administration and authorisation in relation to changes in suppliers' details of any kind- and to rigorously test them.
- Independently verify any requests to change supplier contact or the original supplier's bank account.
- Before applying any requested changes, confirm this with a trusted source at the supplier.
- Ensure robust IT security controls are in place.
- Educate your staff to increase their awareness of the dangers of fraud.

## SCAM EMAILS

Watch out for email scams supposedly coming from HMRC.

HMRC have already started warning members of the public about anticipated scams.

There is a lot of correspondence coming out from HMRC at present in the ordinary mail (snail mail) notifying taxpayers that their 2014/15 tax returns are now due for completion.

Amongst this large amount of postage are emailed scam requests similar to the one set out below!



### How to complain, ask for a review or make an appeal

#### [Review process update](#)

Review process - the first 12 months. Find out more

## Claim Your Tax Refund Online

Dear Customer :

HM Revenue & Customs has identified an error in the calculation of your tax from the last payment, amounting to GBP 1.400. To return the excess payment, please click the " My Refund" below:

#### [My Refund](#)

How to return itself, have not changed. Only the format of what you claim and how you get paid back from HMRC has changed digitally. HMRC Department has trouble to return it through the data you give on the Tax application form.

We are here to Ensure the correct tax is paid at the right time, whether this relates to payment of taxes received by the department or entitlement to benefits paid.

Best Regards,  
HM Revenue & Customs Department

#### **See also**

[Appeal and review news](#)

[Working and paying tax](#)

[Pensioners](#)

[Find a form](#)

[Complaints factsheet C/FS \(PDF 67K\)](#)

[Feedback](#)

**SO BEWARE! YOU HAVE BEEN WARNED!**

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## TAX DIARY JUNE/JULY 2014



- 1 June 2014** - Due date for Corporation Tax due for the year ended 31 August 2013.
- 19 June 2014** - PAYE and NIC deductions due for month ended 5 June 2014. (If you pay your tax electronically the due date is 22 June 2014.)
- 19 June 2014** - Filing deadline for the CIS300 monthly return for the month ended 5 June 2014.
- 19 June 2014** - CIS tax deducted for the month ended 5 June 2014 is payable by today.
- 1 July 2014** - Due date for Corporation Tax due for the year ended 30 September 2013.
- 6 July 2014** - Complete and submit forms P11D return of benefits and expenses and P11D(b) return of Class 1A NICs.
- 6 July 2014** - Deadline for details of payments and benefits in kind to be provided to HM Revenue and Customs if you wish to arrange a PAYE Settlement Agreement to pay the PAYE/NIC arising so the employee is not charged.
- 6 July 2014** - Deadline for submitting form 42 (reporting of transactions in employment related securities).
- 6 July 2014** - Deadline for submission of new Tax Credit application for 2014-2015, if you want to secure a full year's claim.
- 19 July 2014** - Pay Class 1A NICs (by the 22 July 2014 if paid electronically).
- 19 July 2014** - PAYE and NIC deductions due for month ended 5 July 2014. (If you pay your tax electronically the due date is 22 July 2014.)
- 19 July 2014** - Filing deadline for the CIS300 monthly return for the month ended 5 July 2014.
- 19 July 2014** - CIS tax deducted for the month ended 5 July 2014 is payable by today.
- 31 July 2014** - Deadline for Tax Credit renewal submissions – notification of income for 2013-2014.
- 31 July 2014** - Increased penalty in respect of late Tax Returns not yet submitted for the year to 5 April 2013.
- 31 July 2014** - The second payment on account of self assessment income tax (and Class 4 NIC) by individuals for 2013–14 must reach HMRC to avoid late payment interest charges.

**DISCLAIMER** - PLEASE NOTE: The ideas shared with you in this newsletter/email are intended to inform rather than advise. Taxpayers circumstances do vary and if you feel that tax strategies we have outlined may be beneficial it is important that you take specific advice.

## COMPASS ACCOUNTANTS

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