



# COMPASS ACCOUNTANTS

## TAXANGLES

### FOR PROACTIVE TAX PLANNING



## NEWSLETTER MAY/JUNE 2014

### QUOTATION OF THE MONTH

"I'm choosing happiness over suffering. I know I am. I'm making space for the unknown future to fill up my life with yet-to-come surprises". - Elizabeth Gilbert U.S Author of "Eat, Prey, Love".

### MONEY FOR NOTHING!

An offer that seems too good to be true?

This is a dead serious **'win - win'** offer for you.

The chances are you are already making payments for utilities (electricity, gas, telecoms etc.)

You like all of us are bombarded every day with unsolicited calls – your natural reaction is to "hang up" in not so many words!

But we have an initiative which puts you and your business at the heart of our focus to help you improve profits and cashflow in your business. This Business Cost Reduction process is one of our "war on waste" tools in our business improvement system, Compass Business Navigator.

We are working with BCR Associates, who are national specialists in cost reduction.

We'll review your costs and identify those which will best lend themselves to cost reduction. We will carry out a FREE cost review of these costs as they are NOW impacting your business, including a review of your recent invoices.

We will then identify alternative suppliers who will provide you with a service at reduced costs.

....And the good news is that all this is FREE to you!

BCR get paid NOT by you but by your selected supplier out of THEIR BUDGET NOT YOURS – and you don't pay us a penny either ! In fact 100% of savings identified are passed back to you!

WHY ARE WE DOING THIS FREE?

Because we believe that with the savings you make you will be interested enough to discuss with us our other profit improvement initiatives for which we will charge you!

Call Jeff Walton on 01329 844145 to find out how we can help you improve your profits and cashflow with a no-cost no-obligation meeting which can be set up at your convenience and at your premises.

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## VAT MINI ONE STOP SHOP (MOSS)

Currently, the place of taxation for broadcasting, telecommunications and e-services (BTE) supplies is determined by the location of the supplier of the services. However, from 1 January 2015, the place of taxation for private consumers will be determined by the location of the consumer.

Business to business supplies are unaffected; this change will only concern suppliers of BTE services to private consumers.

To save you having to register for VAT in every EU Member State where you supply BTE services, you may opt to use the VAT Mini One Stop Shop online service (VAT MOSS). This will be available on 1 January 2015, but you will be able to register to use it from October 2014.

For example, if you register for the VAT MOSS online service in the UK, you will be able to account for the VAT due on your business to private consumer sales in any other Member States by submitting a single VAT MOSS return. This will include any related payment to HMRC. HMRC will send an electronic copy of the appropriate part of your VAT MOSS return, and the related VAT payment, to each relevant Member State's tax authority on your behalf. The VAT rate used will be that of each Member State of Consumption at the time the service was supplied.

The changes in the underlying VAT place of supply rules are complex. If you feel you may be affected please contact us at an early date so we can advise you on any alterations, if any, you will need to make to your record keeping systems.

## CARS, BUSINESS USE, AND TAX CONSIDERATIONS

There are a number of situations where care should be taken in the way in which claims are made for the business use of a vehicle, usually a car, which is also used for private purposes.

We have listed below a number of issues that business owners and private car users should be aware.

1. If you are self-employed and your business assets include a car you should be reducing your claim for capital allowances, loan and HP interest and running costs based on your private use of the vehicle. The percentage added back should be based on a record of your private and total mileage. On enquiry, HMRC are unlikely to accept a private or business use percentage unless it is backed up by a detailed mileage log.
2. Alternatively, if you are self-employed, and if your business turnover does not exceed the VAT registration threshold (currently £81,000) you can use the fixed mileage rates referred to below. These do not cover loan interest and this can also be claimed subject to restriction for private use based on private and total mileage for the period claimed.
3. If you are employed and your employer requires that you use your own vehicle for business trips there are two aspects to consider: the rate per mile you are paid (HMRC allows you to receive up to 45p per mile for the first 10,000 business miles each tax year and 25p per mile thereafter) and the number of miles you claim. The 45p/25p rates are the maximum claim HMRC will allow. Employers are free to pay up to this limit without triggering benefit-in-kind issues. Again journeys should be logged and recorded to evidence the number of miles claimed.
4. If you have the use of a company car and your employer pays for your private petrol you will be liable to a hefty benefit-in-kind charge. You can eliminate this charge if you reimburse your employer for the cost of private petrol provided. Usually, the cost of any such reimbursement will be lower than the tax charge created by the benefit-in-kind assessment. The reimbursement can be calculated using the 'advisory fuel rates' on HMRC's website and you will need to log your private mileage.
5. If your company provides you with a company car, and if you use the vehicle for business and private purposes, then you will be taxed on the deemed benefit. The amount of the benefit-in-kind charge will depend on the CO2 emissions of the vehicle you use. The rates of benefit vary between 0% and 35% of the list price of the vehicle when new. If you presently drive a car with a high CO2 rating you may want to consider trading it in for a lower CO2 rated model.

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## CARS, BUSINESS USE, AND TAX CONSIDERATIONS (CONTINUED)

You will need to provide evidence should HMRC visit and select mileage claims for audit. Generally speaking you should:

- Record the postcode at the beginning and end of the journey so an accurate check can be made of mileage claimed.

London to Birmingham would be too vague.

- The business miles claimed should not be rounded.
- Home to work mileage should be excluded.

### HMRC MAY BE EXTENDING ACCESS TO TAXPAYERS' DATA

The Treasury has confirmed it was proceeding with plans to legislate making aggregated and anonymised data more widely available. In a published document HMRC said:

"The government has decided to proceed with the proposal to remove the legal restrictions that currently limit HMRC's ability to share anonymised individual level data for the purpose of research and analysis and deliver public benefits wider than HMRC's own functions, but they accept that this must be done only where there are sufficient safeguards in place to protect taxpayer confidentiality.

HMRC is committed to protecting its customers' information. We shall be consulting further on implementing the proposals for sharing anonymised data, and would only take forward specific measures where there was a clear public benefit and subject to suitable safeguards."

A number of politicians and academics have reacted badly to this news.

The data shared could include details about income, tax arrangements and payment history. According to government sources the data would be cleansed of personal contact details of taxpayers.

### PENSION DECISION PERIOD EXTENDED

Last month we touched on the changes that HMRC is introducing to the treatment of defined contributions pensions. HM Treasury has now issued the following update that clarifies the position of people who have recently taken a tax-free lump sum from their defined contribution scheme.

"The government has announced today (Wednesday 9 April) that people who have recently taken a tax-free lump sum from their defined contribution pension will be given 18 months rather than 6 months to decide what they wish to do with the rest of their retirement savings, and will not be put at a disadvantage should they wish to wait to access their pension savings more flexibly.

This follows an announcement on 27 March confirming that the government would take action to ensure that people do not lose their right to a tax-free lump sum if they would rather use the new flexibility this year or next, instead of buying a lifetime annuity. Under current tax rules, once a tax free lump sum has been taken, individuals have six months before they are required to make a decision regarding their pension, either by buying an annuity or entering into capped drawdown.

Currently, if this is not done, the lump sum is then taxed at 55%. This extra time will allow people to make the right decision for their pension."

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## PENSION DECISION PERIOD EXTENDED (CONTINUED)

Exchequer Secretary to the Treasury, David Gauke, said:

“At Budget the government announced the most fundamental change in the way that people access their pension in almost a century, ensuring that over 400,000 people who have worked and saved hard will be able to access their retirement savings more flexibly. However, we recognise that decisions people take regarding their pensions are important and take time. This extension to the decision making period will give people the opportunity to take full advantage of the new flexibilities introduced at the budget.”

## BUSINESS RECORD CHECK BY HMRC

A new approach to “business records checks” was started in November 2012 by HMRC and fines for significant record keeping failures can be imposed!

If HMRC decides to carry out checks on how your records are kept they will usually contact you by telephone. They will ask questions to help them work out if you are keeping the business records you need to meet your legal responsibilities. This telephone call should take between 10 and 15 minutes.

HMRC will then assess whether you are likely to be able to submit an accurate tax return from your records. They may however feel that you could do with some additional help and support to put your records in order. Your details will be passed to HMRC Business Education and Support team who will provide guidance. If they decide your records are at risk of being inadequate they may decide on a face to face visit.

Examples

- Do you reconcile your bank regularly?
- Are all takings recorded?
- Are all expenses recorded with backup documents?
- Is there a clear record of monies in and out?

Please contact us **now** to discuss your bookkeeping, records and the options available. We can review your records now, put systems and procedures in place or take on some or all of your bookkeeping work.

## HMRC IS TARGETING TAX PAYERS WITH SECOND SOURCE OF INCOME

The taxman has recently launched a crackdown aimed at those with second jobs who haven't declared them.

This doesn't apply to people who have more than one job where PAYE is operated in all jobs even if they haven't yet notified HMRC.

The target HMRC has in its sights is those individuals with undeclared income from self-employment.

If you started your self-employment on or after 6<sup>th</sup> April 2013, the deadline for notifying HMRC is 5<sup>th</sup> October 2014.

**But** for National Insurance purposes, where your profit is likely to exceed the small earnings limited (£5725 for 2013/14 and £5855 for 2014/2015) you need to register with HMRC by the end of the third month following the month in when you started self-employment. If you do not register there is a modest penalty for not doing so.

If you overlooked notifying HMRC about this second income, HMRC has agreed to give you the best possible deal if you notify them as soon as possible and give you 4 months in which to pay any tax you owe.

If you need help please contact Geoff Peach on 01329 844145.

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## TAX DIARY MAY/JUNE 2014



- 1 May 2014** - Due date for Corporation Tax due for the year ended 31 July 2013.
- 19 May 2014** - PAYE and NIC deductions due for month ended 5 May 2014. (If you pay your tax electronically the due date is 22 May 2014.)
- 19 May 2014** - Filing deadline for the CIS300 monthly return for the month ended 5 May 2014.
- 19 May 2014** - CIS tax deducted for the month ended 5 May 2014 is payable by today.
- 31 May 2014** - Ensure all employees have been given their P60s for the 2013-14 tax year.
- 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.

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**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

CHARTERED ACCOUNTANTS, REGISTERED AUDITORS AND BUSINESS ADVISORS



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For more information on these or any taxation or accountancy matters contact Jeff Walton, Greg Harmer or David Lewis

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