George Hay & Company

chartered accountants statutory auditors

Editorial

Welcome to this new edition of the George Hay & Company Newsletter.

Norman Christy

In this summer 2015 edition, you will find useful information for individuals and businesses including a selection of general news and tax updates.

We believe the tax updates will particularly be useful as we look at the new budget and how this may affect our clients.

If any of the information contained in this newsletter affects you or you have a general question, please do not hesitate to contact us.

Ed

General

Real Time Information (RTI)

Since 6th March, 2015 firms with 49 or fewer employees have been liable to penalties for missing their Real Time Information (RTI) filing deadlines.

It was originally planned to apply to all firms from April 2014 but HMRC delayed their introduction for small firms.

The penalty for late filing depends on the number of employees and starts at £100 for employers with up to nine employees.

Consumer Rights

The Consumer Rights Act received Royal Assent on 26th March, 2015 and, hopefully, should be in force from 1st October,, 2015.

This Act will give Consumers an express right to reject faulty goods within 30 days and specific statutory rights when purchasing digital contents.

This will give Consumers the same rights as if they were purchasing normal goods and services.

Register of Companies

Drawn to our notice is the latest scam which we have discovered and this is in respect of new companies which have been formed at the Registrar of Companies.

It looks like an official form headed up Register of Companies and Businesses' asking to go to www.regist.co.uk and pay for the publication of your company.

Quite clearly this is a request to have the name of the company inserted in a directory and there will never be a charge for this unless a particular company requires advertising formally.

Mobile Security

Just a reminder that hackers are increasingly now targeting mobile devices to steal data (e-mails, contacts, customer data, financial information etc.). Small businesses are advised to secure mobile devices by installing the latest updates to their mobile devices as they become available; encrypt devices (the biggest risk still comes from losing a device) and never remove or change the security software and settings that the device comes with unless enhancing these security settings.

Taxation

General

The tax department has recently completed the filing of forms P11D for our employer clients and are now busy preparing personal Tax Returns. Clients will now be very familiar with the deadline dates for submission of Returns and payment of tax.

The 2014/2015 Returns must be filed by 31st January 2016, with payment of any additional tax due for 2014/2015 payable the same date.

Requests have been and are still been sent to clients for their usual Tax Return information. It will greatly assist our tax department if clients would send in the information as soon as they can, rather than leave this until December/January when staff are under great pressure to prepare Returns in time for the filing date.

Indeed, clients may be interested to learn that a record number of 2013/2014 Returns were filed by Midnight on 31st January 2015. They totalled 10.24 million, which represents some 92% of the total required.

Interestingly, nearly 45% of the total submitted, some 4.3 million Returns were not filed until January itself. Of these, nearly 1 million were filed on either the 30th or 31st January. We know who some of these were!

Pensions

With the recent changes to the pension withdrawal rules, clients taking a lump sum may initially pay too much tax. This is because the pension provider is unlikely to have a form P45 or current code for you. The Revenue requires the tax to be deducted on an "emergency basis" in such cases. This means that any income will be taxed by reference to only 1/12 of the personal allowance, 1/12 of the basic rate band etc.

Normally, clients would have to wait until the end of the tax year to obtain any refund due. However, the Revenue have introduced some new forms to claim an early refund in such cases. There are three such forms:

1) Form P50Z

This applies in cases where the entire pension fund has been withdrawn and you have no other salary or pension.

2) Form P53Z

When you have withdrawn the entire pension fund but have other salary/pension.

3) Form P55

This applies in cases where only part of the pension fund has been withdrawn as a single payment and you do not intend to take further payments in that tax year.

If clients wish for further advice on this, please contact us.

Savings Rate of Income Tax

There have been some recent significant changes in the taxation of interest income.

For the current tax year, i.e. 2015/2016, the savings rate drops to 0% and the savings rate tax band increases to £5,000. Combined with the increased personal allowance of £10,600, for many people on incomes below £15,600, savings income will be free of tax. Currently banks and building societies will continue to pay interest net of basic rate tax i.e. 20%, unless a form R85 is completed. However, the form can only be used if the individuals' income is less than his/her personal allowance. If not, the tax has to be reclaimed using a form R40 or via a self-assessment tax return.

However, from April 2016, banks and building societies will begin to pay all interest gross. The 20% tax deduction will disappear, along with form R85. The Revenue will instead collect tax due on any taxable savings income in the PAYE code or via self-assessment.

In addition, from April 2016, a new personal savings allowance will be introduced. Basic rate taxpayers will receive up to £1,000 of savings income tax free, while high rate (40%) taxpayers can receive up to £500 tax free.

ISAs

In tandem with the changing rules on the taxation of interest, there have been improvements in the ISA regime. Last year, the 50% maximum cash holding was abolished, allowing the full annual allowance to be invested in cash. There was also an increase in the annual investment limit to £15,000. This has again been increased to £15,240 for the current year.

Mention was made in the last Newsletter regarding the Surviving Spouse ISA. There was also a new type of ISA announced in the first 2015 Budget. This is the Help To Buy ISA. Under this, first time buyers will be able to save up to £200 per month towards the purchase of their first home. For every £200 saved, the Government will contribute £50. This bonus will be paid when the home is purchased, the minimum being £400 and the maximum £3,000 for each account.

VAT

A recent Tribunal case highlighted the potential danger involved in a partner leaving a partnership which is registered for VAT. A certain Mr Lye split with his business partner and wrote to HMRC to advise them of the dissolution of the partnership. HMRC stated that it did not receive the letter and tried to argue that the partnership had in fact continued for a further two years or so. The reason for doing so was that Mr Lye's business partner had built up a large VAT liability in this latter period and HMRC was trying to recover this from Mr Lye. Fortunately, the Tribunal believed Mr Lye and allowed his appeal, but the key point of law which was confirmed in their judgement was as follows: "under VATA 1994 s.45, notwithstanding the cessation of a person's role as partner in a firm, unless HMRC is informed of his/her retirement, it can continue holding them jointly and severally liable for the continuing debts of the partnership until notified".

Thus, the important consideration for any client thinking of leaving a VAT registered partnership, is to inform HMRC immediately of his/her retirement, keep a copy of the letter and ask for HMRC acknowledgement.

Payment of Tax

As clients will be aware, late payment of any tax invariably risks the imposition of interest, surcharges and or penalties.

It might therefore be useful to understand when HMRC regards a liability as having been paid, depending on the various options for payment. Please see the table below:

Method of Payment	Date liability treated as paid by HMRC
Telephone payment (credit card payments by telephone incur a 1.5% transaction fee)	Same or next day
CHAPS	Same or next day
Online debit or credit card (credit card payments incur a 1.4% transaction fee)	Same or next day
At a post office	Same or next day
Bank giro at taxpayers' bank	Same or next day
BACS	Three working days
Cheque by post	Date of receipt of cheque (assuming cheque clears on first presentation); allow three working days
Direct debit (if used before)	Three working days
Direct debit (if first time used)	Five working days

New Advisory Fuel Rates

HMRC have announced new fuel rates for company cars. They apply to all journeys on or after 1st June 2015 until further notice.

For one month from the date of change, employers may use either the previous or new rates. They may, therefore, make or require supplementary payments, but are under no obligation to do either.

Hybrid cars are treated as petrol cars for this purpose. The amounts can be used for VAT, but employers will need to retain receipts.

Engine Size	Petrol	LPG
1,400cc or less	12p	8p
1,401cc to 2,000cc	14p	9p
Over 2,000cc	21p	14p

Engine Size	Diesel
1,600cc or less	10p
1,601cc to 2,000cc	12p
Over 2,000cc	14p

Tax Evasion

Clients will be aware of the increased rhetoric from the Government in respect of tackling tax evasion (avoidance). HMRC itself has also been busy in this area.

We understand that already in the current year, raids on business premises during investigations into tax evasion have increased by almost 20%. It appears HMRC are being pressured by the Government to increase the number of prosecutions secured for criminal tax evasion and are therefore pursuing as many cases as possible in order to meet the targets.

Furthermore, we understand that more than 6,000 tax defaulters were referred to a special HMRC monitoring unit in 2014/2015, an increase of some 30% on the year before.

In addition, it appears payments made by HMRC to informants have reached a record level. Tax whistle-blowers were paid over £600,000 in the year to 31st March 2015, up from some £400,000 in the previous year. The increase appears to be partly due to an increase in public awareness of HMRC efforts against tax evaders and more individuals recognising the opportunity to alert HMRC to possible fraud by former employers and also ex-spouses.

In an effort to ensure payment relates to the provision of good information, it appears HMRC may shortly adopt a U.S. policy, whereby whistle-blowers will be paid a percentage of any tax/penalties collected.

However, somewhat in contrast to this attack on tax evaders, it appears that nearly one quarter of the world's major tax havens, as published by the E.C. are British overseas territories or Crown dependencies, including the likes of Guernsey, Bermuda, British Virgin Islands, and Cayman Islands etc.!!!

National Insurance

Our self-employed clients should be aware that from April of this year, they will be paying their Class 2 NIC through their self-assessment Tax Returns. As a result, HMRC are no longer accepting new Direct Debit applications to pay this class of NIC. Instead, where appropriate, they will send a payment request for any such contributions due up to 11th April 2015.

It will also no longer be necessary to apply to defer payment of Classes 2 and 4 contributions.

Rogues Gallery

A tax agent has recently been convicted of 6 offences under the Fraud Act and sentenced to 9 months imprisonment on each count, suspended for 12 months.

In effect, he charged his clients one low cost fee but then sent false invoices to HMRC to cover an increase in the fee charged in the client's actual accounts.

After a criminal investigation by the Serious Organised Crime Agency (now the National Crime Agency) into her husband, including a raid on the marital home, it was discovered that the taxpayer had substantial sums of money in her wardrobes. On further investigation, large deposits were discovered in her bank accounts, for which she had no explanation (she had no declared employment or self-employment). Tax assessments were therefore raised on her by the Revenue which was upheld by the Tribunal, as the taxpayer had "presented absolutely no evidence of her correct liability".

In a recent Inheritance Tax case, the residuary beneficiary of a Will, who failed to inform the Executors about a lifetime gift he had received from the Testator (via an undeclared Swiss bank account), was subject to a £87,000 penalty by HMRC.

This case was important in two respects. Firstly it does confirm that the Revenue is pursuing Inheritance Tax (and penalties) just as vehemently as other taxes. Secondly, it does provide some comfort for Executors, in that it confirms that they are entitled to rely on information provided by a Deceased's family/advisers.

In what would appear to be a somewhat unjust case, the Directors of a company were recently sentenced to 6 months imprisonment.

The company owed nearly £8 million in VAT and HMRC petitioned the Courts for payment. It appointed a provisional Liquidator to take possession of the assets. The order stated that the Liquidator was appointed as an officer of the Court and it was contempt of Court to prevent or impede him in carrying out his duties.

The Directors subsequently made three payments to another company, being a supplier, and not to "line their own pockets". However, the Judge took a very serious view of this, since it was deemed to be a usurpation of the role of the Liquidator by disposing of money that then did not belong to them. As far as the Judge was concerned, this was an affront to the rule of Law and the Court, hence the severity of the punishment.

HMRC Digital Tax Platform

HMRC have really entered the Digital Age. Although not formally announced at the time, three new features of their digital tax platform went live at the end of March. These are as follows:

1. Your Tax Account

This is a home page summarising everything in one place.

2. Digital Self-Assessment

The taxpayer provides HMRC with his e-mail address and, after this has been confirmed and validated, their tax information will be held on line with correspondence then sent by e-mail.

3. PAYE for Employees

This allows employers to check their tax codes.

These services are for individual taxpayers. George Hay & Company is already registered with the Revenue for online services with respect of our clients and have access to these and other services from the Revenue's website.

Budget

The recent Budget in July announced some tax changes that will have a major impact on quite a number of our clients. Although much of the press surrounding the Budget concentrated on the cuts in Welfare spending, there were a number of proposed tax changes of great importance.

Full details of these are not available at the date of writing this Newsletter; however we will be monitoring these changes closely. Where we believe any clients will be directly affected, we will be advising them in more detail but if any client believes they will be affected by any of these changes and wants further advice, please do contact us.

The following Budget proposals are those which we believe will most directly affect our clients:

Following on from the previous changes detailed in the last Newsletter on incorporation of a business, where the vendor (individual) and purchaser (company) are related, the Government is removing Corporation Tax relief for all future acquisitions of goodwill (and "customer related intangible assets"). This measure applies to company accounting periods beginning on or after 8th July 2015 but not for acquisitions made before 8th July 2015.

The Annual Investment Allowance for capital investments will be set a new permanent level of £200,000 for qualifying expenditure after 1st June 2016.

The NIC employment allowance of £2,000 is to be increased to £3,000 per annum from April 2016. However, the allowance will no longer be available to companies where the Director is the sole employee (this point needs to be clarified in future as regards a company which has two Directors, say husband and wife).

Restriction of the income tax relief that individual landlords can receive in respect of interest paid on mortgages used in connection with purchase etc. of let residential property. Instead of claiming a deduction for the full mortgage interest against income as at present (thus achieving for higher rate taxpayer, tax relief at 40% or 45%) individuals will instead claim a basic rate tax reduction from their tax liability.

Any excess of the interest paid in one year not used, (e.g. if there was not enough tax due against which to claim the credit in full), can be carried forward.

This measure is to be phased in over 4 years from April 2017.

There are also to be changes in the Wear and Tear allowance for furnished lettings. This is to be replaced from April 2016 with a proposed new relief that allows all residential landlords to deduct the actual costs of replacing furnishings.

The rent a room relief is to be increased to £7,500 with effect from 6th April 2016.

Dividends

Many of our company clients will be aware of the standard practice of paying dividends up to the basic rate each year. Currently, so long as the gross dividend does not exceed the basic rate band, no higher rate is due from the Director/shareholder. However, from April 2016, the current dividend tax credit system is to be replaced with a new dividend tax allowance of £5,000 a year.

Dividends above the limit will be subject to tax as follows:

Basic rate taxpayers	7.50%
Higher rate taxpayers	32.50%
Additional rate taxpayers	38.10%

There is to be an increased Inheritance Tax Nil rate band for an individual's main residence. This will be available from 6th April 2017 and will gradually be increased, so that by 2020/2021, with the ability to transfer the rate band to a surviving spouse, the headline grabbing £1 million threshold for IHT.

However, the sting in the tail which was not so publicly paraded by the Chancellor was that the additional nil rate band will be progressively withdrawn for Estates valued at more than £2 million.

Non-domiciliaries (Non-Doms) were targeted yet again by the Government.

With effect from 6th April 2017 the proposed changes are as follows:

a) Inheritance tax will be payable on all UK residential properties owned by resident or non-resident non-doms, whether the property is owned directly or via an offshore structure.

b) Non-doms who have been resident in the UK for more than 15 of the past 20 tax years will be deemed to be domiciled in the UK for all tax purposes.

c) Individuals who have a UK domicile of origin will no longer be able to claim non-dom status while they are resident in the UK.

As further details become available we will be advising those clients who are likely to be affected, of what these changes will mean for them and if possible, some measures to take in order to minimise the impact.

Staff News

On the 10th June, 1985 a very young man in the name of John Flanagan joined the firm of George Hay & Company in the Tax Department. Now 30 years on he is still with us and not only that but he is celebrating his 60th Birthday this year as well and the Partners and all the members of staff wish him firstly a very Happy Birthday, secondly congratulations on completing 30 years with George Hay & Company.

Well done John.

Congratulations to our Secretary, Jackie Phillips, on the 20th June, was given a granddaughter, Jessica, weight 7lbs 14oz.

Perhaps when all clients telephone and speak to Jackie they say 'Nanny'.

We welcome a new member of staff, Olwyn Hayes, who was born in the South of Ireland and raised in Limerick.

She graduated in the University of Limerick with an Accounting and Finance (hons) degree and started working in a small practice on the outskirts of Limerick.

She moved to London at the end of May and loves living in London. She enjoys reading, playing hockey in her spare time.

We hope she will be with us for many years.

We are sorry to say that one of our staff, Nadeem Siddique, has decided that he wished to seek pastures new and has left the firm after serving over ten years with us.

We wish Nadeem all success for the future.

We had a classic excuse from a member of staff who had his two wisdom teeth out and took three days off then phoned in to say that it was difficult to come in because he was wobbly on his legs. No prizes for who guesses who that member of staff was.

Competition

Once again we congratulate our two readers who supplied the correct answer to the Completion in our Winter Newsletter and they have both now received a bottle of champagne.

The answer to our Competition was as follows:

Northside 26
Southwing 22
Eastwight 48
Westbrock 24

We now come to our Competition for the Summer where again our usual two bottles of champagne will be offered to the two readers who give the correct answer:

Which common English nine letter word will by removing one letter at a time give rise to nine successive common English words to leave one single letter?

Conclusion

We hope you have enjoyed reading this newsletter.

We look forward to your answers to the competition above and to hearing from you if you feel that any of the articles covered do affect you.

We wish all our readers an enjoyable and relaxing holiday.

Ed.

The George Hay & Company Newsletter is published six monthly and is for private circulation only to clients of George Hay & Company. Further copies are available on request to the Editor.

Editor, Norman D Christy, FCA
Deputy Editor: Abdul Mahmood, BA (Hons) ATT

George Hay & Company is a trading name of George Hay & Company (Westminster) LLP.

George Hay & Company (Westminster) LLP is a Limited Liability Partnership in England and Wales.

Registered Number OC376894