



Good Accounting is Good Business

HMRC Plead Efficiency - Our Verdict - Total Insanity

You know our principle is to take care of all your accounting matters and that's why we feel we should update you every quarter with some of the most important current tax based information. We thought that within the summer edition of our quarterly update we would focus on the work of the HMRC.

During the last six years, HMRC have continued to baffle us all with a multiplicity of changes in the tax regime but here at AIMS HQ we have managed to get our heads around their proposed changes and thought you may be interested in what might (or in some cases, probably) be happening in the future.

- **350 tax penalties currently in existence.**

HMRC have decided to simplify the penalties regime and make it more consistent. With approximately 350 penalties across all the taxes dealt with by HMRC have they finally realised the inefficiency of excessive administrative work? With 75 penalties alone for Income Tax, could they possibly be making life easier for us all and reducing the number of independent regulatory penalties across the board?

We sometimes wonder what travels through the mind of the HMRC. By rationalising their penalties regime is one thing, but devising a list of new regimes that don't necessarily offer any benefit to a company - only to the tax man we all dearly love is simply an insight into the "system" of the HMRC.

- **HMRC is consulting on abolishing 36 tax exemptions**

HMRC are consulting on wild and wonderful tax exemptions from the truly exotic (removal of duty exemption on black beer) to the out-dated (the removal of the 15p per day exemption for luncheon vouchers) to the very specialised ("Transfers in relation to harbour reorganisation schemes") but there is one specific exemption that may affect small businesses. Currently if staff were unusually late (i.e late working is not part of their work pattern) and you pay for their taxi home and there are no tax complications. Under the new proposal such fares would be treated as a "benefit in kind". The staff would have to pay tax on them (or you could pay it for them) and you will also have to pay NIC, on top of this you will have to administer the taxation!

Whether we agree with them or not - it looks set that the HMRC are consulting on some illogical proposals. With changes happening the entire time, don't burden yourself with the feeling of constant confusion and let's AIMS keep on top of it for you. One way to be protected from the insanity of the HMRC is through the sanity of AIMS. We are here to help you through the jungle of their rules.

To get in touch with an AIMS accountant visit our website www.aims.co.uk.

National Minimum Wage

The National Minimum Wage rates increase from 1 October 2011, the current rates and the new rates are:

Ages	Current	New
21years and over	£5.93	£6.08
The 18-20 rate	£4.92	£4.98
The rate for 16-17year old school leavers	£3.64	£3.68
The apprentice rate: Under 19 years or over 19 years in first year.	£2.50	£2.60

Tougher penalties for late self assessment

Up to now you have only been liable to pay a penalty for a late self assessment return if you had tax to pay for the tax year concerned. The rules have now changed so that if you are late in submitting your Self Assessment return regardless of whether you have tax to pay or not (and even if you are due for a refund) you will be charged a penalty of £100. The penalties increase the later you are, if you are a year late you will pay a minimum of £1,600. The deadlines for returns for the year to 5th April 2011 are 31st October 2011 for paper returns and 31st January for returns submitted on line. All AIMS Accountants are fully equipped to make on line submissions.

World beating?

The United Kingdom now has the dubious distinction of having the greatest volume of tax law in the world (the record was previously held by India).

Cheque guarantee cards are no guarantee

If you only occasionally accept payment by cheque you may not be aware that the cheque guarantee card scheme was withdrawn with effect from 1st June this year. Cheques have not (yet) been abolished, there is just no guarantee that they will be honoured.

Pension planning

Most reports concentrate on the drop in the annual amount that can be invested in pension funds from £255,000 to £50,000 (subject to an overall limit of an amount equal to earned income). In the real world that most of us occupy it is worth remembering that anyone can pay £3,600 a year into a pension fund, regardless of their income.

Paying the right amount of tax

Our job is to help our clients pay the right amount (and only the right amount) of tax due, we are not in the business of helping people defraud H M Revenue and Customs (HMRC). Because of this it is unsurprising that tax evaders don't come to us and are unlikely to be reading this update. If you do know someone who is not paying their dues you might like to draw to their attention the fact that HMRC are in the process of a drive to identify people who should be VAT registered (turnover over £73,000) but are not. They might also like to know that the penalties charged for voluntary disclosure are about half those charged if they are caught out. There are also opportunities to secure a favourable penalty (10% compared with a potential 100%) by voluntarily disclosing previously undeclared income.

Capital Allowances

The 2011 Budget announced reductions in capital allowances from April 2012. Some better news is that from 1st April 2011 the period for Short-Life Assets (SLA) has been increased from 4 to 8 years for plant and machinery (but not car) purchases. Elect for the asset to be kept in a short life pool, because it is likely to be sold or scrapped within 8 years, and you can benefit from a balancing allowance on disposal which would not have been available against the main pool.

AIMS BUSINESS ACCOUNTANTS FOR BUSINESS PEOPLE

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Don't hesitate to call to discuss anything contained in this update or any other queries you may have.

Like the way we do business? Don't keep it a secret. We grow by referral.