

Welcome...

To May's Tax Tips & News, our newsletter designed to bring you tax tips and news to keep you one step ahead of the taxman.

If you need further assistance just let us know or you can send us a question for our [Question and Answer Section](#).

We are committed to ensuring all our clients don't pay a penny more in tax than is necessary.

Please contact us for advice in your own specific circumstances. **We're here to help!**

May 2011

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Higher Penalties for Late Returns

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Your personal self-assessment tax return for the tax year to 5 April 2011 must be submitted to HMRC by 31 January 2012, or by 31 October 2011 if it is submitted in paper form. These deadlines also apply to your separate partnership tax return where you are a member of a partnership.

For tax returns for earlier years you would receive a penalty of £100 if you submitted it later than those dates, but that penalty would be reduced to nil if you were due a tax repayment, or all the tax due was paid by 31 January. There was however no reduction for penalties relating to late partnership returns. For 2010/11 tax returns and later years, the penalties for submitting the return late will not be reduced even if all the tax due has been paid on time.

As well as the initial £100 penalty, there are additional penalties!

If you are...

- More than three months late submitting your return the penalty is charged on a daily basis at £10 per day, up to a maximum of £900.
- Over 6 months late with your tax return you will be hit with an additional penalty calculated as the higher of: £300 and 5% of the tax due.
- Over 12 months late, the same penalty is imposed again.

When a partnership tax return is submitted late those penalties apply to each partner in the partnership.

If you are also late in paying the correct amount of tax you will receive a penalty for paying the tax late. These penalties are calculated as 5% of the outstanding tax due at the following intervals: 30 days late, 6 months late, and 12 months late.

In view of these high penalties it is essential that we work with you to get your tax bill calculated in good time, so you can make the correct payments due and get your return done on time. **Please send us the information to complete your accounts and tax return as soon as possible!**

Tax Efficient Cars

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There are quite a few types of car which have CO2 emissions of no more than 110g/km; including certain models of the Mini Cooper, Toyota Prius, Smart, and Fiat 500. If your company buys one of these low emissions cars new (not second hand), it can claim a **tax deduction for the full cost in the year of purchase** and for all its running costs.

Where the car is provided to a director or employee of the company for their own private use, or for the use of a member of their family (perhaps for son or daughter), the director/ employee will be taxed on 10% of the list price of the car.

For example a Mini Cooper 1.6D has CO2 emissions of 104g/km and a list price of £15,730. The director/employee will be taxed on £1,573 per year, and if their top tax rate is 40% this will give in an annual tax bill of £629.30. The company will also have to pay class 1A NICs of £217 per year, but that cost is tax allowable for the company. The company can also pick up the full cost of all servicing and insurance for the car with no extra tax charges.

Capital Allowances for Holiday Lets

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Do you own a property that qualifies as a furnished holiday let (FHL)? To qualify the property has to be commercially let for short periods for at least 70 days per year, although this minimum will increase to 105 days from April 2012. There are also some other conditions.

If your property does qualify as a FHL, have you claimed tax relief for all of the equipment included in and attached to that property? FHL properties have advantageous tax rules that permit capital allowances to be claimed for the cost of equipment used in the building, which is not the case for other let residential property.

Since April 2008 it has been easier to claim capital allowances on a range of items attached to buildings that qualify as integral features.

For a typical FHL property capital allowances may be claimed on the following fixtures...

- Bathroom fittings
- Dishwasher
- Cooker
- Fridge-freezer
- Central heating
- Fitted carpets
- Swimming pool

For a new property with fitted kitchen, bathroom and carpets that cost £235,000, perhaps £25,000 would relate to the built-in fixtures. In addition you can claim capital allowances on the cost of furniture and curtains you provide in the property.

Capital allowances must be claimed in your tax return. A capital allowances claim for the tax year 2009/10 should have been included in your tax return submitted by 31 January 2011, but that return can be amended to include a claim before 31 January 2012. If the property is used for private purposes the capital allowance claim must be amended to reflect that private use.

A word of warning: HMRC is considering whether it will continue to accept claims for capital allowances for FHL properties following a Brief it released on 22 October 2010. Clarification of the meaning of this Brief has been requested by the Chartered Institute of Taxation, but has not been provided. In the meantime, if you don't claim, you don't get the tax relief.

Paying PAYE on Time

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HMRC are encouraging businesses to pay all their taxes electronically. Only large employers with 250 or more employees, are currently required to pay PAYE and other payroll deductions to HMRC by electronic means, but this may become compulsory for all employers from October 2013.

Before then let's hope HMRC will sort out their banking to make it easier for employers to pay on time. At present they do NOT operate the **Faster Payment Service** (FPS) on any of their bank accounts, so you need to allow at least three working days for an electronic payment to reach the HMRC account. This means electronic payments of PAYE must leave your bank on 19th to arrive on 22nd of the month, assuming none of those days falls on a weekend or bank holiday.

To reduce the likelihood of PAYE payments going missing HMRC ask taxpayers to always include the Accounts Office (AO) reference on any PAYE payment. HMRC also recommend that the year and month the payment relates to should be added on to the end AO reference, without leaving a space. For example, PAYE for month 01 in 2011/12 (due 22 May 2011 for electronic payments), add 1201 to the AO ref.

May Question and Answer Section

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Q. My business is to become VAT registered from 1 June 2011, but before that I will be taking delivery of a piece of equipment which will be used by the business for a number of years. Can I reclaim the VAT charged on the cost of the equipment even though the purchase was made before my VAT registration came into force?



A. Yes you can. VAT on equipment and goods purchased up to 3 years before you became VAT registered can be reclaimed, if you still held that equipment or goods at the date VAT registration became effective. You must also have the original invoice. You can reclaim the VAT paid on your first VAT return, or on any VAT return within the first three years of becoming VAT registered.

Q. Help! I've received two tax calculations from the Taxman that say I owe £4,500 for 2007/08 and £7,200 for 2008/09. I didn't complete tax returns for those years as I was employed in several short-term contracts. What should I do?

A. First compare the tax computations. The calculation for 2008/09 probably includes the tax due brought forward from 2007/08, so you may only owe £7,200 not £11,700 (£7,200 + £4,500). Next try to find your P60 and P45 forms, and any payslips for those tax years, and check the figures on those forms against the tax calculations. We can help you with this. Don't worry if you haven't retained those papers as the law only requires you to keep them until 31 January 2010, or 31 January 2011 for the later year.

If you had good reason to believe that your tax affairs were in order for 2007/08 you may be able to ask HMRC to write-off the tax underpaid from that year under Extra Statutory Concession A19. You can also ask for the tax for 2008/09 to be collected over 36 months, if it is actually due.

Q. Last year my company bought a second hand Mercedes AMG for £68,000. This has proved to be an expensive taxable benefit, so I'm trading it in for a cheaper model. I hope to get about £40,000 in the part-exchange and pay an additional £5,000 for the new car. What capital allowances will my company be able to claim for the old and new cars?

A. The Mercedes AMG has CO2 emissions of more than 160g/km so the purchase price would have been added to your company's 10% capital allowances pool. Capital allowances of £6,800 (10% of £68,000) will have been claimed for the first year of ownership. The trade-in value of £40,000 will be deducted from the pool leaving a balance of £21,200 (£61,200 - £40,000). This balance will be reduced by capital allowances of 10% for this year, and 8% from 1 April 2012, until the balance is less than £1,000 or company ceases to trade. So it's going to take a long time to get full tax relief for the value of the Mercedes.

If your new car also has CO2 emissions of 160g/km or more, the cost of £45,000 will be added to the 10% pool, and annual writing down allowances will be given as for the Mercedes. To avoid this

problem with the new car you could look at either buying it privately, or getting the company to lease it.

May Key Tax Dates

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1 - New VAT Scale charges for fuel used in private journeys on company cars.

2 - Last day for car change notifications in the quarter to 5 April - Use P46 Car

19 - Deadline for Employers' 2010/11 end of year PAYE Returns (P35, P14, P38 & P38A). Penalties for non submission.

19/22 - PAYE/NIC and CIS deductions due for month to 5/5/2011

31 - Deadline for copies of P60 to be issued to employees for 2010/11



Need Help?

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Please contact us if we can help you with these or any other tax or accounts matters.



In addition, if there's anyone else who you think would benefit from the newsletter, please forward the email to them or ask them to contact us to be added to the newsletter list.

New Clients Welcome

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If you are not already a client and are interested in becoming one, we would love to come to meet with you to discuss how we can help and provide you with a competitive quote for our services.



All new client consultations are provided free of charge and without obligation.

About Us

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Leavitt Walmsley Associates are based in Cheshire, offering local business owners and individuals a wide range of services.

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