

This is our last newsletter in the 2010-11 tax year. George Osborne will deliver his second Budget on 23 March 2011 that will set the framework for tax in the UK for 2011-12 and later years. We will be including a summary of the more significant changes in the April newsletter. This edition includes: a roundup of payroll filing issues, an oddity about the VAT Flat Rate Scheme, Tax relief on pension payments after 5 April 2011 and finally a further warning from HMRC regarding bogus emails.

In the meantime, before this tax year finishes, there is still time to consider your pension planning options - see our January 2011 tax newsletter by visiting www.ellacotts.co.uk for further details or contact us on 01295 250401 if you need any additional help.

Our next newsletter will be published on 6 April 2011.

Getting it right – filing year-end payroll returns

Pretty well all businesses need to file their year-end payroll returns for 2010-11 online.

The Employer Annual Return comprises:

- a form P14 for every employee
- a form P35 that summarises the end of year payroll totals.

These returns for 2010-11 must reach HMRC by 19 May 2011. Returns filed after this date may incur a penalty.

There are a few excepted employers, that is those who can still send in paper returns. They are:

- employers using a simplified scheme for personal or domestic employees,
- members of religious societies or orders whose beliefs are incompatible with the use of computers,
- employers who employ persons to provide care or support services at or from their home - subject to certain conditions,
- limited companies that need to file solely to confirm CIS deductions suffered, that is Box 28 on form P35 only.

Employers should be aware that if they file paper returns for 2010-11, when online filing was required, HMRC may charge a penalty even if the paper filing is within the required filing deadlines.

What if you have no returns to make this year?

If you are registered with HMRC for PAYE purposes they will expect you to make a return. If you had employees in previous tax years but this tax year, 2010-11, you had no employees, you need to notify HMRC that no return is required for 2010-11. If you don't, you will receive unnecessary reminders and possibly penalty notices.

You can let HMRC know:

- Online, although at present the online form is out of date. The form at <https://online.hmrc.gov.uk/shortforms/form/P35NilEmployer?dept-name=&sub-dept-name=&location=1&origin=http://www.hmrc.gov.uk> is for the year 2009-10 P35 Return. Hopefully this will be updated.

- By writing to, or telephoning HMRC.

Have you provided any taxable benefits to employees in the year?

If you have provided any taxable benefits to employees you are also required to file form P11D(b) by 6 July 2011. This form sets out the amount of taxable benefits that apply for the year and any Class 1a National Insurance contributions due.

You are also required to file a form P11D(b) if directors or employees are reimbursed for expenses incurred by them and where the business does not have permission from HMRC to dispense with this requirement.

If you are unsure how to complete these returns, or to apply for a dispensation, please call in good time so we can assist you in meeting your filing deadlines and avoiding penalties.

Selling a car, watch out for VAT sting

If your business accounts for VAT under the flat rate scheme, the sale of a second hand car creates an unwelcome complication - the car must be included in the flat rate takings for the period. This means that although there is no VAT charged on the sale, and no VAT would have been reclaimed on the purchase of the vehicle, the business must account for VAT at their normal flat rate on the proceeds of sale.

Accordingly if you sell a car for £1,000 and your VAT flat rate percentage is 10%, you will have to pay £100 to the VAT man!

If the sale price of the car is considerable, the only possible solution is to exit the flat rate scheme before sale, but this extreme step would only be appropriate if enough cash was at stake. It is not then possible to rejoin the scheme for 12 months.

If you use the flat rate scheme and will be selling a second hand car in the near future please call so that we can discuss the best strategy for you.

Pension contributions protect your fund

From the 5 April 2012 the most you can accumulate in a pension fund will fall from £1.8m to £1.5m - the so-called lifetime allowance.

HMRC have now agreed draft legislation to protect your position if your fund exceeded, or was expected to exceed £1.5m at 5 April 2011.

The proposed protection scheme, known as 'fixed protection', is designed to benefit individuals with pension savings that are already in excess of £1.5 million, or individuals who believe that their pension savings will exceed £1.5 million (by virtue of investment growth only, without making any additional contributions) by the time that they come to take their benefits.

Fixed protection will protect all pension savings up to £1.8 million from the lifetime allowance charge. In effect individuals will be in the same position as they were before these changes. However, fixed protection will only continue to apply where an individual makes no further contributions to any existing defined contribution schemes, or receives no increase in benefit under a defined benefit arrangement above a set level. No new

pension arrangements are able to be opened either, unless they are only to receive a transfer of rights.

Fixed protection must be applied for by 5 April 2012, and once given, you will be responsible for advising HMRC if you cease to meet the relevant conditions.

HMRC still suffering from identify theft!

For those of you uncomfortable with computer jargon phishing is defined in Wikipedia as "a way of attempting to acquire sensitive information such as usernames, passwords and credit card details by masquerading as a trustworthy entity in an electronic communication."

In other words fraudsters are emailing taxpayers and pretending to be HM Revenue & Customs. Some of their antics are becoming quite sophisticated but all are designed to encourage you to part with sensitive personal information; particularly your credit card details!

HMRC have confirmed that they would never email taxpayers about any of the following issues, all of which have been the subject of bogus email campaigns.

1. A tax rebate
2. Any request for bank details
3. Any request for your PayPal details

This is what HMRC have published on their web site:

"HMRC will never send notifications of a tax rebate by email, or ask you to disclose personal or payment information by email.

You should never disclose your personal and/or payment information in reply to an email that may look like it's from HMRC, you may well be revealing your details to a fraudulent website.

If you have received an email claiming to be from HMRC that you suspect may be fraudulent, please forward it to phishing@hmrc.gsi.gov.uk.

However, if you have already given any of your personal information, for example your HMRC User ID, password or National Insurance number, in reply to a suspect email please forward brief details to security.custcon@hmrc.gsi.gov.uk.

Please do not disclose any of your personal details or information in the email report to HMRC. However it would help HMRC to investigate if you would tell us the type(s) of information that you disclosed to the suspect website. For example - I gave my Name, Address, Date of Birth, bank card details, HMRC User ID etc.

HMRC will attempt to provide a response to all HMRC related phishing emails and take action to remove reported websites."

Tax Diary March/April 2011

19 March 2011 - PAYE and NIC deductions due for month ended 5 March 2011. (If you pay your tax electronically the due date is 22 March 2011)

19 March 2011 - Filing deadline for the CIS300 monthly return for the month ended 5 March 2011.

19 March 2011 - CIS tax deducted for the month ended 5 March 2011 is payable by today.

1 April 2011 - Due date for corporation tax due for the year ended 30 June 2010.

19 April 2011 - PAYE and NIC deductions due for month ended 5 April 2011. (If you pay your tax electronically the due date is 22 April 2011)

19 April 2011 - Filing deadline for the CIS300 monthly return for the month ended 5 April 2011.

19 April 2011 - CIS tax deducted for the month ended 5 April 2011 is payable by today.

DISCLAIMER - PLEASE NOTE: The ideas shared with you in this 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 contact us before implementation. If you do or do not take action as a result of reading this newsletter, before receiving our written endorsement, we will accept no responsibility for any financial loss incurred.

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