

Our newsletter this month contains the following articles: clarification of unjust enrichment, change in VAT status of salary sacrifice schemes, stamp duty changes for multiple purchases and notification of new HMRC crack-downs. But first (next), an invitation to an extremely useful free event.

Our next newsletter will be published 6 October 2011.

Are you paying too much tax?

Ellacotts invites you to attend '*Are you paying too much tax?*', our latest tax planning event. Join us as we explore this crucial issue, and discover whether you might be paying tens, hundreds, perhaps even thousands of pounds more than you should. This event, which will be of interest both to individuals and business owners, will also provide tax planning tips and ideas on how you can save money right now. Private wealth and tax specialists will also share vital information and advice on how to keep your tax returns in order and deal with HM Revenue & Customs. The venue is The Pavilion, Banbury Cricket Club Thursday 6th October 2010 (5.00pm – 7.30pm) and drinks and light refreshments will be provided. Visit www.ellacotts.co.uk and go to 'News & Events' to find out more about this free event.

To book your place at this not to be missed event, please reply quickly to: Sally Lashley. Tel: 01295 250401, or email: slashley@ellacotts.co.uk.

What is unjust enrichment?

If you charge a customer VAT and subsequently discover that the supply of goods or services was exempt, zero-rated or outside the scope of VAT you can make a claim to HMRC to refund the VAT overcharged.

The phrase "unjust enrichment" means that you are required by HMRC to refund any VAT repaid to you in this way to your customers, you cannot keep the refund for yourself!

HMRC have a special reimbursement scheme that deals with claims for repayment. When making a claim you will have to agree to:

1. Sign a formal undertaking that you will comply with the terms of the reimbursement.
2. Make all refunds to your customers within 90 days.
3. Repay any residual amounts not returned to customers within 14 days of the 90 day time limit.
4. Pass on any statutory interest paid with the refunds to your customers.

Additionally you will have to keep the following records:

- Names and addresses of the customers you intend to reimburse.
- Total amount paid to each customer.
- Amount of interest paid to each customer.
- Date you refunded the money.

HMRC will also seek to reduce refunds due if the supply resulted in a claim for associated VAT input tax. For example if you supplied services at standard rate and there were associated costs where you recovered input tax, and then you discovered that the supply should have been an exempt supply, then HMRC would reduce the refund of over-declared output tax by the over-claimed, associated, input tax.

If you need to make a claim under the reimbursement scheme you will need to submit a formal undertaking in writing. Please contact us and we will organise this for you.

HMRC to charge VAT on salary sacrifice schemes

Due to a recent European Court of Justice ruling, HMRC now consider that the provision of a benefit via salary sacrifice to employees constitutes a supply of services for consideration and is therefore subject to VAT.

Benefits that will be affected include:

- Cycle to work schemes.
- Face value vouchers.
- Childcare vouchers.
- Food and catering provided by employers.

To give employers time to make the necessary changes to their record keeping HMRC will not require output tax to be accounted for on salary sacrifice supplies until 1 January 2012.

Stamp duty reduction for multiple purchases

A new relief is available from 19 July 2011 that will reduce stamp duty payable if you are purchasing more than one residential property in a single transaction.

Instead of paying SDLT based on the full value of properties added together, the aggregate value, you can claim to pay SDLT based on the full value on the properties divided by the number of properties purchased, the average value.

Where your claim is accepted this could result in a considerable saving.

Claims cannot reduce the overall SDLT charge below 1%.

Transactions covered by the relief are either of the following. Apologies for the complex phrasing, the definitions are copied from HMRC notes:

- a transaction, the main subject-matter of which includes interests in more than one dwelling,
- a transaction which is one of a number of linked transactions, the main subject-matter of which includes interests in at least one dwelling and where one or more transactions linked to it includes interests in at least one other dwelling.

As you can no doubt appreciate there are a number of grey areas but do seek advice if you are making multiple property purchases after 19 July 2011, savings may be worth the effort involved.

HMRC extend its tax avoidance crack down

VAT registration

HMRC are of the opinion that there are a number of businesses that should be registered for VAT, and so far, they have not registered. They are in the process of sending out 40,000 letters to traders who they believe may be in this category.

HMRC are offering businesses that “come clean” and notify HMRC of an intention to register before the end of September 2011, reduced or nil penalties. Subsequently formal applications have to be submitted on VAT form 1 before 31 December 2011.

The current VAT registration threshold is £73,000. If you have already passed this annual limit in the last twelve months, are about to, or expect to in the next 30 days, you might like to respond to this offer.

Penalties for late registration can be up to 100% of additional VAT due.

Fast Food Outlets

HMRC believes that there are a number of fast food outlets that are deliberately falsifying their records and misdeclaring their true sales levels in order to avoid paying their correct taxes.

They have set up yet another specialist task force to tackle this avoidance.

Penalties will be levied in addition to recovery of unpaid taxes. Those businesses discovered may also face criminal prosecution.

Tax Diary September/October 2011

1 September 2011 - Due date for corporation tax due for the year ended 30 November 2010.

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

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

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

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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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