Audit threshold changes

At last we have some good news...

For all years ending on or after 1 October 2012, you need not have your limited company accounts audited so long as you can say "No" to two or more of the following questions:

1. Do you have 50 employees or more?
2. Do you have a balance sheet that shows assets of £3.26 million or more?
3. Do you have a turnover of £6.5 million or more?

What can you do if you have lost your certificate of incorporation?

With the ever-present need to abide by Money Laundering regulations, what happens if you have lost the identity of your company? The answer is, I am pleased to say, easy. You just call the Contact Centre at Companies House on 0303 1234 500 or apply via Companies House Direct if you are a subscriber.

A quadruple tax saving tip

With so much written recently by journalists about tax avoidance, it is pleasing to be able to describe a strategy which is extremely good for saving IHT, CGT and income tax. The strategy could work brilliantly for (say) a grandparent who wishes to pay for a grandchild's school fees.

To explain how good it is, let's look at what may be happening now. If the grandparent currently pays £6,000 per annum towards a grandchild's school fees, as a 40% tax payer, this will cost him about £10,000. And don't let's consider what IHT may be payable if the payments are not structured in a tax efficient way. It could be a real horror story of a sum approaching a further potential £100,000 in tax.

As accountants we feel this sort of penal tax is so very wrong when one considers that all the grandparent wants to be is generous to his family. So we'd like to share these wonderful four tax saving tips with you, thanks to Christchurch Consultancy, our IHT specialist advisers.

We begin with the above scenario: a grandparent with approximately £6,000 income he doesn't need and which he would like to give to the grandchild. If this is the case then this surplus income is likely to come from about £200,000 invested in either stocks and shares or property. And it's also likely that, were he to sell this property, it would trigger a capital gains charge.

What we suggest the grandparent does is transfer the investment(s) into a trust sufficient to provide a return, before tax, of £6,000, which is available for all of his grandchildren.

He then makes an election to hold over the capital gains which are normally payable when property is disposed of (Tax saving tip no.1, and a potentially major saving at that.). In short, no tax is payable when he sets the trust up.

Assuming the grandchild has no other income, unlike the grandparent, the grandchild does not pay any tax at all on the income. (Tax saving tip no.2)

And, if the grandparent lives for seven years, there is a potential IHT saving of about £80,000; (Tax saving tip no.3 – again a major saving, I trust you would agree?) PLUS there should be a further saving of 40% IHT, being the IHT payable on any growth in value of the trust after it has been set up. (Tax saving tip no.4)

We think this is a terrific idea and share it with you because, if it interests you, please let us know and we will try to help you implement it.

Stay at home mothers

Many non-working mothers are deemed to be paying National Insurance contributions, when they are not doing so, simply because they are registered for child benefit. If, as a result of the wholesale benefit changes being introduced in 2013, they deregister for child benefit, but do not start paying NI contributions, they could find that their future state pension entitlements are slashed. To avoid this disaster they must effectively claim child benefit and then elect not to have it paid. This advice shows just what a mad world we live in but this will be important advice for some of our clients.

Issue 37

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Account

Accountancy Awards 2012

We are delighted to report that, for the second time, we have been nominated for an award at this event, the largest event in our profession's calendar. Seen here on arrival at the dinner are Ashley Smith FCCA CTA, Rachael Peckings ACA and Hugh Williams FCA.

You may have noticed the initials CTA after Ashley's name. That is because he has recently qualified as a Chartered Tax Adviser, the most prestigious tax qualification there is. Many congratulations, Ashley.

Tax Tribunal success

Also in the news, though confined to the business and professional press, was our specialist tax consultant, Roger Bibby's victory over HMRC in the matter of our client, Marcia Willett Ltd. The case involved certain benefits-in-kind that were paid to the directors of the company but which, sometime later, were refunded by the directors.

The Revenue agreed that the refunds wiped out any income tax liability but they said that the national insurance charge could not be avoided. We disagreed, and thanks to Roger's tenacity, won the case at a tax tribunal last August. Well done Roger! A wonderful victory indeed!

Keep up on the latest tax and accountancy issues by following us on twitter @HMWca

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RTI – what it means and why it's very important for all employers

In the last edition we warned you about RTI. We apologised for doing so, and apologise for doing so again, but it constitutes such a major upheaval in the way employers have to report their wages payments to HMRC that we feel we have to give it to you again and in even more detail. Because this is such a major change, and one that requires action, you won't find any soft soap in this article.

RTI stands for Real Time information and it means three things:

1. Submitting payroll information to HMRC must be done *each time* you pay someone, not just once a year via the P35 form.
2. Processing payroll information will be far more computerised than ever before.
3. Employers will have to fall in line with the new system or face being fined.

But the ramifications of RTI are far more wide reaching than that:

1. No longer will you be able to pay anyone without a National Insurance number.
   a. No more casual wages.
   b. No more wife's wages being put through the accounts as an end of year adjustment.
2. No more can you tell your payroll agency that you have had someone on the books and been paying them for a number of weeks back and hoping they can sort it all out.

Now for most of our clients adapting to this new system will be straight-forward but for some, and we think of those where operating the payroll has been unavoidably "hit and miss", it will mean a veritable culture change, not to mention a culture shock!

From next April you MUST:

- File your PAYE returns electronically – let us know if you need help.
- Have full and accurate details of all employees before you pay them:
  a. Full names – initials and nicknames will not be acceptable.
  b. Date of birth.
  c. National Insurance number.
- File on time (every time you pay them) or risk incurring a penalty.
- No longer pay anyone wages and simply call it casual.

(If anyone who works for you is self-employed, and not an employee paid through PAYE, let us know because we can tell you what the rules are for doing this and help you ensure that you are doing it properly.)

Having said all of this, RTI is such a vast change to the PAYE system that we very much doubt it will work at all well to start with. Indeed because we anticipate that it will be carnage we have taken our concerns to Gary Streeter MP, who is trying his best to prevent the disaster that lies ahead. Even our Institute's Tax Faculty says "It has the hallmarks of an unholy mess in the making."

It won't help you to learn that there has even been a case of HMRC sending out their own employees to teach employers what they have to do to comply with RTI with even these trained officials saying that it won't work. Would you believe that these lecturers refused to answer any questions from the audience they addressed? They absolutely refused to answer any questions about this vital subject. I ask you!

While telling you of our grave doubts about the workability of this proposal, you may have noticed that I have already mentioned our attendance at the Accountancy Awards evening (see front page). While there I was talking to John Whiting, the man appointed by the government to simplify the UK's tax laws and he implied that the concerns about this potential disaster are being voiced at a very high level. We can only hope they are heeded.

That said, because this new system is all part and parcel of the introduction of Universal Credit we doubt whether this disaster can be averted and so, whether we like it or not, whether we want it or not, as we go to press we understand that RTI is going to happen. Take cover, everyone!

We have not mentioned how these changes will affect the self-employed. If you are self-employed and claiming credits, please let us know because, during 2013, and again assuming the government does not have a change of heart, you will find that you are forced to report your transactions monthly to the tax office and in very short time as well. (Is your mind reeling? Ours is.)

Pension changes

As if employers were not in for enough brow beating by the bureaucrats over RTI already, they will also see the start of (what is called) Auto-enrolment. This new measure is to ensure that all employees automatically become members of a pension scheme.

We are not financial advisers but call us if we can introduce you to one that we whole heartedly recommend. (No, we do not get any commission for doing so.)

Our recent seminar on employment and pensions

Seen here is Ashley Smith addressing our recent seminar on the changes next year to PAYE. This formed part of our free seminar for employers on the new pension regime.

Let's reduce tax now!

The Taxpayers' Alliance has recently issued their report on simplifying taxes. We doubt it will come about because governments have a habit of keeping things complicated – this year's Finance Act is the longest Finance Act ever – but you might have missed what the TPA is advocating:

Let's get (what looks like) the bad news out of the way to start with:

- Increase Income Tax to 30%.
- Local authorities to raise local taxes.

In return, they recommend the following:

- Increase the personal allowance substantially.
- Abolish National Insurance (yes, for both employees and employers).
- Abolish Corporation Tax, Capital Gains Tax and Stamp Duties on shares – in return dividends, interest and rent would be taxed at 30%.
- Abolish Inheritance Tax, Stamp Duty Land Tax and Air Passenger Duty.
- Cut fuel duty by 5p a litre.

This would not only simplify everyone's lives and reduce the length of the Finance Acts, but it would result in substantial improvements in economic growth. As President Kennedy once said "The soundest way to raise government revenues in the long run is to cut tax rates now."

Mr Chancellor of the Exchequer, did you get that!?

Employment contracts

We worry that so many of our employer clients don't seem to have employment contracts for their employees.

We can introduce you to an employment lawyer to get this put right, or maybe show you a cheaper way of getting over this hurdle, but before you take any steps in this direction, here is the very minimum there should be in an employment contract:

1. Name of employee
2. Job title
3. Date
4. Rate of pay
5. Hours to be worked
6. Holidays
7. Sickness provisions
8. Pension provisions
9. Duties to be performed
10. Whether it is for a fixed-term
11. Where the work is to take place
12. Disciplinary provisions

JOKES

- Overheard last spring "Do you realize that this is the wettest drought we have had in years!"
- Tax avoidance – warning to all clients! Whatever you do, don't take the Eurostar to Brussels or Paris: according to certain politicians it is "morally repugnant" to do so. I mean it would constitute tax avoidance; you would be avoiding Air Passenger Duty!!!
- Did you hear that joke of Brian Johnston's? "I call my dog Carpenter because he's always doing odd jobs around the house. You should see him make a bolt for the door!"