

Less Time TO FILE



In our last newsletter we told you about the Revenue's Business Payment Support Service that was set up to help businesses who were having trouble meeting payment deadlines. In this issue we have to report on a change that gives businesses less time!

Companies House has reduced the filing time for private companies from 10 months to 9 months.

The late filing penalties have also been increased with a starting fine of £150 if accounts are less than one month late, but these penalties rise steeply thereafter.

Make sure you don't have to pay a fine unnecessarily. Check your deadlines or ask us, and if we prepare your accounts, let us have your books and records early so that we can all be sure the deadlines will be met.

Finally, remember that accounts submitted must now be signed in black ink - they will be rejected if not and the delay might mean deadlines are breached!

Upgrading UNNECESSARY EXPENSE?

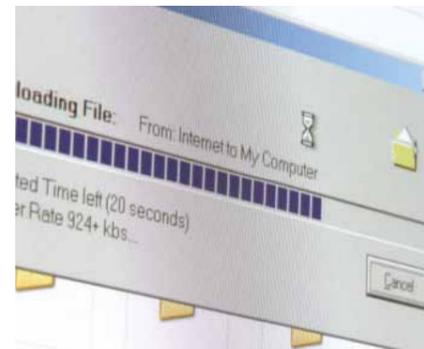
All office managers face the question of when to upgrade computer software and how to justify that expense.

It can be tempting to run systems past their 'sell by date', especially if they seem to be providing the required functionality. But remember, restoring or sharing data from such systems can cause problems.

We are increasingly seeing clients who have failed to keep up with new releases of software and whose data we have difficulty accessing on our in-house systems. We need to keep reasonably up to date with our own software because some of our clients buy upgrades as soon as they are released and data saved in newer versions is not always backwardly compatible.

Unfortunately, software suppliers often drop support for earlier versions and while we can usually cope with four to five year old programmes, anything older can be a problem.

Suppliers often give discounts for early upgrading so to some extent it is a compromise decision. Although understandable that software upgrades are put on hold when businesses are facing tough times, computer systems are essential to business operations and failing to upgrade can be a costly choice in terms of resource allocation.



Watch Out! INCREASE IN SCAMS

Two well reported scams are currently in operation. The first involves an email, purporting to be from HM Revenue & Customs, which advises the recipient that they are due for a small refund of tax and inviting you to provide bank details. The Revenue confirms that they never contact taxpayers by email, so ignore and delete any such contact.

The other scam is very well known: emails are sent out under the name of your own bank asking security questions or requesting personal information.

Never reply to any such emails and never provide passwords or security information by email. Some scams are very sophisticated and convincing nowadays, especially those done via the telephone. If you are in any doubt check with your bank or service provider, using a telephone number that you know to be correct (not one provided by the caller), before you give out any information.

Mobiles BENEFITS IN KIND

It seems the Revenue is looking at the new smartphones and Blackberries on the basis that they are much more than just a phone and do not fall within the current benefit in kind exemption.

It is difficult to get a 'basic' phone nowadays as most come with many other functions. Nothing has yet been formally published so we will have to wait and see where this leads.

Baker Chapman & Bussey
Magnet House, 3 North Hill, Colchester CO1 1DZ
Tel: 01206 715000 Fax: 01206 715010

Braintree House, 18 Bocking End, Braintree CM7 9AA
Tel: 01376 559000 Fax: 01376 559005

mail@bakerchapman.co.uk www.bakerchapman.co.uk

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Changing Rates FOR BETTER OR WORSE?



The Valuation Office Agency (VOA) assesses all rateable values in England and Wales every five years. The most recent was completed in April 2008 and resulting changes came into force in April 2010. The Department for Communities and Local Government (a body that, among other aims, seeks to narrow disparities and boost economic growth) has stated that the revaluation should mean that most small businesses see a slight drop in rates, whereas larger businesses, such as supermarkets, see increases that take account of their success. Overall, the total yield to the government should remain constant.

SMALL BUSINESS RELIEF

The Small Business Rate Relief Scheme allows the smallest business premises to benefit from a reduction in rates payable. This is calculated by using a lower multiplier (the pence in the pound) together with a percentage reduction.

Prior to April 2010 the small business multiplier was 48.1p (2009/2010), which will be reduced to 40.7p for businesses with maximum rateable values of £17,999 (outside of the Greater London area). This can apply in cases where the business

uses two premises, providing the smaller of the two has a rateable value less than £2,599 and the total of the two properties' rateable values does not exceed £17,999. In addition to the multiplier, a 50% reduction is available to traders who occupy just one property with a rateable value of £5,000 or less. All these figures are correct for the period of 2010 to 2015 but will be adjusted annually by inflation.

The April 2010 budget introduced a '12-month rates holiday' for businesses with rateable values less than £6,000 and further reductions for values under £12,000.

CAPS ON RELIEF

To help pay for the introduction of these reliefs, the amount of reduction applicable will be capped, as follows:

	Small Premises	Large Premises
2010/11	20%	4.6%
2011/12	30%	6.7%
2012/13	35%	7%
2013/14	55%	13%
2014/15	55%	13%

LARGER BUSINESSES

The Department for Communities and Local Government states that 60% of businesses will see a reduction in rates payable, but for the 'minority', which will pay higher rates, a £2 billion relief scheme will

soften the blow. Effectively, this means that maximum increases will be phased in as follows:

	Small Premises	Large Premises
2010/11	5%	12.5%
2011/12	7.5%	17.5%
2012/13	10%	20%
2013/14	15%	25%
2014/15	15%	25%

OTHER RELIEFS

There may be other reliefs for which your business can apply. Empty properties usually qualify for a three month 'rate free' period and industrial or warehouse properties can normally claim a further three month exemption. For 2009/10 the government introduced relief for landlords of empty business properties with annual rateable values of £15,000 or less exempting them from business rates. This is to be extended for 2010/11 and increases the threshold to £18,000. These are applied automatically but you must notify your local authority that premises are empty.

Charities also benefit from a reduction; usually 80%. If your organisation is a non-profit making or social enterprise, it is worth contacting your local authority to see if you are eligible for discretionary reliefs. Small businesses using land or buildings previously classified as agricultural can claim reductions, subject to certain conditions.

All business rates payers are entitled to appeal against rateable values, either direct or using a specialist; however, beware of companies that request up-front fees.

Rates are a major cost to businesses and reviewing your rates bill is important to ensure the correct charge is levied.

BALANCING BUSINESS INSIDE THIS ISSUE

VAT Online Filing BECOMES COMPULSORY

An Inspector Calls WHAT TO DO IF THE REVENUE RINGS

Buying a Vehicle? AN EXPLANATION OF FINANCE OPTIONS

PLUS

MOBILE PHONES, SOFTWARE UPGRADES, SCAMS UPDATE, NEW FILING DEADLINES

VAT Online Filing BECOMES COMPULSORY



If you are a VAT registered trader with an annual turnover over £100,000, or if you registered for VAT on or after 1 April 2010, you will have been notified by HM Revenue & Customs that online filing is compulsory from 1 April onwards. If your turnover is below £100,000 and you are registered for VAT you have the option of continuing with your paper Returns. However, be aware that the system will eventually move to electronic filing only – probably by 2012.

Traders with turnover hovering around the £100,000 mark may be unsure as to whether they must file electronically. The Revenue calculates annual turnover on 31st December from the previous VAT returns. If you don't have to file electronically but are able to we recommend you do as it is quite simple, avoids postal delays and if you pay electronically you get an extra 7 days.

The HMRC website at www.hmrc.gov.uk/vat gives guidelines on how to register for online filing and payment. You will need your VAT registration number, the date when you first registered, the date

of your last VAT Return and the amount of VAT paid on that occasion. HMRC is sending out details of the date of registration in its letters.

The system is relatively straightforward but remember to make a note of your user ID as you will need to enter it more than once to complete your online Returns; it's a 12-digit number so unless you have an exceptional memory you probably won't be able to recall it without a prompt.

Once registered and filing Returns online, our experience is that the system has a glitch (at the time of writing) which prevents you from downloading and printing a PDF of your Return at the time you enter your details. Our advice is to print and/or save the acknowledgement number and go back into the system at a later date, once your Return has been processed. It seems that printing your Return retrospectively isn't affected by this problem.

If you have any problems with online filing or would like assistance with this or any area of VAT please get in touch.

AN INSPECTOR CALLS!

Many readers will be aware of the merger of the old Inland Revenue and Customs & Excise into a new government department called HM Revenue & Customs. Attempts have been made to align the internal workings of the two old departments and one change introduced in the 2008 budget was that the Revenue's powers were to be brought in line with Customs. Changes were also introduced regarding enquiry procedures and penalties and these rules took effect from 1st April 2009.

The Revenue has announced that it will try to sort out minor queries arising from tax returns in a more simplistic way in order to avoid raising a formal enquiry. Whilst the attempt to simplify matters can be applauded, one worrying aspect is that they are proposing to telephone taxpayers direct to discuss the issues rather than go via the appointed agent.

Not only may this intimidate clients but unannounced calling poses other problems such as security issues. Clients should remember to avoid giving personal details and entering into discussion on any matters to unannounced callers.

We advise clients that the best course of action is to refer the Revenue to the agent. Verbal, on the spot responses are not recommended as it is always better to have matters in writing so there can be no misunderstanding later on.

The various professional bodies have requested that where a Tax agent is appointed calls should be made to the agent, as in most cases it is they who have prepared the Tax return for the client and they hold the information. However the Revenue has not accepted this avenue.

For most clients the above will not be an issue but if you do receive a phone call or a visit please take care, make sure to find out to whom you are speaking and always inform your agent.

Finance Options WHEN BUYING A VEHICLE



We are often asked by clients about the best way to finance a car. The answer is... 'it depends'.

There are many ways: outright cash purchase, hire or lease purchase, personal contracts and personal loans being the main ones. Other titles may be given to packages but essentially they will be a variation of these options.

OUTRIGHT CASH

Straightforward and simple: you use savings to pay for the vehicle immediately. You negotiate the deal with the garage, haggling on the cost or including extras until you agree a price. The vehicle becomes yours straightaway.

HIRE/LEASE PURCHASE

You agree a price and depending on the finance rate applicable you will pay an initial deposit with the balance of the price paid with interest in equal monthly amounts over the term of the agreement, which is usually between 24 and 48 months. The finance company has the car as security until you make the final payment. It is usual to have to insure the vehicle comprehensively as a condition of the agreement.

If you decide to sell the car before the loan is completed you will have to settle the outstanding loan. Interest is normally front weighted, calculated such that the early payments are mainly interest, so early settlement can be expensive.

PERSONAL CONTRACT

These agreements are similar to hire

purchase but have reduced monthly payments and include a final balloon payment at the end. They aim to match the final payment to the estimated residual value of the car, giving you the options, at the end of the agreement, to return the car and walk away, to clear the balance, or try to re-finance the balance. As with hire purchase, the loan is secured on the car so if you want to change early you have to settle in full.

Whilst these type of arrangements seem to be affordable with low monthly payments, it is important to remember that you are paying interest on the outstanding balloon payment and the end value is not necessarily guaranteed. Also, there is usually an annual mileage limit.

Whilst these provide cheaper monthly payments their overall cost is generally higher than Hire Purchase.

PERSONAL LOAN

This is a simple loan with fixed monthly repayments typically over 24 to 48 months. They can be arranged independently from the garage and

effectively put you in the position of a cash buyer. They are not secured on the vehicle and do not need to be repaid if the vehicle is changed, therefore avoiding early settlement penalties.

Outright cash, HP and Personal loans give a fixed known level of monthly repayment and have no surprises. Personal Contracts can provide a cheaper monthly payment but with a sting in the tail.

RENTING OR LEASING

Here you are effectively hiring the car for a fixed period of 12, 24 or 36 months.

Agreements can be for the car only or for a full maintenance package. You pay a fixed monthly charge plus VAT for a fixed period. At the end you return the car and start again. Normally there is an annual mileage limit with a cost per mile if it is exceeded.

These agreements can be expensive but they avoid the hassle of selling the vehicle and 'full maintenance' deals provide you with a known fixed cost.

Which method is best depends...

At times manufacturers need to sell vehicles and dealers will have incentives offering very attractive finance deals. How the vehicle is going to be used may also impact on the decision regarding funding. If the vehicle is going to be used within a business the difference in tax treatment between buying and hiring will also have to be considered.

In simple terms outright cash purchase is the cheapest but it does mean locking up liquid funds, which may be better used elsewhere. We are happy to review costs with clients so that they can assess the solutions on offer.