

## NEWSLETTER JULY 2012

### FEE PROTECTION INSURANCE

Fee Protection Insurance is available to the firm's clients via Abbey Tax Protection.

The insurance arrangements cover the professional fees which arise in connection with income tax self assessment full enquiries, corporation tax self assessment full enquiries, corporation tax accounts investigations, employer compliance reviews and HM Revenue & Customs VAT reviews.

Cover is available at the following rates:

Client Status	Fee per Annum
Personal taxation clients	£30.00
Sole traders	£120.00
Partnerships – including personal tax returns	£120.00
Companies – including personal tax returns	£120.00

The fees are payable for scheme years commencing 1st September.

Clients at 1<sup>st</sup> July 2012 have received full details of the scheme. New clients from 1<sup>st</sup> July 2012 receive details of the scheme prior to the annual renewal on 1<sup>st</sup> September. Further information regarding the scheme is available to all clients upon request.

### HMRC WARN OF EMAIL SCAM

HMRC have issued a warning about possible fake or 'phishing' emails sent out by fraudsters. The period in the run-up to the tax credits renewal deadline often sees an increase in such attacks. Taxpayers have to renew their claims by 31 July 2012 or their payments may stop.

The format of the emails is that they often promise a rebate. If taxpayers click on the link within the email, they are taken to a replica of the HMRC website where they are then asked to provide credit or debit card details or other sensitive information. Fraudsters then try to take money from the account.

Victims are at risk from having money stolen from their bank accounts or their personal details being sold for identify fraud.

According to the HMRC press release:

*'During last year's tax credits renewals period, from April to July, nearly 94,000 phishing emails were reported by customers. Even though HMRC helped shut down more than 360 scam websites during the period, others continue to be created.'*

Steve Lamey, Director General for Benefits and Credits, said:

*'We only ever contact customers who are due a tax refund in writing by post. We don't use telephone calls, emails or external companies in these circumstances.'*

### ENTERPRISE RESEARCH CENTRE

The government has announced proposals to introduce a new independent £2.9 million Enterprise Research Centre which will look at investment strategy for SMEs.

The Enterprise Research Centre will help develop a greater understanding of the factors affecting business investment, performance and growth.

It is a joint collaboration between the Department for Business, Innovation and Skills, the British Bankers Association, the Economic and Social Research Council and the Technology Strategy Board.

Business and Enterprise Minister Mark Prisk, said:

*'The Government is committed to boosting enterprise and giving entrepreneurs the right environment to be successful and grow. We are creating a network of thousands of business mentors and providing quality coaching to a range of high growth potential businesses. We are also launching a £10 million startup loan scheme to provide young people with a range of business support and access to a small amount of capital to start their business.'*

*'Research is vital to ensure that Government makes evidence based decisions about how to develop these schemes and improve the business environment in the UK. By collaborating with partners and bringing together leading academics we will be able formulate long term policy that will help to stimulate economic growth in the UK.'*

#### **TAX CREDITS RENEWAL DEADLINE**

Tax credits are state benefits which are generally available to lower income families. However, entitlement to the credits is significantly increased where individuals pay for childcare or suffer a drop in normal levels of income perhaps due to incurring trading losses or redundancy.

Individuals who have already claimed tax credits for 2011/12 have to finalise their provisional award, which would have originally been based on their 2010/11 income, and advise HMRC of any changes in their circumstances for 2012/13. This procedure is known as the renewals process. The deadline for the submission of tax credit renewals is generally 31 July 2012.

Claimants need to be aware that the payment of tax credits will stop at the end of July if they have not renewed their applications by that date. There are significant changes to the income limits and claw back of entitlements for 2012/13 so you may wish to review the HMRC guidance. If you need any advice on tax credits please do get in touch.

#### **SMALL DONATIONS TO CHARITIES**

It has been confirmed in the Queen's Speech that charities will be able to claim top-up payments on up to £5,000 of small donations without needing to obtain Gift Aid declarations.

The Scheme, called the Gift Aid Small Donations Scheme, should boost charities income and also reduce their administrative burden.

From April 2013 charities will be able to claim the Gift Aid-style top-up payments from HMRC without needing to get a Gift Aid declaration from donors.

The top-up payment will be 25p for every pound collected in the UK. The maximum amount of donations on which the top up can apply will be £5,000, where the individual amounts of donations are £20 or less.

Chloe Smith, Economic Secretary to the Treasury, said:

*'This scheme will be particularly helpful for small charities that rely on bucket collections, which can find it impractical to get the necessary paperwork that Gift Aid requires. Charities and Community Amateur Sports Clubs will now be able to claim a Gift Aid-style payment on small donations without the need to collect donors' details.'*

#### **SIX NEW TASKFORCES LAUNCHED BY HMRC**

HMRC have announced that they have launched six new taskforces which will target traders who do not pay the right amount of tax. The taskforces will tackle:

- Indoor and outdoor markets in London
- Taxi firms in Yorkshire and East Midlands
- Property rentals in East Anglia, London, Yorkshire and the North East
- Restaurants in the Midlands

HMRC Taskforces are specialist teams which look into specific high risk trade sectors in targeted areas of the UK. The teams will visit businesses and examine their records and carry out other checks and investigations.

David Gauke, the Exchequer Secretary, said:

*'HMRC is on target to collect more than £50m as a result of the taskforces launched in 2011/12.'*

*'We have made it clear that we will not tolerate tax evasion – everyone needs to pay the taxes they owe in full. We are determined to crack down on the minority who choose to break the rules. It is not fair that at a time when most hard-working people are paying the right tax, others are trying to get out of paying what they should.'*

HMRC's Mike Eland, Director General Enforcement and Compliance, said:

*'These six new taskforces will bring together specialists from across HMRC to tackle tax dodgers. If you have paid all your taxes you have nothing to worry about. But deliberately evading tax you should be paying can land you with not only a heavy fine but possibly a criminal prosecution as well.'*

*'This is not an empty threat - HMRC can and will track you down if you choose to break the rules.'*

#### **WORKING BEYOND STATE PENSION AGE**

The Office for National Statistics has published a report looking at those working beyond state pension age. The report, 'Older Workers in the Labour Market – 2012' includes some interesting statistics:

- *The number of people of state pension age and above in employment has nearly doubled over the past two decades, from 753,000 in 1993 to 1.4 million in 2011.*
- *Older workers are far more likely to be self-employed than their younger counterparts: 32% compared with 13%.*
- *Around two-thirds of the older workers are part-time but they are generally doing this shorter role with the same employer. Eight in every 10 of older workers have been with their employer for five years or more.*
- *Men working later in life tend to stay on in higher skill roles while women tend to stay on in lower skill roles.*
- *Just over a half (51%) of older workers are in small organisations of fewer than 25 employees.*

#### **END OF EMPLOYMENT SETTLEMENT**

The CBI have commented on the Business Secretary, Vince Cable's plans to introduce simplified settlement agreements, designed to enable employers and employees to agree mutually acceptable terms for ending employment.

Neil Carberry, CBI Director for Employment & Skills, said:

*'Today's announcement will simplify the process of ending an employment relationship in a way which is acceptable to both sides.'*

*'Simplified settlement agreements will give firms the confidence to have a frank conversation about ending employment on fair terms, without the fear of a drawn-out and costly tribunal claim.'*

*'The CBI has long taken the view that simpler and more legally certain settlement agreements would be more effective for employees and businesses, especially smaller firms.'*

#### **NO CAP ON RELIEFS FOR CHARITABLE GIVING**

Following representation from interested parties the government has announced that it no longer intends to proceed with the proposed capping of some tax reliefs including charitable giving.

Plans to cap tax relief on charitable donations have been scrapped by Chancellor George Osborne in a reversal of one of the measures announced in the Budget.

The cap, which was designed to limit relief at £50,000 or 25% of income, was proposed in the Budget but resulted in protests from charities who were concerned that they could lose a significant proportion of their income.

The government has confirmed that it will be pressing ahead with the cap on income tax reliefs for wealthy people which do not relate to charitable donations.

Since the Budget announcement, the Treasury has been holding discussions with charities and major donors to discuss the scale of impact which they believed the cap could have on charitable giving.

John Low, Chief Executive of the Charities Aid Foundation, said:

*'We are delighted that the Government has responded to the challenging calls from philanthropists and charities across the country and taken the bold decision to exempt charitable donations from the cap on tax relief.'*

*'We realise the Government is responding to truly exceptional financial circumstances and is having to make tough decisions about public finances. We acknowledge and welcome the Chancellor's decision to do the right thing and exempt charity donations from the cap. We thank Ministers for the support they have shown to charities large and small, which are so vital to the health of our country.'*

## NO VAT INCREASE ON PASTIES

In the Budget it was announced that the government proposed to charge standard rated VAT on certain hot food items such as pasties.

After campaigns by interested parties the government has now decided not to proceed with this change. The letter from David Gauke, the Exchequer Secretary, details the government's revised approach.

The letter also details the government's proposal to charge 5% VAT on static caravans rather than the original intention of 20% standard rated VAT.

VAT is a complex issue, if you would like any help in this area please do get in touch.

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<sup>i</sup> *The articles in this newsletter are of necessity summaries of the topics covered. The publisher has taken all due care in the preparation of this publication. No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication can be accepted by the authors or the publishers. The publisher accepts no responsibility for the content of any material provided by third parties or for the content of any hypertext site referred to in this publication. The Publisher accepts no responsibility for the content of any website of other document referred to in this publication.*