

## **A.HM Revenue and Customs New Penalties and Administration Regime**

There have been major changes in this area during the last year and for next year and the year after. Taxpayers are being forced into submitting information online whether they have the facilities or not and interest and penalties are being added to new areas of tax compliance. Some of these are shown below:

### **1. Overpaid Tax**

The time limit for reclaiming overpaid tax will reduce from 6 years to 4 years on 6 April 2010.

### **2. Filing Tax Returns**

- a. Late Tax Returns will attract an initial penalty of £100 each.
- b. Tax Returns that are more than 3 months late will attract a penalty of £10 per day for up to 90 days.
- c. If the return is more than 6 months late, 5% of the tax due (whether or not it has been paid) will be charged and a further 5% at 12 months late.
- d. A 70% penalty can be charged if the return is 12 months late and information necessary for HMRC to assess the tax due is deliberately withheld.
- e. Penalties will be due whether or not the tax has been paid.

### **3. PAYE**

- a. Late payment will attract interest automatically
- b. A penalty will be due if the return is late more than once in any rolling 12 month period.
- c. Penalties start at 2% of the unpaid tax rising to 5%.

### **4. Online Filing**

- a. PAYE Annual Returns (P35) will have to be filed online by April 2011 for those employers with less than 50 employees. All other employers already have to file online
- b. VAT-registered traders with more than £100,000 turnover will have to file online for VAT Returns that start after 31 March 2010, as well as newly-registered traders.

### **5. Undeclared Income**

The new rules categorise this into degrees of severity such as:

- a. A reasonable mistake – you had taken reasonable care
- b. because you failed to take reasonable care – you were careless
- c. is deliberate – you intentionally send an incorrect document that is deliberate and concealed
- d. you intentionally send an incorrect document and try to conceal the inaccuracy

The first carries no penalty and there is a reduction of up to 30% of the penalty in the other cases for voluntary disclosure (although this may not apply if it was clear that HMRC were about to find out). The maximum penalty is 100% of the undeclared tax liability. **September 2009**



## B. What you can claim on Capital Expenditure before April 2010

Some of the generous allowances shown below may well disappear in next year's Budget. Look at your spending plans for next year now. It may be tax-efficient to bring expenditure forward, particularly for those items that would attract 100% relief.

Where you have expenditure of a Capital nature (e.g. tractors, machines or other equipment), this can't be deducted from your profits as an expense but Capital Allowances can be claimed. Apart from the 100% allowances shown below this provides tax relief on the cost of the asset over several years. Except for low emission cars (see point 4 below), cars are treated separately with capital allowances being only 20% per year or 10% depending on emissions.

1. **40%**                    **Temporary First Year Allowance (FYA)**
  - i. For expenditure between 6 April 2009 and 5 April 2010 for individuals and partnerships
  - ii. For expenditure between 1 April 2009 and 31 March 2010 for limited companies
  - iii. Use once Annual Investment Allowance (up to £50,000 of expenditure in the year) has been used. Available for normal capital expenditure that would be in the General Pool.
2. **100%**                    **Annual Investment Allowance (AIA)**
  - i. 100% of expenditure up to £50,000 incurred in the year.
  - ii. Includes long-life assets and integral features, but not cars.
3. **100%**                    **Energy Saving and Environmentally Beneficial Plant & Machinery FYA**
  - i. Just what it says – visit [www.eca.gov.uk](http://www.eca.gov.uk) to see if assets qualify.
4. **100%**                    **Low Emission Cars FYA**
  - i. Carbon Dioxide Emissions below 110 gms
5. **20%**                    **Annual Writing Down Allowance (WDA)**
  - i. For the General Pool expenditure unless 1 or 2 above have been claimed in the same year on that expenditure.
6. **10%**                    **Long-life Assets and Integral Features Annual WDA**
  - i. Long-life assets are those with a life of over 25 years
  - ii. Integral features are Plant & Machinery that in law are treated as part of the building

The current Capital Allowances regime is complex. If you contact us before you undertake significant expenditure on capital items, we can ensure that your acquisition is tax-efficient. **September 2009**

## C. Inheritance Tax

You may need to revise your Wills if you are in the situation where husband or wife has assets under the current tax-free limit of £325,000 and the other is over the limit. Old Survivorship Clauses may cause an unnecessary Inheritance Tax liability. Contact us for further advice on planning to minimise Inheritance Tax liabilities. **September 2009**