

## DEADLINES *deadlines*

### 19 September

PAYE & NIC due for month to 5 September.

### 22 September

Electronic payments of PAYE for month to 5 August to reach Inland Revenue's account.

### 30 September

Tax credit renewal forms for 2004/05 must be returned. Hard copy 2003/04 Tax Returns submitted so tax due of up to £2,000 may be collected through 2005/06 PAYE coding.

### 1 October

National Minimum Wage increases to £4.85 for adults, £4.10 for 18 to 21 year olds, and £3 for 16 to 17 year olds. Pay corporation tax for small companies with accounting periods ending on 31 December 2003.

### 5 October

Individuals must inform Inland Revenue of new sources of income or gains if no Tax Return received for 2003/04.

### 19 October

Income tax and class 1B NIC due under PAYE Settlement Agreements for 2003/04. PAYE & NIC due for month to 5 October and 2<sup>nd</sup> quarter 2004/05.

### 22 October

Electronic payments of PAYE for quarter/ month to 5 October to reach Inland Revenue's account.

### 2 November

Submit forms P46 (car) for quarter ended 5 October.

### 19 November

PAYE & NIC due for month to 5 November.

## Salary substitutions

Normally anything you give to an employee is taxed as a benefit in kind or as part of the regular salary, so there is no tax saving. However there are now two ways in which employees can take part of their salary in a non-cash form which do provide tax savings all round.

### Home computers

If you lend your employee computer equipment worth up to £2,500 there is no tax charge and your business can claim tax allowances for buying or leasing the equipment. Your employee can use the computer to improve his skills by studying after work hours and others in the household can also use the equipment, which can benefit the whole family.

As this is such a valuable perk your employee may be prepared to forgo some of his salary in return for the use of a home computer. You save the NI on the pay forgone and the employee pays no extra tax. It is important that the computer remains the property of your business and you draw up a simple credit agreement to support the loan of the equipment, but we can help you with this.

### Childcare vouchers

These vouchers may be used as payment for any childcare provided by a participating carer. You can offer childcare vouchers to selected employees in place of part of their wages. The vouchers are taxable but are not subject to NI, so you and your employee save the NI charges.

From 6 April 2005 up to £50 per week of childcare vouchers will be free of tax and NI, but they will only be redeemable with registered child carers. You will be able to offer childcare vouchers in place of wages, but the same offer must be open to all employees equally, or to all who work at a particular location. The childcare scheme must also be structured to prevent you falling into a couple of tax traps. Ask us about these pitfalls.



Help with childcare and save tax

### Tax Tip

If you have been forced to pay up as a guarantor of a loan to a UK trading business because the borrower defaults, you can claim tax relief. The amount you paid becomes a capital loss in your hands that can reduce tax due on your other capital gains.

### Dti guidelines on Home Computing Initiative:

[www.dti.gov.uk/hci](http://www.dti.gov.uk/hci)

Office of Fair Trading credit licence for firms using the Home Computing Initiative:

<http://www.oft.gov.uk/business/legal+powers/hci+group+licence.htm>

### Home No. 2

When you buy a second home you may think about its potential future value, but only one home can be free of capital gains tax on sale. You can choose which property this applies to within **two years of acquiring the second one**. Once you have told the Inland Revenue of your decision you can change your mind at any time. Please tell us as soon as you buy another property.

If you let out your second home you are obliged to declare the rent received and any associated expenses such as mortgage interest on your annual Tax Return. This applies whether the property is in the UK or abroad.

This news letter is written for general interest only, Day Associates do not accept any liability for any reliance placed on its content. Please contact us for further specific advice before acting.

## What's your employment status?

Many people believe that if you work in the construction industry and hold a CIS4 or CIS6 card you should be treated as self-employed for every job you do until that card expires. That's **not** true. The terms of each job must be examined separately.

When you hire someone, whether in the construction industry or otherwise, you need to determine whether the worker will be fully under your control and should be paid through the payroll as an employee, or if he will have a degree of independence. If the worker has rights that an employee is unlikely to have, such as being able to provide a substitute to complete the task he is likely to be self-employed. Only if you conclude that the worker is genuinely self-employed for the task in hand should you consider paying him gross on production of an invoice. The CIS card will tell you if 18% tax should be deducted under the Construction Industry Scheme.

The Inland Revenue is currently writing to many

sub-contractors in the construction industry implying that they should be treated as employees of the contractor they work for rather than self-employed workers. The letter says the Revenue's records indicate that the sub-contractor is being incorrectly treated as self-employed, but we believe that this is an exaggeration.

The difference between being classified as employed or self-employed can be very small, especially where the worker has a specific skill and cannot be told exactly how to perform his work by the person who hires him. To reach a correct conclusion the terms of the specific engagement must be examined. As many workers do not have a written contract this will normally mean speaking to both sides; the contractor and the worker, to find out what happens in practice.

If you receive one of these Inland Revenue letters please come and speak to us as soon as possible.



## Don't panic over Inspector's letter

The Inland Revenue has been busy sending out letters that sow alarm and confusion in the minds of taxpayers, (see above). The latest missive implies that there is something wrong with the taxpayer's 2003 Tax Return but it doesn't say what.

The standard letter is directed to a sole-trader or trader in partnership who has a turnover of up to £150,000 and who has claimed an unusual pattern of business expenses. Unusual in this case means a high level of insurance or subscription expenses compared to an average business, but which can be typical of a medical practice.

The other trigger seems to be a claim for mixed-use expenses, such as when you use your own car, telephone, or home for business and claim a proportion of the costs as business expenses. In this case we will have explained in your accounts

or on the face of your tax return how the calculation for business use was made. However as the computer that dispatched the letters can only read numbers in the regular boxes on the return these explanatory notes have been mis sed.

If you receive one of these letters it does not mean that your 2003 Tax Return is wrong or the Inspector is about to open an enquiry on your case. He has until 31 January 2005 to ask questions about your 2003 Return but he must write to us and set out his specific points..

If your Tax Return is picked for enquiry it should not be a cause for panic. We have many years of experience in dealing with Inland Revenue enquiries and can work with you to bring the matter to an end quickly and efficiently.

## Company begins at home



When you run a business from your home you can claim a proportion of your household expenses against your profits, but exactly what you can claim depends on whether you work as a sole-trader, or through your own limited company.

A limited company is a separate 'person' in legal terms and any payments you receive from it must be declared and taxed on your personal tax return, unless some special exemption exists. So if the company pays you a standard amount for the use of your home for its business, that sum is treated as rent in your hands and should be declared on the property pages of your tax return. You can claim expenses against that rental income such as a proportion of council tax and energy bills, but this does seem like a lot of paperwork to save a bit of tax.

A simpler way is for the company to reimburse you for the extra expenses you incur by using your home as the business base. You receive a tax free payment and the company gets the tax deduction in its own accounts. The 'use of home' payment must be for real additional expenses that you would not have borne if the company was run from a leased office. For example the additional metered water, light and heat charges, plus business telephone calls, and possibly the extra cost of an office cleaner. You must be able to provide evidence of the extra expenses by way of the actual bills.

### Tip

We can help you work out the extent of your extra domestic expenses and thus how much to charge your company for using your home for business purposes.