

## DEADLINES *deadlines*

### 1 March

Money laundering rules affect more businesses.

### 17 March: Budget Day

Announcements expected on: new tax on pre-owned assets, new pensions regime from 2005, Real Estate Investment Trusts (REIT), and higher taxes on small company dividends.

### 19 March

PAYE & NIC due for month to 5<sup>th</sup> March.

### 31 March

Last day to buy ICT equipment and claim 100% allowance in year of purchase.

### 5 April

Last day to create a capital loss in 2003/04, have gains covered by exemption of £7,900, transfer assets of up to £3,000 and small gifts out of income to use IHT exemption, invest in 2003/04 ISA up to £7,000, or £3,000 in a mini-ISA.

### 6 April

EIS and VCT investment limits raised to £200,000 but capital gains relief may be withdrawn. Tax paid by trusts increases from 34% to 40%. ISA fund managers can no longer reclaim 10% tax credit on dividends.

### 19 April

Pay PAYE & NIC due on IR35 deemed salary for 2003/04 and PAYE & NIC for month to 5<sup>th</sup> April, and 4<sup>th</sup> quarter 2003/04.

### Tax Tip

*Do you have a company car? If you do your new PAYE coding may be wrong. The Inland Revenue computer has sent out nonsense codes again this year. Please send us your 2004/05 coding notice so we can get it corrected before 6 April 2004 and make sure you pay the right amount of tax.*

## Money laundering rules apply!

March 1<sup>st</sup> 2004 is a red-letter day for many businesses as it means they must comply with the new money laundering regulations. Banks and people who advise on financial products have been working under these regulations for a year, but now the net has widened to include, amongst others: Lawyers, Estate Agents, Casino Operators, Accountants, Tax Advisers, and high value dealers.

High value dealers are those who accept over €15,000 (about £10,200) in cash for goods in one transaction or in a series of linked transactions. These businesses must register with Customs and Excise as a 'High Value Dealer'.

If you fall into one of the categories affected you are legally obliged to train all your staff who deal with customers or customer's records, so they can spot and record any suspicious transactions. A suspect transaction is where the money is thought to arise from a crime. You must also nominate one person to collect the reports from staff and make reports on to the National Criminal Intelligence Service (NCIS).

The Money Laundering regulations were conceived in Europe to track cash being pushed through legitimate businesses that is actually generated by serious crime. However in the UK the money laundering rules shine a spotlight on **any** proceeds of **any** crime committed anywhere in the world. Failure to comply with the money laundering regulations is a criminal offence, so this pile of red tape needs to be taken very seriously.

If you think your business will be affected please talk to us very soon, as you need to introduce new procedures for confirming the identity of customers as well as comply with all the training and reporting requirements.

Customs & Excise leaflet: [MLR6: Registration guide for High Value Dealers](#)

Customs & Excise leaflet: [MLR7: Anti money laundering guide for High Value Dealers](#)

Website of NCIS: <http://www.ncis.gov.uk/>



Monday 1 March is (money) laundry day

### In Brief

As we draw to the close of another tax year we are happy to note a record number of new clients joining our practice through existing clients. This is probably the best form of accolade. However, we are constantly striving to improve all that we offer to existing and prospective clients so your constant feedback and continued recommendation of our services to your friends and colleagues is much appreciated.

We are continuing to develop our new website: [www.dayandassociates.co.uk](http://www.dayandassociates.co.uk) and will be introducing new pages and further information points over the coming weeks. If you have Internet access, please visit the site regularly and let us know what you think.

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.

## The business of letting property

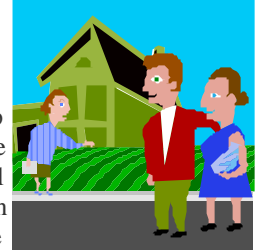
The Inland Revenue treat property letting as a serious business but they do not agree it is a trade, so what's the difference and does it matter to you?

As a business you can deduct the costs incurred in connection with the letting such as management fees, repairs and interest charged on loans from the gross rents to reach the figure of net taxable profit. The costs may be so high, or the rents received so low, that you actually make a loss.

With a trade the loss can be used to reduce your other taxable income in the same tax year, such as your salary, and reduce your total tax bill. However as the letting is not a trade you can only set the property loss against profits from other lettings in the same year or in a future period.

When you sell the property you may make a capital gain that is taxed under capital gains tax. If the property has been used in a trade by a company, or from 6 April 2004 any trading business,

the capital gain can be reduced by up to 75% under taper relief. If the property has been let as a residential home to individuals rather than used in a trade, so the taper relief can reduce the gain by only 5% per year from the fourth year of ownership, up to a maximum of 60%.



A property let as a home is not a trade

Letting property as furnished holiday accommodation for short periods can be treated as a trade, in which case the higher taper relief is available to reduce any gain made when the property is sold. Also a loss made by letting holiday accommodation can be used to reduce any other unrelated income in the same tax year. We can help you work out whether your property can qualify as furnished holiday accommodation.

**Inland Revenue leaflet:**

**IR 150: Taxation of Rents**

## VAT invoices change



Are your invoices fully compliant with VAT rules? The invoicing rules changed from 1 January 2004, but you could have easily missed the announcement tucked away in a dull little notice sent out with last quarter's VAT returns.

The biggest change is you must now include the unit price of the goods or services on the face of the invoice, with two exceptions: If the item can't be broken down into countable parts, then the full price is the unit price. Alternatively if it is not the industry practice to show the unit price and your customer doesn't need to know, you don't have to include it.

Other changes are designed to simplify procedures for small businesses. As a retailer you can now issue a simplified invoice for up to £250, rather than £100. You also no longer have to show the type of each supply and the amount of VAT charged at each rate on the invoice, but you can continue to include this data if you want to.

It is essential that your invoices include the correct information as your customers can't reclaim the VAT from an invalid VAT invoice. However as these rules were a bit rushed in Customs are going to give businesses a year of grace before imposing the letter of the new law.

**VAT leaflet:**

**Information sheet 16/03**

**VAT website:**

[www.hmce.gov.uk](http://www.hmce.gov.uk)

## Use the Internet and collect £825



PAYE filing by computer

It's true, the Revenue are eager to give employers a cash bonus, but there is a catch. You have to submit your PAYE returns electronically. This means using approved software to complete your P14 and P35 forms, and sending them either over a secure EDI (Electronic Data Interchange) service or through the Internet Government Gateway.

EDI is normally used by large employers and payroll bureaux who transfer large amounts of data. The Government Gateway is more cost effective for smaller employers, but you need to register to use it. If you employ less than 50 people you can also use the Revenue's own **free** online PAYE returns service, instead of paying out for an approved payroll software package.

To collect the full £825 you need to submit your PAYE returns electronically every year for five years starting with the 2004/05 forms, which are due in by 19 May 2005. You can start with this tax year, but there is no cash incentive for submitting the 2003/04 forms electronically. If you want us to do the computer stuff for you, the Revenue will still send the cash bonus to you.

It makes sense to try to use the electronic PAYE filing system early because the law is changing to make it illegal not to. Large employers have to go the electronic route from 2004/05, medium sized employers from 2005/06 and small employers from 2009/10.

**Information on filing by Internet:**

<http://www.inlandrevenue.gov.uk/employers/ppip/>