

DEADLINES *deadlines***4 July**

Last day to reach PAYE settlement agreement for 2003/04.

6 July

File forms P11D/ P9D with the Revenue and give copies of the information to employees.

19 July

PAYE & NIC due for month to 5 July and for 1st quarter 2004/05. Class 1A NIC due for 2003/04.

22 July

Electronic payments of PAYE for periods to 5 July to reach Inland Revenue's account.

31 July

Pay on account amount of income tax for 2003/04. Automatic £100 fine if 2002/03 Tax Return still not submitted. 5% surcharge on unpaid income tax and CGT due for 2002/03.

2 August

Submit forms P46 (car) for quarter ended 5 July 2004.

19 August

PAYE & NIC due for month to 5 August.

22 August

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

7 September

Shares or options issued to employees in 2003/04 must be reported to Revenue.

19 September

PAYE & NIC due for month to 5 September.

30 September

Paper version of personal Tax Return for 2003/04 to be submitted so tax due of £2,000 or less can be collected through 2005/06 PAYE coding.

Phone traps

A mobile phone provided by an employer to his employee is a tax free benefit no matter how many private calls the individual makes on the phone. These private calls have to be paid for by the employer who can end up with a very big bill.

To cap the call costs an employer may ask the employee to use his own phone and pay him a flat rate phone allowance to cover business calls. Unfortunately a flat rate or standard allowance is taxable and raises NI charges for the employee and the employer. To avoid the tax and NI the employer should only reimburse the employee for the exact cost of business calls made on the employee's phone, but this will require an itemised phone bill.

Another way of capping private use of a company mobile is to provide employees with pay-as-you-go phones with limited air-time. These phones are tax free until the air-time runs out. If the employer purchases a top-up voucher and gives it to the employee to credit the phone the employee is taxed on the value of the voucher. It sounds ridiculous but the tax charge is avoided if the employee hands the phone back to the employer to be topped-up with air-time rather than adding the credits himself.

Employers often pay for telephone landline costs when employees work from home. If the telephone is also used for private calls any line rental charge paid by the employer is taxable on the employee. The tax charge can be avoided if the phone costs paid by the employer are limited to the calls relating to business use. Alternatively the employer can contract directly with the phone company to install a separate business-only phone line in the employee's home.

Finally, a VAT warning: you are not permitted to claim back VAT on the cost of private calls made on mobiles owned by the company or employees. If you have a clear policy prohibiting private use of company mobiles you can reclaim all the VAT. If you allow some private calls you should disallow a proportion of the VAT in line with the amount of private use.

Tax Trap summary:

- Flat rate phone allowances are taxable;
- Air-time vouchers given to employees are taxable;
- VAT can only be reclaimed on business calls.



Tax free!
Or not...

Tax Tip

If you are about register for VAT or have just done so, you could save tax by using the VAT flat rate scheme. In the first 12 months of registration the flat rate of VAT payable on all gross sales is reduced by 1%. This scheme can help service businesses that trade from home with few purchases.

Office News

We are pleased to announce that Gill Harrison, a Chartered Accountant and a Chartered Tax Adviser, has joined us. Gill has extensive experience in advising private individuals and small to medium sized businesses - including legal practices, estate agents and those in the "not for profit" sector. Gill can be contacted by phone or e-mail: (gilharrison@dayandassociates.co.uk) and looks forward to hearing from you.

When does a car become a van?

Some van-like vehicles, such as small pick-ups, are treated as cars by the tax authorities while some estate cars are considered to be vans because they have been converted to carry goods. The difference is important because VAT can be reclaimed in full on the cost of a van purchased for use in the business but not on the price of a car.

Even if the car is used entirely for the business VAT cannot be recovered unless there is a physical or legal barrier to prevent the car from being used for a private journey. This is a very difficult test to pass, so you need to be certain that your commercial vehicle is treated as a van and not a car. If you get it wrong there will be VAT to repay plus interest and penalties. You will also be hit with an income tax bill up to ten times larger if you drive a company-owned car rather than a company-owned van.

New employment laws

Taking on employees just got a little more complicated due to two new sets of regulations that affect all employers.

New workers

On 1 May 2004 the checks you have to carry out to ensure an individual is allowed to work in the UK were tightened. For all new employees you must now examine and copy either a secure document such as a passport, or a combination of two specified documents, such as a full birth certificate and a form P45. Lists of the accepted documents are given in the Home Office guidance. It is a criminal offence not to carry out these checks which carries a penalty of £5,000 per illegal employee.

You should complete these checks for every new employee you take on not just those you suspect of originating from another country. If you apply the procedure selectively you could be accused of racial discrimination.

Tax Credit renewals

Has a large packet from the Tax Credit office landed on your doormat recently? If you claimed Tax Credits last year the enclosed forms should help you renew your claim for the current tax year and check that you received the right payments last year.

For those who receive just the standard amount of Child Tax Credit: £545 per year (£10.48 per week), the renewal process is automatic. You don't need to send back any forms and the Tax Credit will continue to be paid to you, unless you inform the Tax Credit Office of a significant change in your family income or circumstances.

As long as your family income, that of husband and wife, or unmarried partners combined, remains within the buffer zone of £27,756 to £50,000 your Tax Credit claim is not affected. If your income for 2003/04 is outside this band you should inform the Tax Credit office immediately as you could be due more money, or may need to repay excess tax credits paid to you.



Customs and Excise have drawn up a list of models that started off life as a car but are factory converted to provide an increased load area with typically blanked out the windows. Does it do a tonne? The list of these car-derived vans will be posted on the Customs website shortly, so check the list before you buy.

Pick-up trucks, even those with double cabs, are treated as vans if the dedicated load area can carry at least one tonne and is so large compared to the seating area to make the main function the transportation of goods.

Customs & Excise website:

<http://www.hmce.gov.uk/business/vat/motor-trade.htm>

Disabled workers

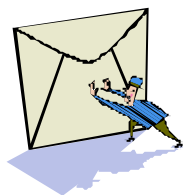
From 1 October the Disability Discrimination Act is extended to all employers. This means you must treat disabled job applicants on the same basis as all other applicants. In particular you must not turn down someone for a job because you think their disability will prevent them from carrying out all or part of the task, you need to be able to show it makes them unsuitable. Clear and unambiguous job descriptions are the key to avoiding a claim. For example specify what personal characteristics are required for the job, such as an ability to climb a ladder.

Home Office guidance:

<http://www.ind.homeoffice.gov.uk/default.asp?pageid=17>

Employer's helpline:

0845 010 6677



If you receive more than £10.48 in Tax Credits per week you will receive a 'reply required review' pack, which you must complete and return by 30 September 2004, or you could lose money.

Whether or not you have to return a form this year you should check last year's Tax Credit award matches what you claimed for. If you submitted your claim after 6 July 2003 the payments should be backdated by up to three months to the date your family first qualified, but sometimes this didn't happen. If your family make-up changed during 2003/04, perhaps the youngest child left school or a baby was born, your tax credit award should have been altered from the date of change. Check the annual review notice reflects the change, and ring the Tax Credit helpline if it doesn't.

Tax Credits helpline:

0845 300 3900