



ROBINSON
— REED —
LAYTON
CHARTERED
ACCOUNTANTS

Peat House Newham Road Truro Cornwall TR1 2DP
Telephone: 01872 276116 Telefax: 01872 222172 www.rrl-truro.co.uk

NEWSLETTER

Simplification

We regularly hear that our tax system is being simplified. Much of the time it is hard to see how! But sometimes measures are introduced which seem to be a genuine attempt to do precisely that.

A new self assessment tax return

A new four page short tax return (STR) for people with relatively simple tax affairs was piloted with 50,000 taxpayers in four areas last year. A further 400,000 taxpayers have now been sent the STR this year rather than the normal form. The Inland Revenue plans to roll it out nationwide in April 2005. Only certain people will be eligible to use the STR. For example, some employees (other than company directors), the self employed where turnover is less than £15,000 and pensioners in receipt of a pension. In addition they may have modest amounts of investment income.

Administration of inheritance tax

Measures will be introduced later in the year to bring more estates within a simpler reporting regime for inheritance tax (IHT). Other than in the largest estates, an IHT account will be required only where there is tax to pay. The government estimates that this will bring an additional 30,000 estates within the simpler reporting regime.

Red Tape and the Burden of Taxation Tempers Confidence

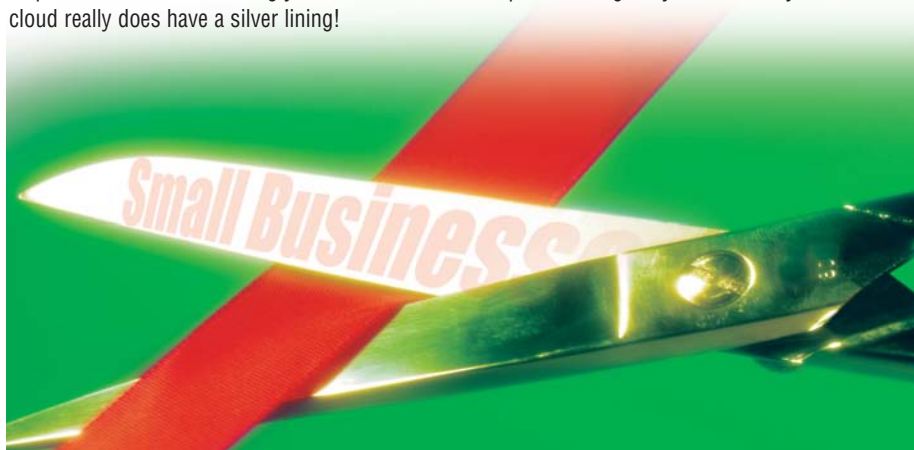
Small and medium-sized businesses in the UK are reportedly confident about the future. However they are concerned that government red tape and increasing regulation are inhibiting growth. We report in this newsletter on important areas such as employers' liability insurance, being paid on time and business rates. Read what we have to say and talk to us if you have any questions.

Meanwhile the Department of Trade and Industry has launched the new 'one-stop Business Link website' designed to help businesses save time and money. We provide more information inside the newsletter.

Many of us believe that the burden of taxation is getting worse so you may have mixed feelings about the government's announcement earlier this year that the Inland Revenue and Customs and Excise are to merge. The new merged department is to be known as Her Majesty's Revenue and Customs and as you read this newsletter the first executive chairman will just be settling into his job. The intention is that by creating a single department for taxpayers to deal with, in the longer term at least, compliance costs will be reduced. Inevitably the merger will lead to some disruption in the short term. Time will tell as to how much of a problem this will turn out to be. Experts suggest that it could take up to five years for the two cultures to integrate fully.

Despite many aspects of business life and taxation becoming more complicated we can help with much of this leaving you time for the more important things in your life. Every cloud really does have a silver lining!

AUTUMN 2004





Employers' Liability Insurance

Employers' liability insurance (ELI) became a legal requirement for all UK businesses in 1972. It means that for a business to trade legally, it must have insurance cover for all employees. The legal minimum cover is £5 million and certificates must be displayed in the workplace. The cover ensures that if an employee is injured at work or becomes ill as a result of their work and decides to sue their employer, there is at least a minimum level of insurance to cover the claim.

However research has suggested that over 200,000 small and medium-sized businesses (SMEs) in the UK are breaking the law by operating without ELI. This is due at least in part to the steeply rising cost of ELI. A study by the Office of Fair Trading estimated that premiums rose by an average of 50% in 2002 and the rises are continuing albeit the rate of increase is slowing. The increases are due to a number of factors including the increasing number of claims made and the general increase in insurance costs following the terrorist attacks in America. Add to this the fact that the full financial consequences of long-term illnesses, such as those caused by exposure to asbestos, are only now being realised and you begin to understand why business insurance has never been so expensive.

The British Insurance Broker's Association estimates that the increases have led hundreds of SMEs to shut down. Certain sectors have been particularly badly hit including the construction industry, painters and decorators, nurseries and childcare centres and haulage companies.

The government has undertaken an in depth review of ELI which recognises that 'the market hasn't failed but it hasn't been working well enough'. Amongst the measures under consideration is the possibility of waiving the requirement to obtain ELI for 300,000 of the smallest single owner-employer companies.

The situation will not improve overnight but the government review is the first stage in recognising the issues and looking at possible solutions.

Business Rates

Business rates are the third largest item of expenditure for small businesses (SMEs) and, according to the government, place a disproportionate burden on them as a percentage of turnover, profit and overheads.

Because business rates are such a burden, the All Party Parliamentary Small Business Group is conducting a research study. Thousands of SMEs are being surveyed and the findings will be published in a report later this year.

The group is looking at all aspects of business rates including valuations and appeals as well as possible reforms of the system. Over the next few years there will be significant changes to the rating system including the use of business rates to fund urban regeneration and the use of rates relief for certain types of business.

2005 will see another revaluation with many small businesses seeing significant changes in their rateable value and their rates liability. Increases are likely to have a more significant effect on SMEs than large businesses.

You can find further information at: www.smallbusinessgroup.org.uk

New Government Website Will Help Firms Save Time and Money

This is the view of the Department of Trade and Industry (DTI) in launching the new 'one-stop Business Link website'. In the words of the DTI News Release the site will provide 'free and easy access to the government information, advice, funding and training that can deliver small business success. The site will also help reduce the time that small and medium-sized businesses (SMEs) spend on rules and regulations, freeing them to concentrate on what they do best'.

The DTI says that the site is the first to provide SMEs with a single point of access to government information and services. It brings together a database of over 2,500 government funded business support products ranging from grants and loans to consultancy support to help SMEs build their businesses. There is also a training directory with over 500,000 courses, events and seminars.

The new website is at www.businesslink.gov.uk



Legal Rights for Same-Sex Couples

The Civil Partnership Bill introduces, in the words of the Department of Trade and Industry, 'ground-breaking proposals providing legal status for same-sex couples'.

Currently same-sex couples have no way of gaining formal legal recognition of their relationships. Under the Bill they would be able to make a formal legal commitment by entering into a civil partnership. For heterosexuals, such a partnership would not be available as an alternative to marriage.

A partnership registered in this way would give:

- responsibility to provide reasonable maintenance for civil partners and children of the family
- full recognition for the purposes of life assurance
- ability to succeed to tenancy rights
- social security and pension rights
- ability to gain parental responsibility for partner's children.

The Inland Revenue has confirmed that in relation to tax credits, same-sex couples will be brought in line with other couples whose joint income is taken into account in determining what award is given. Currently both partners in a same-sex couple claim separately based on their individual circumstances.

Although there is no mention of the position with regard to either inheritance tax or capital gains tax, it is the Inland Revenue's intention to give civil partnerships parity with married couples in these areas and legislation to achieve this will be enacted in due course.

The Bill is not expected to become law for some time. When it does, in the interests of creating parity across the UK, it is intended to legislate for the whole of the UK.



Maternity Pay

A woman taking maternity leave is generally entitled to 90% of her full pay for the first six weeks. This is broadly based on the earnings in the fifth and sixth months of pregnancy. A pay rise coming into effect later than this is not taken into account.

The European Court of Justice has ruled that the UK method of calculating maternity pay is discriminatory and therefore unlawful. A pay rise even if outside this period should be taken into account so long as it came into effect before the end of the period of paid maternity leave. The decision could mean that women who have taken maternity leave and failed to get relevant pay rises taken into account will be able to claim what they are owed.

Late Payments

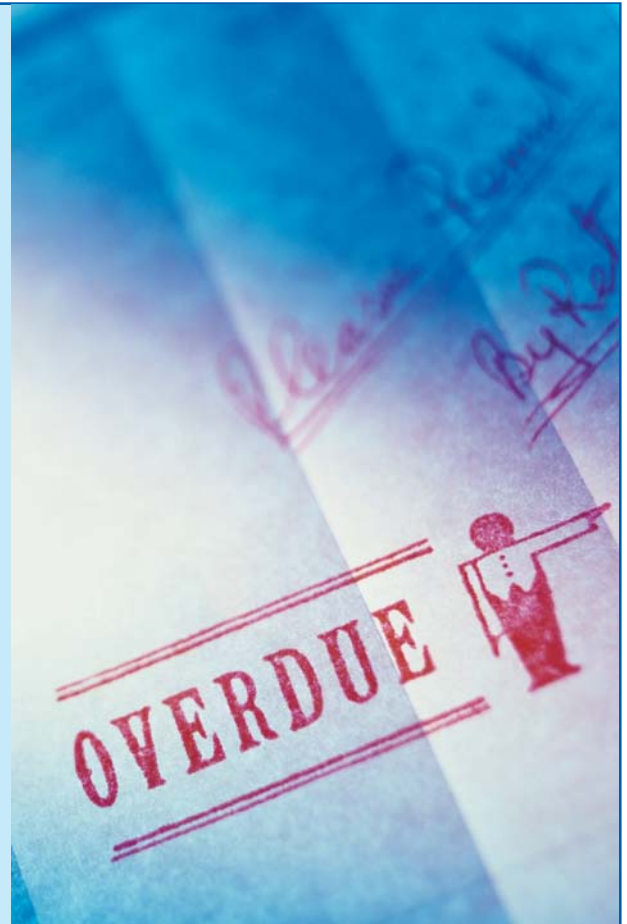
All businesses are entitled to claim statutory interest and debt recovery compensation of up to £100 for the late payment of commercial debts.

The Forum of Private Business (FPB) has long campaigned to bring an end to late payment practices and was instrumental in helping to get the statutory right to interest on late payments passed into law. A recent survey on the FPB website (www.fpb.co.uk) revealed that 63.6% of businesses replying said that late payment had adversely affected their business.

A recent Lloyds TSB Commercial Finance survey highlighted that late payment is still a problem. When it came to excuses for late payment, these included 'the boss has died and the cheque book was in the suit we buried him in' and 'I've just been diagnosed with agoraphobia - I can't go out to post the cheque'. Whilst these far-fetched excuses may bring a smile to your face, businesses pushed to the edge waiting for debts to be paid are unlikely to see the funny side. There is no doubt that late payment is a serious issue that can act as a significant barrier to growth.

The Better Payment Practice Group has produced an updated version of its Guide To Paying And Being Paid On Time. It offers advice on credit-checking new customers, collecting payments promptly and creating a good relationship with both suppliers and customers. The guide can be found at www.payontime.co.uk

The Lloyds TSB survey concludes that it is in the best interests of all businesses to address the problem and put in place systems aimed at improving payment practices across the board.



Cars and Vans: The Next Chapter

It is over two years since the current tax rules for company cars were introduced. When the regime began in April 2002, the minimum 15% charge applied for 2002/03 to cars with CO₂ emissions not exceeding 165 grams per kilometre (gm/km). The qualifying level of CO₂ emissions for the 15% charge is being gradually reduced so that the starting point from next April will be 140 gm/km.

For example an employee with a company car having a list price of, say, £28,000 and emissions of 185gm/km has seen their benefit in kind rise from £5,320 in 2002/03 to £6,720 from next April. For a 40% taxpayer this means an increase in tax of over £500 a year.

Don't overlook the potential benefit of having a **diesel car**. A 3% supplement is added to the employee's benefit unless the car is Euro IV compliant. More and more diesel cars now satisfy this standard. For a list of models that do see www.comcar.co.uk

When submitting the P46(car) for such cars the fuel type should be entered as 'L' not 'D'.

A further benefit of 'staying green' is that businesses buying cars with emissions not exceeding 120gm/km may qualify for a 100% write-off of the cost in year one. Go to www.comcar.co.uk for a list of cars qualifying under this heading.

As far as **employer provided vans** are concerned the government has finally decided what the new rules will be. We provide a brief summary of the changes below.

The crucial issues will be whether:

- a given vehicle qualifies as a van rather than a car and
- to what extent the vehicle is available for private use.

Until 5 April 2005

Nothing changes and the flat rate charge of £500 (or £350 for older vans) continues.

The charge applies where an employee has use of a van and the charge includes private fuel.

From 6 April 2005

The charge is reduced to nil if there is 'restricted private use'. It remains at £500 (or £350) otherwise. Restricted private use means that the van is primarily provided for business use and the only private use is commuting from home to work.

Advance notice: from 6 April 2007

The rules will be further amended. Unless there is restricted private use, the charge will be a flat rate of £3,000 plus £500 for private fuel.

We would be happy to advise on any aspect of the rules. Remember we are only a phone call away. Call us

Tax Credits: An Update

Renewals

There is no doubt that there have been many teething difficulties since the new tax credits regime was introduced in April 2003. Now that we are half way through the second year of the regime we update you on the renewals process.

If you received tax credits in the 2003/04 tax year you need to complete a renewal form in order to continue receiving credits and many claimants have already done so. In the meantime provisional payments may have been made based on the 2003/04 award.

Renewal forms need to be returned by 30 September 2004 otherwise provisional payments will stop. Anyone returning their form after this date but before 31 January 2005 will have their 2004/05 entitlement backdated to 6 April 2004 and the provisional payments made will not be recovered automatically.

If renewal forms are sent in after 31 January 2005, then claimants will have dropped out of the renewals process. They will need to make a new claim and this can only be backdated by three months. Any provisional payments made between 6 April and 30 September 2004 will be recovered.

Please contact us if you have questions on any aspect of the tax credits regime.

Credit Fraud

Meanwhile the Inland Revenue has made it clear that it intends to use criminal prosecution to help stamp out tax credit fraud. The Department of Work and Pensions (DWP) prosecutes around 12,000 cases of benefit fraud each year and uses criminal sanctions regularly as its preferred method of countering fraud. Interestingly in a recent public poll, people thought it was more important to stamp out benefit fraud than litter, graffiti or tax evasion!

The Inland Revenue does not expect to prosecute in the same numbers as the DWP and intends to limit its use of criminal prosecution to cases of serious fraud. It will not be used for example in cases of error or negligence but in more serious cases and those involving organised attacks on the tax credits system. One recent case involved a multiple identity fraud where the numerous false claims to credits involved over £100,000.



Disclaimer - for information of users

This newsletter is published for the information of clients. It provides only an overview of the regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this newsletter can be accepted by the authors or the firm.