

Expecting to Pay More Tax?

This question can be easily answered, particularly, for higher net worth individuals, with a resounding YES! However, before us lesser mortals take the view that it only applies to the 'rich', all employees will be affected by future planned increases in National Insurance Contributions and, of course, the VAT rate jumping back up to 17.5% hits everyone.

The Income Tax and dividend tax rates for taxpayers earning more than £150,000 for the year ended 5 April 2011, increases to 50% and 42.5%, respectively. This follows on from the fact that taxpayers earning between £100,000 and £112,950 will see their annual personal allowance of £6,475 disappear, resulting in additional tax payable of up to £2,590 from April 2010 onwards.

With the current rate of Capital Gains Tax (CGT) fixed at 18%, there must be scope for reviewing how an individual's financial affairs are structured.

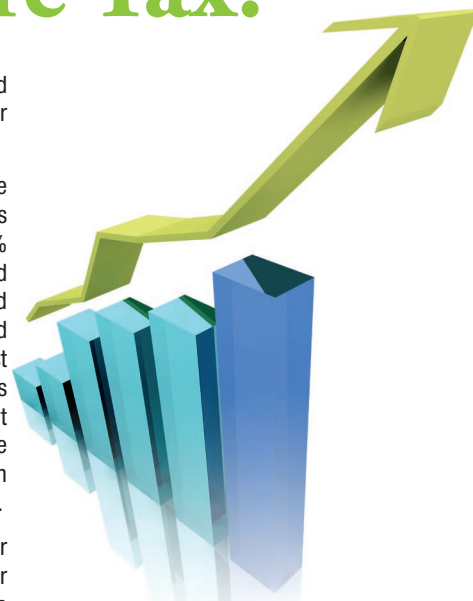
The options available for individuals:

- Rebalance your investment portfolio to move away from income generating investments to capital growth and ensure the annual Capital Gains Tax allowance of £10,100 is used, otherwise it is lost.
- ISA Accounts – Individual Saving Accounts, can be used by the over 50s to keep £10,200, (£5,100 may be in cash), worth of investments

free from Income Tax and CGT every year and the limit rises from £7,200 to this level for over 18s, from April this year.

- Venture Capital Trusts (VCT) and Enterprise Investment Schemes (EIS) – These schemes give Income Tax Relief on investments at 30% and 20% respectively. If the shares are held in an EIS for three years and then disposed of, any gains on the shares are exempt and any loss is restricted and is relievable against either income or capital gains. EIS also offers the ability to defer CGT on previous investment gains. An individual who invested in VCT will be exempt from tax on resulting dividends and on capital gains when they dispose of the shares.
- Share Incentive Schemes – Employees or directors could perhaps ask their employer to implement an approved share incentive scheme, as part of their remuneration package.
- Structure – Anyone who is currently self employed should be reviewing the best business structure to meet their business needs and tax requirements. This could mean a sole trader introducing a partner or, perhaps, even fully incorporating into a limited company.

These are just some of the options which, with



the possible exception of the Employee Share Incentive Scheme, are available to the majority of the public. It is also important to stress that professional investment advice should be taken, where changes are being considered for any investments held, because it is important that decisions are not just made for tax purposes alone. If you would like to discuss any of these matters contact Bilal Mahmood in our Tax Department or e-mail

bilal.mahmood@cartersca.co.uk

Tax Health Plan

We have certainly noticed in the past year or so that HMRC are starting to increase the level of tax enquiries carried out. This is probably a sign that the reorganisation following the merger of the Inland Revenue and HM Customs and Excise has now settled down and, of course, the pressure the Government is under to pull in additional tax revenues, where they can, to fund the budget deficit. Following on from recent campaigns to identify tax payers with undeclared offshore bank accounts, HMRC is now turning its attention to specific professional and business sectors, the latest being the medical and dental professions.

HMRC have obtained information from various third party sources, including NHS trusts, private hospitals and medical insurers and are introducing the Tax Health Plan (THP), as an opportunity for medical and dental professionals with tax to pay, to get their affairs brought up to date with the benefit of a fixed penalty.

Taxpayers must, firstly, notify HMRC of the intention to make a disclosure by 31 March 2010 and must make a full disclosure of all undeclared income sources and full payment of all outstanding taxes and duties, interest and penalties by 30 June 2010.

The penalty is fixed at 10% of the taxes/duties underpaid, unless the total amount of unpaid tax liability being disclosed is less than £1,000, in which case there is no penalty. This is a substantial discount on the 'normal' level of penalties being applied in routine enquiry cases.

HMRC will pursue those with undeclared tax liabilities who decide not to make a disclosure.

This may seem a strange target for HMRC, as most doctors and dentists are professionally advised by accountants and tax advisers but clearly their experience would indicate that some are not playing by the rules. Areas that HMRC are likely to be interested in include private fee income, income from insurers for doing medical reports, the level of expenses claimed from any self employed income, such as motor expenses and payment to spouses/partners.

If you have any concerns about the THP, or indeed anyone who has undeclared income, whatever their background, should contact our Tax Partner, Stephen Taylor or e-mail stephen.taylor@cartersca.co.uk

Online VAT

The world is becoming ever more dependent on information technology with HM Revenue and Customs no exception. With the move towards all PAYE matters being dealt with online, we now see the introduction of mandatory VAT return filing.

Businesses that must now file VAT returns online after 1 April 2010 include:

- Any new business registering for VAT after 1 April 2010.
- Any business with an annual turnover of greater than £100,000 (excl VAT).

It is expected that all existing businesses with turnover over £100,000 should have been notified by HMRC in February that they are required to use this new system. It should be noted that once the business starts to file online, they will continue to do so, even if the turnover falls below £100,000.

Apart from the benefits of the online filing system being quick and secure, it also allows the business an extra seven days to file the VAT return, which allows a similar period to pay the VAT. Payment will have to be made electronically which is mandatory. If you would like more information contact Gail Cowan or email gail.cowan@cartersca.co.uk



Team News

The past year has been no less difficult for Carters as for many other businesses, which has resulted in the numbers of our team being trimmed across the three offices. We wish those who have left all the very best for the future.



One of those who has recently retired is, **Ronnie Hogg**. Ronnie was one of our Tax team in Glenrothes and after many years working as a senior Inspector of Taxes he made the transition from 'gamekeeper to poacher' quite easily.

We are delighted to announce more exam success with trainee, **Joanne Johnson**, passing her final exams in her quest to become a Chartered Accountant. Well done, Joanne.

We were also sad to see the retiral of one of our longer serving colleagues, **Evelyn Forrester**, who was our receptionist in our Cupar office. Evelyn joined James Murray & Co working and keeping David and Gordon in line for 25 years and for her final three years with Carters!

At the other end of his fledgling career, a new start has joined us since the last newsletter, **Greg Houston**. Greg has joined the firm as a trainee accountant and is based in our Glenrothes office.

Budget 2010

With the Chancellor announcing that this years Budget will be held on 24 March 2010, we are pleased to invite you to our Budget 2010 presentation, to be held on **Friday 26 March 2010** at Cluny Clays, Cluny, by Kirkcaldy. The seminar has a scheduled start time of **7.45 am for 8.00 am and to be finished by 9.30 am**. Please refer to our website for more details and contact June Yule if you would like to attend or e-mail info@cartersca.co.uk



BBF

On the last Friday of the month, Carters run their 'Business Builder Forum' at Cluny Clays. At the Forum you can:

- meet and network with other business owners
- learn their success secrets – and use them to make your business more successful
- discover practical solutions to business problems
- build up an encyclopaedia of practical business growth tools and resources, and
- create an action plan for building your business.

The BBF in January focused on 'Coaching'. It was designed for people who wanted to learn more about the coaching process. Feedback from attendees included:

"Interesting group of people at our table"

"A very good topic"

"Interesting and insightful"

"Lots of energy in the room"

If you would like to try out the BBF, please call June Yule at our Glenrothes office on 01592 630055 or e-mail info@cartersca.co.uk

Is Your Code Right?

It has become something of a national issue within the tax world that a great many PAYE codings for the 2010/11 tax year, issued for directors and employees in the past few weeks contain errors. There is no doubt that with the sheer volume of Coding Notices being issued, there will be genuine errors. Many codes will need to be amended, simply because HMRC have used estimates or best guesses to arrive at the coding changes, which have been based on out of date information.

It is important that you check the makeup of the code and make sure it includes the right level of personal allowances and any other income or taxable benefits in kind. HMRC have, in recent years, tried to include estimates of non-employment income i.e. investment income. You can request that these estimates are taken out of the code if you would prefer to pay the tax due under the normal self-assessment arrangements.

If you have any difficulties with your coding notices, contact Kerry Curtis in our Tax Department or e-mail kerry.curtis@cartersca.co.uk



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