Insider

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Tax reconciliation process on its way

HM Revenue and Customs (HMRC) has embarked on its latest checks that employers have been deducting the right amounts of tax from their workers. Preliminary estimates suggest that up to 4.7 million people may have paid incorrect amounts of tax for the year 2010/11.

The annual reconciliation process involves cross-checking details on the PAYE system, ensuring that the income tax and national insurance contributions submitted by employers tally with the information contained on HMRC's database. While most of the 40 million people on the database will have paid the correct amount of tax, some, through changes in circumstances such as moving to new jobs or taking on additional sources of income, will either have over - or underpaid their taxes.

HMRC has estimated that between 1.7 million and 3.5 million taxpayers have paid too much and will be entitled to refunds averaging £340 each. However, some 1.2 million might have paid too little and will be asked to make good the shortfall at an average of between £500 and £600 each.

Most of those who have paid too little tax will see their tax codes adjusted for the year 2012/13, the money automatically deducted from their salaries. Given the scale of the repayments last year, HMRC agreed to write down amounts owed below £300. That concession has now been dropped, and HMRC will seek to recover all debts above £50. Up to £3,000 per individual in underpayments can now be collected through the PAYE system, an increase on the £2,000 previous limit.

We appreciate that operating a payroll can be a real burden for some smaller firms. You can, of course, save valuable business time by outsourcing some of your admin work. We'd be more than happy to talk to you about how we could help.

Bribery Act finally in place

New laws aimed at cracking down on business bribery have come on stream. The Bribery Act, which took effect as from 1 July 2011, has been designed to bring the UK into line with international laws on tackling corruption.

Under the Act, it is illegal to offer or to receive bribes. A new law of failing to prevent bribery is also introduced. Both British and foreign companies with a presence in or engagement with the UK are subject to the new rules, which cover bribes made or received in Britain and overseas.

It had been planned that the Act would have come into force in April of this year, but its implementation was delayed after business groups expressed concerns over the clarity of the law's position on corporate hospitality. In new guidance on the status of corporate hospitality, the Ministry of Justice said: "Very generally, bribery is defined as giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so." Provided the hospitality offered is reasonable and proportionate, it won't fall foul of the Act.

Companies are expected to be able to demonstrate that they have adequate procedures in position to prevent bribery taking place. Such procedures could include anti-bribery training for staff, risk assessments of the markets in which they are operating, and conducting due diligence on prospective business partners and customers.

Non-dom tax to see reforms

The Treasury has published a consultation paper on reforming the tax system as it applies to non-domiciled residents. The Government has also set out another consultation on its plans for a statutory residence test (SRT).

The aim of the non-dom consultation, the Government said, is to encourage individuals to invest in the UK while also ensuring a fair tax contribution. Details include increasing the existing £30,000 annual charge to £50,000 for non-domiciles who claim the remittance basis in a tax year and who have been UK resident in 12 or more of the 14 years prior to the year of claim; allowing non-domiciles to bring overseas income and capital gains to the UK tax-free for the purpose of commercial investment in UK businesses; and simplifying the way in which some aspects of the current rules work.

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The Government is also consulting on rules it is considering for a statutory residence test. At present, there is no full legal definition of tax residence, meaning that the rules are unclear and complicated. To remove the uncertainty, the Treasury is proposing a framework for the SRT. There are to be four areas of consideration: accommodation; family residence; UK employment or self-employment; and a history of past residence.

More details on the consultation on the reform of non-domiciled tax can be found at: http://www.hm-treasury.gov.uk/consult_nondom_tax_reform.htm

More details on the consultation on the SRT can be found at: http://www.hm-treasury.gov.uk/consult_statutory_residence_test.htm

Don't forget that we can make sure that you both comply with the rules and pay no more tax than you should be paying.

Help us tackle excessive red tape, says Government

Businesses have been invited to blow the whistle on regulations that are both excessive and inconsistent in an effort to reduce the compliance burden faced by many firms. The new drive, aimed at freeing enterprises from the shackles that administering the rules often imposes, is a result of feedback that the Government has received since launching its Red Tape Challenge.

The challenge asked firms to identify those rules where tick-box regulation, multiple inspections and contradictory advice are making it more difficult both to run their businesses and to develop and grow. Specifically, the Government now wants to hear about the way in which regulations are being enforced.

Mark Prisk, the Business Minister, said: "Inspections and enforcement are the most noticeable way in which business experiences regulation. The Red Tape Challenge has already highlighted a number of ways in which compliance problems are getting in the way of businesses, but we weren't getting enough information on the problems. That's why we've made this natural extension to the Red Tape Challenge."

More details of the consultation can be found at: http://www.bis.gov.uk/policies/better-regulation/improving-regulatory-delivery/consultation-enforcement-strategy

Smaller employers will be hit by compulsory pension plans

Plans to begin implementing auto-enrolment pension schemes in 2012 will hamper the ability of smaller firms to run their businesses, it has been claimed. A new survey from the Institute of Directors (IoD) found that over a half of the businesses polled (57 per cent) thought that the administrative burden imposed by the rules will be high or very high.

The auto-enrolment programme, which will begin its phased introduction in October 2012, means that, over time, employers must include staff in occupational pension schemes, although workers will be granted the opportunity to opt out if they so choose.

Employers and employees will be required to contribute to the funds, the requirement being that firms eventually make a minimum contribution of 3 per cent of employees' earnings. (For employees the figure is 4 per cent.)

The burden, the IoD said, is likely to fall hardest on smaller businesses. Data suggest that 95 per cent of the firms that currently do not have any pension arrangements which include employer contributions are SMEs. The concern is that such businesses lack the specialist human resource functions that larger firms can afford. What's more, as many as one in five employers (20 per cent) are still unaware of the precise legal implications of the new plans.

Miles Templeman, the IoD's director-general, commented: "Bigger businesses will mostly have pension arrangements for employees set up. Of course we need to improve retirement provision in the UK, but yet again it's the small entrepreneur who is hit."

If you are concerned about the new pension rules, please remember that we can provide you with expert advice and guidance on their effect and implementation.

Hopes that research tax breaks will encourage innovation

More details have been released on proposed changes to some of the tax reliefs available for firms that invest in research and development, and new products. Under the proposals, the R&D tax credit system is to be simplified. One change would see the credits extended so that they cover the costs of more contract workers. Also on the agenda is a pilot that will allow small companies and start-ups to find out what projects will qualify for the credits at an early stage in their development in order to make planning easier.

Another innovation is the Patent Box. As from April 2013, the scheme will mean a corporation tax charge of just 10 per cent on profits that stem from patents. It is hoped that the Patent Box will provide an incentive for companies in the UK to take existing patents to the market and to develop new innovative patented products.

The Patent Box consultation document can be found at: http://www.hm-treasury.gov.uk/consult_patent_box_stage2.htm

The R&D tax credits consultation document can be found at: http://www.hm-treasury.gov.uk/consult_r_d_tax_credits.htm

Applying for R&D tax breaks can be a complicated affair. We are on hand to guide you through the entire process and to help you turn your business ideas into successful products.