



Business Alert: September 2008

Welcome to Scott-Moncrieff's Business Alert Service, designed to help you keep up-to-date with business and tax legislation. The service provides details of key changes, issues and opportunities, and includes suggested action and links to more information. If you need additional information or have any concerns regarding any of the areas below please contact a member of your client service team at Scott-Moncrieff who will be happy to discuss the implications for your business.

INTEREST ON VAT ERRORS

Revenue & Customs Brief 38/08 announces a change of practice in relation to default interest on VAT errors which are separately notified to HMRC. At present, under concessionary treatment no interest is charged on errors which are separately notified but which total less than £2,000 underpayment. Where an error exceeds this sum, default interest is charged. No interest is charged on errors which are corrected on a VAT return as opposed to being notified separately. The legality of the concessionary practice is in doubt, so this will be terminated from 31 August 2008. The practice of not charging interest on errors corrected on the VAT return will continue, the limit for which increased from 1 July to a minimum of £10,000.

INCREASE IN PERSONAL ALLOWANCES

Where employers need to refund to tax employees affected by the increase in personal allowances, they may end up paying out more to their employees in tax refunds than they collect in tax and NIC in that pay cycle. This would put employers out of pocket until the following pay cycles when the tax and NIC due to HMRC will cover the amounts refunded. Where employers believe that they need advance funding for payment of tax refunds in September, they may apply for it now.

SALARY SACRIFICE - GET IT RIGHT

Some employers provide certain staff benefits through salary sacrifice arrangements. This allows the member of staff to participate in a particular benefit arrangement by giving up an amount of salary in return. However, the salary given up can have an impact on entitlement to other statutory benefits, and sometimes an employee may put himself out of the reach of certain earnings related benefits by sacrificing salary. The new guidance will help you understand the interplay between these issues, and also includes question and answer on a variety of topics in relation to salary sacrifice. See the HMRC website for more help.

CHARITY CHALLENGE EVENTS - VAT

Business alert dated 1 August 2008 mentioned the revised Notice 701/1 which updated the VAT guidance in relation to charity challenge events. HMRC has now issued a Revenue & Customs Brief (36/08) drawing attention to the change and identifying updates to CWL4 (Fundraising events) as a result of the revised guidance. R & C Brief 36/08 also includes details of the transitional arrangements. The revised guidance takes effect from 31 July 2008, but if a charity has signed a contract before that date in respect of an event to take place some time after that date, or already publicised an event, HMRC will accept the VAT treatment if it complied with the previous version of the guidance.

Claims may also be appropriate in respect of earlier periods.

REVISED IHT 205

The form has been updated to reflect changes in the excepted estates limit in relation to deaths occurring on or after 6 April 2008.

AGENT DEDICATED LINES

Agent dedicated lines are coming on stream thick and fast. These special telephone lines give agents access to a member of HMRC staff with a minimum of 12 months experience, with a direct escalation route up two technical grades (no call back, but warm hand off during call) to what would have been an inspector under the old terminology. Please note these are different to the agent priority lines which merely "jump the queue".

NEW AGENT NEWS AREA

A What's New aimed specifically at Agents has been launched. This can be subscribed to as a "feed" so that your computer automatically updates the content every time you are connected to the internet.

AGENT UPDATE ISSUE 7

Agent Update issue 7 includes a variety of useful items, the most useful of which is a link to the "exclusions and Special cases" material with regard to SA online, which has been prepared for the benefit of software providers, but is an excellent summary of the special cases this year. It will be important in relation to those cases who cannot file online and therefore who have an extended paper filing deadline of 31 January 2009.

INDEXATION ALLOWANCE

The RPI for July 2008 was 216.5, giving an annual RPI based inflation rate of 5.0%. Tables of indexation factors for disposals in July 2008 are available at

GUIDANCE UPDATED – TRANSFER OF IHT NIL RATE BAND

The existing guidance on the transfer of the unused IHT nil rate band between spouses has been updated to clarify the position with regards to the first spouse death occurring before 18 March 1986, so that either Capital Transfer Tax or Estate Duty applied to the first death.

We believe the information in this Business Alert to be correct at the time it was sent, but cannot accept any responsibility for any loss occasioned to any person as a result of action or refraining from action as a result of any item herein.

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