



Business Alert: March 2007

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.

If for any reason you would prefer not to receive our Business Alerts, please reply to this email with "Business Alerts - remove" in the subject header.

VAT on Fuel – New Arrangements

The recovery of VAT on fuel for cars is permitted provided the trader pays a VAT output tax scale charge if the car is used for private motoring. The amount of the scale charge is announced annually in the Chancellor's Budget statement. However, in 2005 it was proposed that the basis of this charge be changed from the engine capacity of the car to one reflecting the official CO2 emissions of the vehicle. This means that the table showing the output tax charge will be considerably longer, and traders will need to know the emissions of the cars concerned to look up the fuel scale charge. HMRC has now announced that the new rules will be implemented from 1 May 2007. Although no figures are presently available, the change has been announced in principle, and will commence for the first VAT accounting period commencing on or after 1 May 2007. Businesses should be aware that it is possible that this change could prompt a significant increase in charges, and should await the Budget announcement for more information.

Change in Coding Notices Arrangements

When an employer notifies HMRC that an employee has received benefits in kind the information needs to be reflected in their notice of coding so that the tax is collected on the benefit through PAYE. For many years this has proved a slow process, with employee tax codes often remaining unaltered for years. HMRC is now introducing a new process from April to update notices of coding automatically from information supplied. This should make the issue of new coding notices much quicker, and allow tax to be collected sooner, reducing the number of employees who end up with large tax liabilities which then have to be collected. The normal method of notifying employers, employees and their agents will still apply.

Look out for New CD-Rom

The annual free Employers' CD ROM is now on its way to employers in the spring mailing. The CD is an excellent resource and includes tools relevant to payroll, and even "teach yourself" guides for those unfamiliar with topics such as Statutory Sick Pay or Statutory Maternity Pay. Improvements this year include better form P11D form filler and a P11D (b) calculator, which links to all of the P11D's and calculates the Class 1A contributions due. There are instructions on the HMRC website about how to install the CD with Windows Vista operating system.

Links: Windows Vista help is at <http://www.hmrc.gov.uk/employers/cdrom/install-vista.htm>

Employee Van Benefits in Kind – 600% Rise

You may or may not be aware of the impending change to the taxation of vans provided to employees from 6 April 2007. Historically, the provision of a van and fuel to an employee for personal use gave rise to a taxable benefit on the employee of £500, with the associated National Insurance charge on the company being £64.

From April 2006, the rules were relaxed slightly to allow use of a van for home to work travel. Provided there was no private use other than this, there would be no taxable benefit. This rule remains in place post 6 April 2007. However, the taxable benefit that will arise for an employee should there be private use of the van will rise by 600% to £3,000! If fuel is also provided for private use, a further £500 will be added to this benefit charge.

The corresponding National Insurance charge for the company will be £384 or £448.

The charge can be avoided by making sure that employees do not use the van for private purposes over and above the allowed home to work travel. To do this, you need to be able to prove to the Revenue (where asked) that no private mileage has been undertaken in the vans, and that no private fuel has been consumed.

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.

Scott-Moncrieff (www.scott-moncrieff.com), one of Scotland's leading independent professional services firms, provides industry focused audit, tax, business advisory and corporate consulting services to commercial, public sector, not-for-profit and private clients. © Scott-Moncrieff Chartered Accountants 2007. All rights reserved.