



Business Alert: April 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.

VAT Reverse Charge Procedures to Commence

Budget 2006 included a proposal to apply the reverse charge principle to certain supplies of goods in order to prevent or reduce carousel fraud. The original proposals were much delayed before the agreement of EU finance ministers could be obtained, but ultimately it was announced on 20 March 2007 that the new measure would commence on 1 June 2007.

However, the measure will now only affect supplies of mobile phones (including Blackberries and similar) and computers chips and microprocessors not yet integrated into a finished product, and not the wide range of electronic products that was originally planned for inclusion in the new scheme.

More information is available in Revenue and Customs Brief 24/07.

PAYE in Year Online Process Delayed

Large and medium sized employers (that is those with 50 or more employees) have previously been advised that they will be required to file certain PAYE forms online from April 2008. The forms are P45 part 1 (Leaver), P45 Part 3 and P46 (joiners) and PENNOT (pension notification form). In order to allow more time for system development, HMRC has now announced that this will not commence until 2009. For small employers – those with less than 50 employees the start date is delayed to 2011. This announcement does not, however, affect the requirement for small employers to start sending their end of year return (form P35) online from 2010. Many are already filing this form online in any event, as incentive payments are available to encourage them to do so. These are also unaffected by the changed start date.

New Construction Industry Scheme Goes Live

The launch of the new tax system for the construction industry scheme was accompanied by a flurry of mailings to affected businesses. Contractors should have received a late update on the new system by now, and all subcontractors have now been notified of their details which they will need to provide to contractors they have not worked for before for verification under the new system. There is a new online system for contractors to use to verify the tax status of their self employed subcontractors, and to file the monthly returns required by the new rules, but contractors will first have to register for this system, so it will probably be a week or so before they can use it. Meanwhile the guide to the new system has also been updated and can be obtained from the new CIS website at www.hmrc.gov.uk/new-cis.

New Tax Year – Supply Difficulties

The new tax year normally heralds a flurry of forms and other information for taxpayers and employers alike. This year, HMRC have reported difficulties in getting supplies out on time. First, employers who pay their PAYE and related payments by post or over the counter at the bank may not yet have received their payslip booklets for the new year. These would normally be with employers in late March, but as the first payments are not due until 19 May, HMRC are confident that all employers will be able to make payment as it falls due. Employers who pay over the internet do not need payslip booklets. Then came the news that a large number of taxpayers would not receive their new year tax returns as normal. Supplies have been delayed, and some taxpayers may not receive forms until May. However, once again, those using online services will be unaffected, and can make their return online immediately.

2005-06 Penalties for Late Employer Returns

The penalties for late forms P35 accrue at a rate of £100 per 50 employees per month late. Many small employers have therefore received penalties for £900. Some of these employers were under the impression that their return had been filed on time, and can produce evidence that it was, but there appears to have been a problem with some employer forms which were filed online. It appears that quite a number were successfully filed, but as a "test" submission, and thus were not finally accepted by HMRC, although the employer was under the impression that they were. The response message from the online service was not sufficiently clear for the employer to realise that a further action was necessary and many employers are concerned about the penalties. If you need advice about appeal, you should act quickly as the time allowed for appeal is ticking by.

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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