



## Business Alert: August 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.

### NEW PAYE FORMS ON THE WAY

In preparation for the move to mandatory online filing for in year forms, new forms P45 and P46 are due to be released later this year. The new P45 will be available from October, and P46 is also expected to be available at the same time. The new forms allow additional data items which will be necessary under the new filing regime, including date of birth of the employee and gender. Employers should ensure that they use the revised forms from the date of issue. Online filing of forms P45 and P46 becomes mandatory for all employers with 50 or more employees from April 2009.

### CHARITIES AND TAX

The requirement for charities to make a return of their income and gains on a tax return is sometimes misunderstood, with some charities regarding the return as redundant on the basis that no tax is due. However, charity tax reliefs have to be claimed, and the tax return is the mechanism for doing so. As a deregulatory measure, it is common for a return to be requested from charities only once every few years, to allow the charity to confirm that the reliefs are still available, and to provide HMRC with some compliance information about the charity. In the years between the issue of tax returns by HMRC charities should be aware that if they consider they have taxable income which is not covered by the normal reliefs they should request and make a return within the normal deadlines, which for charitable companies is twelve months after the end of the accounting period. For charities subject to income tax the due date is 31 October after the end of the year of assessment if the return is filed on paper, and 31 January following if the return is filed electronically.

### DOES HMRC OWE YOU MONEY?

HMRC as a matter of course makes repayments direct to taxpayers' bank accounts. The authority is keen to ensure that repayments are secure and is very reluctant to issue a cheque as repayment. If the taxpayer wishes for a repayment to be made by cheque they must wait until the tax return has been processed and then ask for the repayment to be made by contacting HMRC separately.

## **INCREASED PERSONAL ALLOWANCES**

In response to concerns about the abolition of the ten per cent band of tax a further increase in the basic personal allowance was announced in May of this year. To give time for the adjustment to be legislated for and for preparations to be made to inform employers, the increase, and the related change to the higher rate threshold will be implemented from September 6. Those who are employed will have a tax adjustment made in their September pay packet (provided they are paid on or after 7 September and are taxed on the normal cumulative basis). Those entitled to the higher personal allowance for those aged 65 and over will not receive any increase, as their allowances had been increased significantly in the Finance Act in any event. Higher rate taxpayers will not benefit from the increase, as although the personal allowance has increased, the higher rate threshold has been reduced, so that their tax bill remains unchanged. Employers will be receiving a further Employer CD ROM with the updated tax tables and other information they need to make the change.

## **TAX-DEBTS – RIGHT OF SET OFF**

New powers included in the Finance Act 2008 allow the tax authority to set off repayments due to taxpayers against other tax debts they owe. Some right of set off has existed previously, but the new rules make this more widely available and remove the need for HMRC to seek the taxpayer's approval before setting off a repayment against another liability. However, there will at present be no set off between tax credits and other taxes, nor will the right of set off disturb a tax repayment which a self assessment taxpayer has donated to a charity.

## **PAYING TAX BY CREDIT CARD**

New arrangements to accept payment by credit card are being put in place. The Finance Act 2008 makes this possible, and authorises HMRC to add a charge to the tax payable to cover the merchant's charge on the credit card transaction. The details of the new scheme have now been made available in a Statutory Instrument and where payment is made over the telephone by credit card, an amount of 0.91% of the tax will be added to the tax due and the gross amount collected from the taxpayer's credit card.

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](http://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 2008. All rights reserved.