



Business Alert: July 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.

Offshore Disclosure Regime

Now that the deadline has passed for taxpayers to contact HMRC regarding income on foreign bank accounts that they have not previously declared for tax purposes, some information has been forthcoming about how the information disclosed will be handled. Taxpayers have until November to declare the income and pay the tax, interest and penalties according to their own calculations, which may need to be estimated if the account has been open for many years. Once this has happened, most of those making a disclosure will hear no more of the matter. Around 15% of them will have their calculations and information checked against HMRC records. Those who have not come forward are already in the course of being identified (work started on Monday 25 June) and will be followed up. HMRC have indicated that it is likely that some will be considered for criminal prosecution.

Theatres & VAT Input Tax

The production costs incurred by theatres relate to the productions they stage and hence the exempt ticket receipts. Mayflower tried to argue that the production costs that they were charged by touring companies related to various other supplies which were taxable, such as the programmes sold. The Theatre argued that the production costs charged by the touring companies were 'residual' VAT and therefore partly recoverable. They also put forward an argument about 'taxable tickets' which related to sponsorship. The Court of Appeal has ruled out all of these arguments, including the taxable tickets, which were previously accepted by the High Court. However, the Court of Appeal has allowed that the supply by the production company provides material which is reproduced in the printed programmes such as Logo's etc and these make the production costs residual, although to quite a limited extent. Information about how to recover VAT on such costs, and the treatment of VAT previously recovered under the 'taxable tickets' rule is available as Revenue and Customs Brief 45/07.

VAT Registration Delays

The delays in VAT registration are continuing to rise at present. The delays have a number of factors behind them, principal being the need to screen all applications in view of Missing Trader fraud, as a VAT registration is a necessary aspect of committing large scale fraud. HMRC have put measures in place both to improve processing and deal with fraud, but it will take some months before real benefits are seen. Meanwhile the tax authority is requesting that businesses do not phone requesting information about their VAT registration, as this is taking up time which could be spent processing registrations.

New Fuel Rates from 1 August

HMRC have published revised recommended fuel only rates for employers to use if they choose. The rates have been revised upwards to reflect the increased cost of fuel since the rates were last revised in February of this year. The new rates, which are effective from 1 August 2007 are: (old rates in brackets)

	Petrol	Diesel	LPG
Engine capacity			
Up to 1400 cc	10p(9p)	10p(9p)	6p(6p)
1400 - 2000 cc	13p(11p)	10p(9p)	8p(7p)
Over 2000 cc	18p(16p)	13p(12p)	10p(10p)

SSP - Agency Workers

The Court of Appeal has ruled in the case of HMRC v Thorn Baker and others that agency workers on a contract of three months or less are not entitled to SSP. This ruling only applies to agency workers and is restricted to contracts of three months or less. Under certain circumstances rights to SSP can be acquired but HMRC will be providing more detailed guidance to businesses, jointly with Department for Work and Pensions and the DTI. Employers are advised to check 'What's New' and 'Stop Press' for more information.

New VAT Invoicing Rules

Businesses will need to be aware of changes to the rules regarding the content of VAT invoices from 1 October 2007. The changes are explained in VAT Information sheet 10/07 which has been issued recently. Many businesses will not have to change their procedures, as they already voluntarily comply with the rules, but businesses will need to be aware of the change in the law. As is normal, HMRC will not issue penalties for those breaching the new rules in the twelve months following the date of change, so businesses have at least a year to implement changes. Those making supplies under second hand margin schemes and the Tour Operators Margin Scheme will need to change their invoicing procedure, as will many businesses making cross border supplies within the EC.

Pension Arrangements – Who is Responsible for Tax?

When someone sets up an individual pension arrangement rather than joining an existing scheme, they may be responsible for the administrative functions of the scheme which are necessary under tax law. Although this will not impose a significant burden until the scheme is wound up, having paid all of the benefits, if a tax charge does arise at another time, it may be the member who is responsible for contacting HMRC to declare and pay the tax. HMRC are asking those who have set up separate pension arrangements to contact their pension providers to establish who the scheme administrator is. There is information available from HMRC about what the responsibilities of scheme administrators are.

Increased Interest Rates – Corporation Tax Only

The new rates of interest apply to corporation tax due by quarterly instalments, and underpaid instalments will attract an interest charge at 6.75% from 16 July. There is also a new rate applying to overpaid instalments and corporation tax not due by instalments which is paid early. This will attract a supplement of 5.5% from the same date. Rates of interest on other taxes remain unchanged.

Tax and Small Pensions

HMRC have publicised the fact that some small pensions are not being correctly taxed, as those paying the pensions have been operating under a redundant agreement. Pensioners in receipt of small pensions may have a small tax liability on those pensions, and from April 2008, the problem will be resolved. HMRC will be in touch with affected pensioners to establish whether any tax is owing, and if this is so, will collect the tax through an adjustment to the pensioner's code notice in 2008-09.

Tobacco Sales – Increased Age Limit

The Department of Health is now publicising the increased legal minimum age for sales of tobacco products. From 1 October this will increase to 18. Retailers breaching the law will risk prosecution and a fine of up to £2,500.

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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