



Business Alert: May 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.

No Valid VAT Receipt? Revised Guidance

Claiming VAT input tax normally depends on the claimant holding a valid VAT receipt. There is an exemption for low value transactions, but there is also a Statement of Practice affecting situations when the receipt held by the purchaser proves to be invalid. The changes affect all taxpayers dealing in goods where there is widespread fraud or abuse of the VAT or duty systems, including computers, computer parts, accessories and software, telephones including mobile telephones and accessories, alcohol and oils sold as road fuel. Those businesses dealing in these items should be aware of the change in practice affecting their right to deduct VAT in some circumstances. Revenue and Customs Brief 36/07 includes more details.

Tax Reclaim to Do? New Form Issued

Form R40 has been redesigned this year to come in line with the new style "Short Tax Return" which has now been in use for over a year. The forms issued this year will be accompanied by a flyer explaining how the new form works and how to fill it in. Note that taxpayers cannot complete form R40 online, or on screen using tax software. It must be completed and submitted on paper.

Offshore Savings? Time to Tell HMRC

Those with savings accounts in offshore tax havens often believe that the income from those savings accounts is not taxable. Normally no tax is deducted by the foreign bank, and thus the income is paid without any tax being suffered on it at all. This income is taxable if you are resident and domiciled in the UK, and should always have been declared to HMRC and its predecessor the Inland Revenue. HMRC have now announced a "tax amnesty", which is, in reality a penalty amnesty. Serious penalties can apply for failure to declare income which has not been taxed – these can amount to 100% of the tax lost. HMRC will now allow taxpayers to come forward and declare their taxable income from these sources, pay the tax and interest due and have their penalty capped at 10%. If you have something to declare, it is important that you seek professional advice.

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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