

# HeadCount

Outsourced solutions for non-core business activities

September 2006

## TAX DEADLINES

### 19 September

PAYE & NIC to reach HMRC for month to 5 September.

### 22 September

Electronic payments of PAYE and NIC to reach HMRC for month to 5 Sept.

### 30 September

Submit paper (not electronic) 2005/06 Tax Returns so tax of up to £2,000 may be collected through 2007/08 PAYE coding.

### 1 October

National Minimum Wage adult rate increases to £5.35. Age discrimination regulations come into force. Corporation tax due for small companies for year to 31 December 2005.

### 5 October

Inform HMRC of new sources of personal income or gains if no Tax Return received for 2005/06.

### 19 October

Income tax and class 1B NIC due under PAYE Settlement Agreements for 2005/06. PAYE & NIC due for periods to 5 Oct.

### 20 October

Electronic payments of PAYE & NIC to reach HMRC for periods to 5 Oct.

### 2 November

Submit forms P46 (car) for quarter ended 5 October.

### 17 November

PAYE & NIC to reach HMRC for month to 5 November.

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## Is it safe to pay dividends to relatives?

Three years ago the Revenue decided the common practice of sharing income between spouses who run a businesses together was not acceptable. They pursued one unfortunate couple (Mr. & Mrs. Jones), through the courts to have the dividends paid to Mrs. Jones taxed on her husband. However the tax profession rallied behind the Joneses, and the Revenue lost the case at the Court of Appeal.



Share out the profits according to input

Much rejoicing in the land, as we all thought family companies and partnerships would now be left alone to get on with running their businesses. Unfortunately not, as the Revenue are taking the case to the House of Lords. This is the highest possible court so it will have the last word, but it may take some years to issue a judgement.

In the meantime we cannot go back to the old ways of giving dividends, or profit shares from partnerships, to non-working family members with no justification. Each business is different, so the new approach will depend on your own set up, but here are some suggestions:

- When setting up a new business each family member should contribute capital from their own funds.
- Record all the work the non-fee earning spouse performs, even small things such as assisting with marketing, or IT support.
- Where a company is used, all the major shareholders should also be made directors of the company, so they are involved in the decision to pay dividends.
- If there are spare cash reserves consider buying some investments or assets to make the company look more substantial.
- Review the salary taken by the main fee-earner and possibly increase it, or pay more as pension contributions.

## Are you aware of the new rules relating to both Age Discrimination and Fire Safety?

If not you should be, as both could have serious implications on your business. To ensure that you are fully aware of the new rules, why not take advantage of our HR consultancy and/or advisory services, which can be tailored to your individual requirements. We recognise that HR is a complex area and one that many smaller organisations do not have the resource or expertise to deal with.

**Contact us today on: 020 8553 7550 or email: [sales@headcountservices.co.uk](mailto:sales@headcountservices.co.uk) to find out how we can help to make sure your business complies with the law.**

### Tax Tip

If your business property has a rateable value of less than £15,000 you may qualify for a refund on your business rates, but you must claim by 30 September 2006 for the 2005/06 year. Smaller properties with rateable values of less than £5,000 qualify for proportionally bigger refunds.

This newsletter is written for the general interest of our clients and is not a substitute for professional advice. Please contact HeadCount Services before taking any action.

## Tax Return deadlines are changing

The Government wants more people to file official forms online, so it can dispense with civil servants who retype the figures entered on printed forms. Lord Carter was asked to review how more tax forms could be completed online. One of his recommendations was to change the personal tax return filing deadlines to put more pressure on those who chose to submit a tax return on paper.

Lord Carter's initial suggestion was to require all paper tax returns to be submitted by 30 September and all electronic tax returns by 30 November. These dates would give us very little time to complete accounts and determine the profit figures to report on the tax returns. So many Accountants objected to the proposed deadlines that Lord Carter changed his mind and suggested new deadlines: **31 October** for paper returns and **31 January** (the current deadline) for tax returns submitted over the internet.

The new deadlines will come into force in 2008. Personal tax returns issued for 2007/08 will have to be returned to the Revenue by 31 October 2008, if completed on paper and by 31 January 2009, if filed by internet. Tax returns submitted later will generate automatic fines, but the dates for paying the tax due will remain at **31 January** and **31 July**.



More time for internet filing

As an encouragement to submit tax returns earlier, the period during which the Revenue can question a return will be reduced. From 2008 the Revenue will have just one year from the date the return is submitted to raise any questions. At present the Revenue have a year from 31 January (the final deadline) to start enquiries. So people who submit tax returns early in the year give the Revenue longer to open an enquiry.

## When, why and how should you register for VAT

While your business is small you may not think about VAT, but you should keep an eye on the level of your total sales to be sure they have not exceeded the compulsory VAT registration threshold. If you are late in registering for VAT you may have to pay a large fine and a lot of overdue VAT, plus interest.

When your turnover exceeds £61,000 in any twelve month period, you must register with HMRC for VAT within 30 days of the end of that period. This means you need to keep a rolling total of your monthly sales. As each month goes past add the total of the last month's sales to the sum of the previous twelve months and subtract sales for the earliest month. When this cumulative total reaches about £60,000 you should contact HMRC about VAT registration, as the registration form can take several weeks to process and in the meantime your sales may exceed the limit. If you do not expect your sales to continue to grow once they top

£61,000, you should still tell HMRC, but you may be permitted not to register for VAT.

Once you are VAT registered you must charge VAT on all your sales, although some types of goods carry a zero rate of VAT, and other goods and services (such as letting residential property) are exempt. You can also reclaim the VAT you have paid on your purchases. If you only make a few purchases you may benefit from the flat rate VAT scheme for small businesses, which simplifies the VAT records you need to keep.

If your customers are VAT registered you may want to register for VAT before your sales reach £61,000, so you are not caught out when your sales exceed the registration threshold. You may also have to register for VAT immediately when you buy a business.

## Age matters in employment



He can choose not to retire

From 1 October 2006 it will be illegal to discriminate against, or favour particular employees on the basis of their age. This will have huge implications for employers when recruiting, promoting, training, providing benefits to, or dismissing workers. The regulations will affect almost every aspect of dealing with employees or sub-contracted workers, and there is no exemption for small businesses.

The most visible area of age-discrimination is currently recruitment. Employers must not use age-biased language when placing job adverts, such as 'young and dynamic'. Any qualifications or experience requested must be a necessary requirement for the job.

When providing benefits to employees you should not

offer say health screening only to the over 50's, or provide new training opportunities only to the younger workers. Pay rises based on length of service will still be permitted, but only for periods of service of up to five years.

Compulsory retirement ages of less than 65 will be unlawful unless they can be justified on other grounds. Employees will be able to request not to retire, even when they reach 65, so the employer needs to be prepared to deal with these requests.

Redundancy is the other sensitive area. The upper and lower age limits in the statutory redundancy scheme will be removed, and employers will have to be very careful when selecting workers for compulsory redundancy. Any criteria based on length of service or age may be discriminatory.