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Wright In Touch

THE QUARTERLY PUBLICATION FROM WRIGHT & CO PARTNERSHIP LIMITED
CHARTERED ACCOUNTANTS & REGISTERED AUDITORS

Inside this issue:

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Introduction

There are many businesses whose employees receive tips or gratuities from customers of the business. Examples of such businesses will include pubs, restaurants and hotels. For these businesses it is important that any such receipts are dealt with correctly so far as the rules relating to PAYE and National Insurance Contributions (NICs) are concerned. This article summarises the more important regulations.

There are a number of criteria which will determine how any receipts by employees must be dealt with. These are as follows:

- Was the receipt from a customer made voluntarily?
- Was the receipt from the customer levied in the form of a compulsory service charge, eg a service charge automatically included on a restaurant bill. (This will apply whether the charge is included in the total without being shown separately or shown separately on the bill and added to the total.)
- Was the tip or gratuity received by the employee directly from the customer?
- Was the tip or gratuity distributed to the employee by his or her employer?

The basic rules are as follows:

Receipts levied by means of a discretionary or compulsory service charge and paid to the employer

If a business adds a compulsory service charge to a customer's bill or leaves it to the customer to add a service charge and then distributes this service charge to one or more employees, then the business must deduct both PAYE and NICs from the charge. The employer must do this whether the employer distributes the money directly to the employee or whether the distribution is made through what is known as a "tronc" which is a system for distributing tips and gratuities and which is operated by a "troncmaster" (see later in this article).

Tips etc received directly by the employee

Often a tip is made directly to the employee by the customer. This is common in restaurants where the bill does not include a compulsory service charge and any such payment is left to the discretion of the customer. In many instances, the customer will pay the bill and then give a separate cash payment to the employee as a tip.

In these cases the employer does not need to deduct PAYE or NICs and it is the responsibility of the employee to declare these receipts to the tax authorities.

However, if a tip is received directly from a customer by an employee but the employee then gives this to the employer, then it is the responsibility of the employer to account for PAYE and NICs when these tips are ultimately distributed to one or more employees.

Tips and gratuities distributed by a tronc

First of all we need to define a "tronc". A tronc is an arrangement whereby tips, gratuities and services charges are pooled and then distributed to employees by a person known as a "troncmaster".

If a business decides to operate a tronc it must inform HM Revenue & Customs (HMRC) as to who the troncmaster is. This will enable HMRC to set up a PAYE scheme for the tronc.

Wright advice:

It is important that all tips, gratuities and services charges are accounted for correctly in relation to PAYE and NICs and HMRC will look closely at how certain businesses account for any amounts due on any such receipts. Please consult us if you require further advice or guidance.

EMPLOYMENT LAW – CHANGES TO COME?

It has been reported that there are likely to be changes made to the redundancy laws in the none-to-distant future, and in particular the creation of a new "employers' charter" which will allow businesses to dismiss employees during the first two years of their employment without running the risk of the employee bringing and action for unfair dismissal. At present a business can only dismiss an employee in the first year of employment to avoid an action being brought.

In addition, it is proposed that in order to reduce the number of vexatious unfair dismissal claims being brought, employees will have to pay a fee when lodging an employment claim. (It is assumed that, should the employee be successful in his or her claim, the fee will be reclaimable, either from the authorities or the business.)

The Government is also set to review employment law in relation to smaller businesses, as the present legislation is considered to be too stringent.

One particular area which is lined up for reform concerns statutory sick pay (SSP) with the length of time that a business must at present pay SSP likely to be reduced.

> ***Wright advice:***
>
> ***The above news will come as some relief to smaller employers although individual employees may, understandably, be concerned at the proposals. Once any new legislation is introduced, we will be able to advise clients accordingly.***

GETTING THE MONEY IN

In today's financial climate, with the squeeze being put on small businesses by the rise in VAT rate, the reluctance of some banks to grant or extend overdraft or loan facilities and the general state of the economy, more and more businesses are experiencing difficulties in extracting payment from their debtors. Whilst large businesses are experiencing similar problems, these organisations often possess the legal "muscle" to obtain payment, either through internal legal expertise or the funds available to instruct lawyers to act on their behalf.

However, many (if not most) small businesses simply do not have the internal expertise or resources to pursue outstanding debts. In these cases there is sometimes the need to resort to the small claims court in order to obtain payment.

Before we summarise the steps to be taken if a business decides to go to the small claims court, it is worthwhile listing a number of practical points to consider when providing goods or servicesto customers. Indeed, taking an action in the small claims court should be the last resort as the process can be both expensive and time-consuming. In addition, the small claims court is almost gridlocked, with numerous actions being taken.

Consider the following obvious, but sometimes overlooked, points when providing goods or services.

Find out as much as possible about your customer before making a supply.

If the customer is a limited company then you can carry out a search at Companies House to obtain the latest set of accounts. However, there can be potential problems, as follows:

- First, you may have to get an expert to interpret and explain the accounts to you.

- Secondly, smaller companies do not have to file a profit and loss account at Companies House and so it may not be possible to establish how profitable the company is. However, a company must file a balance sheet which may assist you.
- Thirdly, a private company has 9 months in which to file its accounts (a public company has 6 months), so in many cases the accounts will be of little use because they are out of date.

Keep a control of your debtors.

Keep a constant watch over your debtors to ensure that payment is received on time and in accordance with your terms and conditions (see below). Establish a credit limit, either with your customer or internally. Never allow this limit to be exceeded, no matter how persuasive the customer might be. There is little point in increasing your turnover if you are not going to be paid.

Have a written agreement

Try and ensure that all customers sign a terms and conditions agreement or make sure that your terms and conditions are clearly displayed on all confirmation of orders and invoices. The mere presence of such an agreement will bring to a customer's attention that you take prompt payment seriously.

You may also wish to consider stipulating in any agreement that goods supplied to a customer belong to you until paid for in full. But be careful, it is important that any such term is correctly drafted and you may wish to seek expert advice in the drafting of such terms.

Charge interest on late payment

By law you are entitled to charge interest on late payments, and this fact, together with the interest rate to be charged should be clearly stated on any relevant correspondence with your customer. However, it is all very well to state that you are entitled to charge interest, it is another matter obtaining payment of the interest. In addition, such an approach can often adversely affect relationships with some customers who, whilst being slow payers eventually pay up in full.

Use a good debt collection agency

If you find that you are unable to collect a debt, consider farming the debt out to a reputable debt collection agency. It is better to receive, say, 90% of a debt than to receive nothing at all. But make sure that the agency you choose does not reflect adversely on your business in the form of adverse publicity in the heavy-handed manner in which the debt is collected.

Consider factoring your debts

This is sometimes an attractive option but it can be costly and can sometime upset more sensitive customers who would rather deal with you than a factoring organisation. When you factor the debt you effectively sell the debt to the factoring company who will collect the sums due and pass over to you an amount after deducting their commission.

Use the right collection procedures

Make sure that you have efficient procedures for the collection of outstanding sums. These will include:

- Maintain a diary system to ensure that the relevant demands are sent out at the right time.
- Make a written note of all telephone calls made asking for payment, stating the date of the call, who made it and who answered the call, together with the reply received.
- Use well drafted letters to collect debts, ranging from a polite reminder to a threat of legal action. Letters should bear the signature of a person in your company, with a more senior signatory being involved the more "heavy" the letter gets.
- Consider sending final demands by recorded delivery to ensure that you have proof of receipt.
- Ensure that all correspondence is directed to the right person in the organisation that owes the debt.
- Make sure you keep a copy of all relevant correspondence, eg delivery noted, invoices, statement and demands for payment.

Consider other methods of claiming

In addition to the small claims court, there are other ways of sorting out claims which may include, for example, arbitration.

There is also a service administered by Her Majesty's Courts Service which is known as "Money Claim". This is an internet based service for claimants and can be accessed at www.moneyclaim.gov.uk.

The small claims court

The term "small claims court" is a misnomer as there is no such physical court. Small claims are dealt with in the county court and not in a separate court. The correct term should be "small claims procedure".

If, as a last resort, (see above) you have to go to use the small claims procedure, consider the following points:

- Your claim must usually be less than £5,000.
- Retain evidence that you have tried to settle the matter by other means, including negotiation (see above). The court will want to see evidence that this has been undertaken.
- When issuing final demands to your customer, you should state the fact that, in the event of non-payment, you will resort to the small claims procedure.
- To commence the process you will have to complete the relevant form which can be obtained from any local court or online at www.hmcourts-service.gov.uk. In addition you can download leaflets which answer a number of frequently asked questions.

- If you are entitled to claim interest on the outstanding sum, you should include this on the claim form.

Wright advice:

The golden rule, of course, is not to allow a situation to become one where you have to take legal action against a debtor. If you follow the simple steps set out above you should be able to avoid this situation in the majority of cases. If you require any general advice about collecting outstanding sums, please contact us.

Holiday Pay – Getting the calculations right

One of the least understood aspects relating to employment is that relating to the rules governing holidays and holiday pay. Indeed, in practice, these rules often account for many of the disputes between employers and employees. This article attempts to summarise the main points relating to holidays and holiday pay.

Rights to paid holidays

Most employees have the right to a minimum number of days of paid holiday. These holidays are called "statutory holidays".

The right to statutory holidays applies to fulltime and part time workers, agency workers and casual workers and this right will apply regardless of the age of the worker (except for children under school leaving age) and the length of time they have been employed.

From 1 April 2009 every worker has the right to 5.6 weeks of statutory holiday a year (the "statutory minimum").

However, the number of days holiday are pro-rated down depending on how many days you work a week. So, if you work a five day week you can take 28 days holiday (5 x 5.6). If you work, say, 3 days you are entitled to 16.8 days (3 x 5.6). Note that you can't take more than 28 days even if you work more than a five day week.

Your contract of employment may give you more than the statutory minimum but can never give you less.

The holiday (or leave) year

A holiday (or leave) year is a period of one year within which the employee receives his statutory holiday entitlement. Each business can choose its own holiday year and the most common are either year commencing 1 January or year commencing 6th April (to coincide with the tax year)

If the employer and employee have not agreed on the starting date of the holiday year then the starting date will be 1st October each year for employments that started on or before 1st October 1998 and the date the employee started work for employment that started after 1 October 1998.

If the employee starts work part way through the holiday year, his entitlement to holidays is pro-rated according to how many days he works in the holiday year.

Bank and public holidays

A rule that many employees (and indeed employers) are unaware of is that employees have no automatic right to bank or public holidays, with or without pay, although the employee's contract of employment may and usually will give such rights. If the contract of employment says nothing about bank and public holidays then the employer can:

- Require the employee to work these bank or public holidays.
- Give the employee the bank or public holidays but not pay them. In this case the employee still retains the right to his or her statutory holiday entitlement.
- Give the employee the bank or public holidays with pay and count them towards the employee's statutory holiday entitlement.
- Use a combination of any of the above.

When holidays can be taken

An employee can choose when to take his holiday, provided that the correct notice is given to the employer (see below). However, the employer can refuse to agree to this request, once again provided that the correct notice is given.

Similarly, the employer can force an employee to take his holiday at certain times, once again provided that he gives the correct notice.

The law does not state the maximum amount of holiday that can be taken at any one time, although the contract of employment (if any) may do so.

Notice of holidays

The length of notice an employee must give to his employer will be determined by any contract of employment. In the absence of a contract the notice given must be at least twice as long as the holiday the employee wants to take.

An employer can stipulate when an employee must take a holiday. The length of notice required is at least twice as long as the length of the holiday the employer wants the employee to take.

An employer can refuse to let an employee take a holiday. To do this he must give the employee notice which must be at least equal to the length of the holiday requested.

Wright advice:

Employment law is complex, including the law relating to holidays and holiday pay. Wherever possible any agreement should be contained in a contract of employment which will safeguard both the employer and the employee. If you require further advice, please contact us.

MIS-SOLD PAYMENT PROTECTION – INSURANCE POLICIES

Many of our readers will have read about the climb down by the British Bankers' Association in relation to the mis-selling of Payment Protection Insurance policies (PPIs) by the high street banks.

Payment Protection Insurance is taken out by many individuals to cover any mortgage, loan or credit card liabilities, should the individual be too ill to work or has been made redundant and is therefore unable to repay these liabilities.

However, many of the policies which were sold on the advice of banks failed to pay out when claims were made because the individuals were not made aware of certain clauses within the policy. For example, many who were self-employed were under the impression that they were covered when the policy did not cover the self-employed. In addition, in many cases the PPI policy was included in a loan agreement between a customer and his bank but the individual was not informed of this fact and so did not realise that the cost of the policy was included in any finance charges.

If you have taken out a PPI and feel that you have been mis-sold the policy, consider the following:

- Not all policies were mis-sold, so check your policy first and take legal advice if necessary (but see our point regarding claims management companies below).
- You do not have to have made a claim to claim for a mis-sold policy.
- Even if, in the past, you have made a successful claim under your policy, you may still be able to make a claim for mis-selling.

- If you have already made a claim to the ombudsman, the latest decision by the courts and the BBA will not affect your claim.
- If you have an old PPI which has now expired you may still make a claim.
- If you feel that your PPI was mis-sold to you, you should in the first instance make a complaint to the organisation that sold you the policy. They have a period of five days to acknowledge your complaint and then eight weeks in which to inform you as to whether they agree with your complaint. If you are not satisfied with the treatment you receive you can take your claim to the Financial Ombudsman Service and you have a period of six months to do this.

A final warning: we would advise that you think twice before instructing a claims management company to make a claim on your behalf. They will charge a fee, whereas if you handle matters yourself it is free. Even if you take advice from a solicitor this will often be cheaper than going through a claims management company.

Even if you are successful with your complaint, don't expect to receive an immediate payment. Potentially there will be many millions of individuals who will making claims and so payments will be slow and may take weeks or months.

Wright advice:

It seems that the banks will never learn and have, once again, done little to enhance an already tarnished image.

And we shouldn't assume that the billions set aside by the banks to meet potential compensation claims will be funded internally. In the end we will all have to pay for the mis-selling of PPI policies by the banks, through increased charges and fees.

COMPANY PENSION SCHEMES – A SUMMARY OF THE FORTHCOMING LEGISLATION

Over the past years the government and others have become increasingly concerned that the UK will, in the future, find it more and more difficult to fund the State Pension. This is due, in the main, to the fact that individuals are living longer and for this reason have more years in retirement, without income from employment to fund their lifestyles. A number of measures are to be introduced to help alleviate this problem, including the gradual increase in the statutory retirement age.

A worrying statistic has emerged which states that some eight million workers in Britain are saving nothing for their old age and are relying solely on the State Pension when they retire.

In order to get individuals into the habit of saving for their old age, last year the government announced the creation of the National Employment Savings Trust (NEST). This trust is operated independently from government and is controlled by a board of trustees. However, businesses can opt for managing their own pension schemes provided that any scheme meets certain criteria contained in the legislation.

The philosophy behind NEST is to encourage low earners who would not normally have a personal pension scheme or are not part of a company pension scheme to save for retirement.

Between 2012 and 2016 millions of individuals will be auto-enrolled into NEST unless they opt out and are included in a pension scheme operated by their employer, such schemes being compulsory from 1 October 2012 for larger companies employing 50 staff or more.

If a company does not have its own pension scheme all workers aged 22 years or more and who earn over a minimum threshold will automatically be enrolled in NEST. A minimum contribution of 8 per cent of an employee's salary will be invested in the scheme which will be made up of a 4 per cent contribution by the employee, a 3 per cent contribution by the company and 1 per cent in the form of tax relief.

Note that there is nothing to prevent an individual from contributing more to his or her pension and wherever possible this should be encouraged, should the individual's personal circumstances warrant it.

It is estimated that those businesses who do not at present have a pension scheme and who want to keep matters as simple as possible will opt for the NEST scheme whilst those larger businesses with existing schemes or more complex employment structures will decide to create and administer their own schemes.

Wright advice:

The new pensions legislation may seem a long way off, especially for those companies employing fewer than 50 employees. However, businesses should be thinking about the new regulations now and keeping an eye on any developments to the legislation in the coming months. It is no secret that businesses will have to pay more to fund these pensions with the consequent squeezing of profits. Those businesses considering setting up their own pension schemes, rather than relying on NEST, should be taking advice sooner rather than later in relation to such schemes.

Bad debts and VAT reclaims – The cash accounting scheme may help you

As many of our readers will be aware, under the standard VAT accounting regulations, you are liable for VAT when you invoice your customer. If that customer becomes a bad debt and your customer does not pay you, you will still have to pay the VAT on the invoice and then claim it back from HM Customs & Excise (HMRC).

However, for businesses who have a higher level of bad debts than others and whose taxable turnover is not more than £1.35 million the Cash Accounting Scheme may come in handy. Under this Scheme you do not pay the VAT on your sales until your customer has paid you. Of course, this will not assist you in trying to recover the debt, but at least you will not have paid the VAT and then be faced with the somewhat time-consuming task of recovering the VAT from HMRC.

An additional advantage to the cash flow of businesses who use the Scheme is that if they have customers that are slow payers (as opposed to a customer who becomes a bad debt) then the VAT is only paid when the customer pays you.

As stated above, only businesses with turnover of not more than £1.35 million can register under the Cash Accounting Scheme but, once registered, you can continue to use the Scheme until your taxable turnover reaches £1.6 million.

You do not have to wait to see if your turnover will be no more than £1.35 million. If your taxable turnover for the forthcoming year is <u>estimated</u> to be no more than £1.35 million you can register under the Scheme.

You do not have to complete an application form or inform HMRC that you are using the Scheme and you can start using the Scheme either at the beginning of any VAT period if you are already registered for VAT or from the date your VAT registration starts if you are not already registered.

Even if a business successfully registers under the Scheme it must continue to use standard VAT accounting in certain situations, eg for goods imported from other EU countries or if you issue an invoice in advance of providing a service.

Note that there can be disadvantages to registering under the Scheme, the main one being that you cannot reclaim your input VAT on purchases until you have paid your suppliers. Under standard VAT accounting you can reclaim this VAT once you have received your invoice.

Wright advice:

If your business has customers who are slow payers or there is a higher than normal incidence of bad debts in your business, consider registering under the Cash Accounting Scheme. However, please consult us before doing so in order that we can check that your business is, in fact, eligible to register under the Scheme and also so that we can explain any additional record keeping that may be required. In addition, it is important that you are aware of the rules regarding joining and leaving the Scheme.

H M REVENUE & CUSTOMS – POWERS AND RIGHTS

There is an understandable and entirely natural concern by individuals and businesses who receive or are about to receive visits from the tax authorities. This will apply even if we have complied in every regard with the taxation rules and regulations.

In order to alleviate some of the more common concerns of taxpayers, HM Customs & Excise have published a number of frequently asked questions, together with their answers. We set out below some of the most common questions that have been asked.

Question: When you contact me, will you tell me which tax, duty or tax credit your questions relate to?
Answer: We will always tell you specifically what tax, duty or tax credit we want information about. For example, we will usually telephone you to say that we intend to visit to inspect your VAT, customs or excise duties records. And if we intend to make an enquiry into your income or corporation tax return or tax credit entitlement we will tell you in writing. If you are still unclear about which tax, duty or tax credit our questions are about, you should ask us and we will tell you unambiguously.

Question: Will you tell me in advance that you want information from me or want to look at my records?
Answer: We will normally tell you in advance that we require information or want to look at your records, although we may, in certain circumstances, make an unannounced visit to look at your VAT, customs or excise duties records.

Question: If you want to have a meeting about my income and corporation tax or tax credits affairs, will you want to hold it at my business premises, as your practice is now for VAT, customs and excise?
Answer: We already hold meetings at business premises for income and corporation tax (for tax credits, meetings more usually take place at your home) by mutual agreement, as this will often be the best way of quickly resolving any outstanding issues. But for income and corporation tax and

tax credits we only do this with your consent. The reasons for deciding whether we need a meeting, and if so where it should take place, will not change. And you will continue to have the same rights you do now to decline our suggestion of a meeting.

Question: If you contact me to tell me you intend to inspect my VAT records, for example, will you extend your inspection to include my income or corporation tax or tax credits affairs once you are on my premises?

Answer: We will only review the records relating to the tax, duty or tax credit we have told you we will be looking at. If we intend to review a number of taxes, duties or tax credits at the same time we will tell you in advance, and we will give you the opportunity to decline. If in the course of their review an officer of HMRC obtains information that is relevant to other areas of HMRC they may pass on that information for immediate or future follow –up action.

Question: If an officer visits me to inspect my VAT records, for example, will they be accompanied by an officer who wants to review records I've kept for PAYE & NICs, income or corporation tax, or tax credits?

Answer: Only if we've told you in advance, and you've agreed to the meeting covering the different taxes. One officer of HMRC may want to look at a number of taxes at one time, but if we intend to do this we will tell you in advance and give you the opportunity to decline.

Question: What happens if during the course of your inspection, review or enquiry you obtain information about one duty or tax credit that you think is also relevant to another duty or tax credit?

Answer: We will always make it clear to you at the beginning of our inspection, review or enquiry which tax, duty or tax credit we intend to ask questions about. And we will only ask for information that relates to the area we have told you we will be looking into – we will not request information that may only be relevant to another area. But if when we consider the information we have properly obtained we think it may also have a bearing on another area we will pass that information on for immediate or future action. There is no change here – the IR and HMCE have always been able to exchange information they considered would be relevant to the other department.

Question: What can I do if I think the visiting officer is asking for information they are not entitled to request?

Answer: If you are unclear why you are being asked for a particular piece of information you should ask the visiting officer to explain their reasons for requesting it. If you are not satisfied with the explanation you should say so, and you can refuse to provide the information if you consider it is not relevant to the area the officer is looking at. If you and the officer cannot agree about the relevance of the information, and the officer still considers they need it, they will be able to use formal powers to obtain it if they can show it is relevant to the area they are dealing with. If you want a further explanation you should contact the officer's manager. The officer will provide their manager's contact details if you ask them to.

Question: If you want to look at my records relating to more than one tax, for example VAT and PAYE & NIC, will you try to co-ordinate your visits? For example, should I tell you if I receive a phone call to book a VAT visit if you have already told me you intend to inspect my PAYE records?
Answer: Yes, this will help particularly in the transitional period. We will try to co-ordinate our visits if you ask us to, or we may suggest it if we think it would be helpful. But this may not always be possible.

Question: Do these answers apply in all circumstances?
Answer: These answers apply to most of the compliance contacts you will have with us. They will not apply if we think you may have committed serious fraud.

Wright advice:

If you receive notification of a visit from the tax authorities or if you are asked to attend any meeting to discuss your tax affairs, it is important that you obtain expert advice. Please contact us so that we can give you guidance and, in certain instances, attend any meeting you may have with the authorities.

ENTERPRISE ZONES – WORTHY OF CONSIDERATION?

In his spring Budget, the Chancellor of the Exchequer, George Osborne, announced that the government were to create additional Enterprise Zones both immediately and during the year ahead.

What is an Enterprise Zone?
Quite simply, an Enterprise Zone is an area of land, ranging from small individual business parks to whole cities or regions. The purpose of an Enterprise Zone is to offer a range of incentives to those who operate from these Zones, in an attempt to create employment and stimulate business within the Zones. The incentives on offer may include:

- Reliefs on local business rates
- Reductions in corporation tax
- Reductions in National Insurance Contributions
- Subsidies for capital expenditure
- Incentives in the form of tax credits or capital gains tax allowances for investments made in capital assets used by a business and the business premises themselves
- Relaxation of planning processes, including fast-tracking a planning process in order to speed up and cheapen the construction of premises.

The history of Enterprise Zones

Enterprise Zones have been with us for a number of years, having originally been created by Margaret Thatcher's government. Additional Zones have now been and will in the future be created, as announced in the spring Budget.

Where are the Enterprise Zones

There is a long list of Enterprise Zones which can be viewed at the HMRC website at www.hmrc.gov.uk. Additional Zones are to be introduced during the course of this year

Do Enterprise Zones work?

This is a moot point and there are arguments on both sides, with some singing their praises whilst others being of the opinion that the creation of an Enterprise Zone does not in fact create additional employment, but rather has the effect of shifting existing employment out of one area into another. The jury is still out and only time will tell. However, if there are advantages to be had from operating in an Enterprise Zone, it would seem sensible that businesses make use of any incentives on offer, if this is possible.

Wright advice:

If you are thinking of starting a business or relocating your existing business, make enquiries as to whether there are any existing or planned Enterprise Zones in your area. If there are, then make the necessary enquiries and consult us in relation to any taxation matters and the preparation of business forecasts.

LATE FILING PENALTIES AND FINES – THE TAX AUTHORITIES GET SERIOUS

Some of us may remember those halcyon days when, if we were a little late in paying our PAYE or corporation tax we got a rap over the knuckles from the Inland Revenue and at worst had to pay a little interest on overdue tax. Well no more! As the years have gone by we have been faced with ever increasing penalties and/or fines for the late filing of tax returns and the payment of tax due. In addition, with the advent of computerisation HM Revenue & Customs are becoming more and more sophisticated in their collection methods and procedures due, to a large degree, to the advent of on-line filing. (Although some would argue that, at times, the reverse is true!)

As we enter a new tax year it is worthwhile setting out again the key dates when taxes are due and the increased penalties which can now be levied. Readers should note that a number of penalties have been increased from 6 April 2011.
Note that the deadlines and penalties set out below relate to income tax returns. We have not dealt with PAYE or corporation tax returns and payment dates in this article. Should you wish to see these dates, please contact us.

HM Revenue and Customs (HMRC) has advised as follows:

"Deadlines for sending in a tax return

31 October: all paper returns

If you send a paper return it must reach HMRC by midnight on 31 October.

You only have longer than this if you received the letter, telling you to send a tax return, after 31 July. In this case you'll have three months from the date you received that letter.

31 January: online returns

Your online tax return must reach HMRC by midnight on 31 January.

You only have longer than this if you received the letter telling you to send a tax return after 31 October. In this case you'll have three months from the date you received that letter.

There's an earlier deadline of 30 December if you want HMRC to collect any tax due through your Pay As You Earn (PAYE) tax code. You can only ask for this if you owe less than £2,000. Although HMRC will try to collect the tax due through your code, it can't be done in every case.

Penalties if you miss the tax return deadline

If you miss the deadline, the longer you delay, the more you'll have to pay. So it's important to send your tax return to HMRC as soon as you can.

If, for example, you send your tax return back six months late, you'll be asked to pay the first three penalties shown in the table below.

All of the penalties shown in the table below will be charged even if you have no tax to pay or have paid the tax you owe.

Penalties for sending your tax return late

Length of delay	*Penalty you will be asked to pay*
One day	Initial £100
Three months	£10 each day – up to maximum of £900.
Six months	£300 or 5% of the tax due, whichever is the higher.
Twelve months	£300 or 5% of the tax due, whichever is the higher.

In serious cases you may be asked to pay up to 100% of the tax due instead.

The deadlines and penalties above also apply to each partner in a partnership.

Deadlines for paying your tax

31 January

You must pay any amount due by 31 January following the end of the tax year.

For example, for the tax year 2010-11 (ending on 5 April 2011) you must pay any tax due by 31 January 2012.

The payment deadline is the same for both paper and online returns.

You'll need to pay one or both of the following:

- Any tax you still owe for the previous tax year
- The first of two 'payments on account' (advance payments) for the current tax year. You won't always be required to pay these - it'll depend on the amount of tax due and the kind of income you receive.

HMRC will usually send you a 'Self Assessment Statement' that shows the amount due. If you don't receive this, you'll need to work out the tax due yourself. You can use your tax calculation and previous statements or log in to HMRC Online Services and use the 'View Account' option.

31 July

This is the deadline for making any further payments on account if you've been asked to do so.

For example on 31 July 2011, you'd make your second payment on account for the 2010-11 tax year.

Interest and penalties if you don't pay on time

If you miss the deadline, the longer you delay, the more you'll have to pay. So it's important to still send your payment to HMRC as soon as you can.

If, for example, you pay more than six months late, you'll be asked to pay the first two penalties shown in the table below.

Penalties for paying late

Length of delay	*Penalty you will be asked to pay*
Thirty days	5% of the tax unpaid at that date
Six months	A further 5% of the tax unpaid at that date
Twelve months	A further 5% of the tax unpaid at that date

Interest charges if you pay late

You will have to pay interest on all outstanding amounts, including any unpaid penalties, until payment is received."

Wright advice:

From the above information and tables it can be seen that the penalties have been drastically increased and that it can become extremely expensive if a return or payment is received late. Please do not leave it until the last possible moment to provide us with details to be included in a return as this might involve us in additional time if unexpected problems arise and this may mean missing a deadline. Clients should also make sure that they have a diary system to ensure that payment dates are not missed.

If at any time you feel that you will be unable to pay an amount due, contact us immediately rather than wait until the payment is due. We can contact the authorities and maybe negotiate additional time for payment but this can usually only be done before payment is due.

Readers should note that a penalty will not be levied if you have a reasonable excuse for missing a deadline. There are no hard and fast rules as to what constitutes a "reasonable excuse" but these could include documents being lost through theft, fire or flood or the death of a partner shortly before a deadline. Once again, do not leave it to the deadline date to claim a reasonable excuse. Tell us as soon as you foresee the problem so that we, in turn, can contact HMRC.

See the HMRC website at www.hmrc.gov.uk for further information about the late submission of returns and late payment of tax due.

Why Eileen Murphy of Informed Training

"Tell me and I will forget, Show me and I will remember, Involve me and I will understand". Based on a quote by Benjamin Franklin
These are the foundation principles that I use in my training. Not merely a demonstration of an IT system, but I take a "show "and then "do" by way of practical hands on interactive approach which ensures understanding and retention of the knowledge gained.
I believe that the overall principle is that any training is an investment, and therefore, should add value to your business. In order for that to happen, firstly I speak to the client to identify their specific needs. Then I design a training programme which:

- Is personal and relative to the individual and the Company needs
- Will ensure they use the knowledge gained in their workplace to help the individual in their role
- Demonstrates practically that it does add value to their business

Following the delivery of training and feedback, we agree a time frame to assess how the training is being utilised, and I will make recommendations as necessary to continue ensuring that your computer software is used as effectively as possible to helping to drive your business forward.
Please find below a couple of recent testimonials which I hope will endorse why you should benefit from my services also.
What people are saying:

"Eileen has worked with me on a number of occasions and will do again next year. As a trainer Eileen stands out from the crowd by making the training yours. A thorough TNA is conducted prior to the event, a professional and yet personal training event is conducted and the follow up shows not just good business practice but care and passion for what she does.

Eileen's experience in the industry puts her in a strong position; this strength is closely matched by her passion, excellence in the training delivery and an aftercare any organisation would be proud of.

The mix of high standards, the personal touch to all and a genuine care that her organisation has delivered and met all expectations is in today's market a highly sought after skill set.

The highest compliment I could offer is that Eileen's training makes a difference. I highly recommend Eileen and "Informed Training" to any organisation looking for quality and a true ROI." December 20, 2010

Top qualities: *Great Results, Expert, Good Value*

Mac Macdonald – Learning Academy Manager at Institute of IT Training
Hired Eileen in 2010, and hired Eileen more than once.

Eileen has that natural ability of a professional trainer to establish a rapport with people quickly, efficiently and is able put people's minds at ease with new propositions. Eileen is very knowledgeable about her subject and ensures that her training is delivered in a light and engaging manner. Plenty of enthusiasm and plenty of support." November 22, 2010

Ian Merriman – Sales Director at Client Data Systems Group Limited - *worked directly with Eileen at IntelliFlo Ltd.*

"Eileen has a happy combination of technical knowledge and people skills. She is able to flex her style to match the trainee, deviate from the agenda where appropriate but always stay in sight of the overall objective"

Dave Penny - Managing Director, Invest Southwest

Should you wish to contact me to find out how I can help you achieve more, please call or email me on the below:

Call me - Eileen Murphy on 0121 357 5944 or 0784 1867144

Or email me on eileen.murphy@informedtraining.co.uk

Or log an enquiry at http://www.informedtraining.co.uk/

Informed Training

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SAGE PACKAGES FOR YOUR BUSINESS

Feature	Instant Accounts	Instant Accounts Plus	Sage 50 Accounts	Sage 50 Accounts Plus	Sage 50 Accounts Professional
Business Diary	■	■	■	■	■
Business Overview (Basic)	■	■	■	■	■
Database	■	■	■	■	■
Sales, Purchase, Nominal Ledger	■	■	■	■	■
Credit Control	Basic	Basic	Advanced	Advanced	Advanced
Online VAT submissions			■	■	■
VAT Returns and workings	Standard, VAT Cash Accounting, Irish Cash Accounting				
Bank (Cash book) & reconciliations	■	■	■	■	■
Invoicing	■	■	■	Advanced	Advanced
Quotations	■	■	■	■	■
Full integration with MS Office	■	■	■	■	■
E-Banking Payments & Reconciliations	■	■	■	■	■
Financial Reports - Trial Balance, Profit & Loss, Balance Sheet	■	■	Advanced	Advanced	Advanced
Budget Management	Basic	Basic	Advanced	Advance	Advanced
Email reports, Invoices, Credit Notes, Statements & Remittance Advice(PDF)	■	■	■	■	■
Euro currency calculator & invoices	■	■	■	■	■
Discounts	■	■	■	■	■
Stock Control		Basic	Advanced	Advance	Advance
Cash flow planner			■	■	■
Historical data analysis			■	■	■
Project costing				■	■
Individual Customer & Supplier Price Lists				■	■
Stock allocations reserves				■	■
Delivery notes					■
Purchase order processing					■
Cash sales					■
Intrastat Support					■
Support	Additional Charge				
Network Capability Option	Single	2 user*	2 user*	2 user*	10 user*
Companies	Single	Multi*	Multi*	Multi*	Multi*

Wright & Co
Partnership Limited
Chartered Accountants and Registered Auditors

sage

Train Your Business Brain

Sage Accounts Packages:

Current Version: 17 (Released August 2010)

Sage Instant

Instant Accounts	RRP £ 120.00
Instant Accounts Plus	RRP £ 200.00

Sage 50 Accounts

Sage 50 Accounts	RRP £ 560.00
Sage 50 Accounts Plus	RRP £ 810.00
Sage 50 Accounts Professional	RRP £1,095.00

Prices exclude VAT & Discounts available.
Contact Wright &Co for further details

Sage Training Courses:

Class room courses include:

- Sage Instant Accounts
- Sage 50 Accounts
- Sage 50 Accounts Report Design
- Linking Sage 50 Accounts to Microsoft® Office
- ACT! by Sage
- Microsoft® Excel

Various locations throughout the UK (Local Venue - Birmingham)

Self Study Courses include:

- Sage Instant Accounts
- Sage 50 Accounts

Already Using an Old version of Sage?

Sage packages are always being improved with additional and more user friendly features added.

Many of the older versions are no longer supported by Sage. Data from older versions is not easily converted to new versions, so it is vital for any upgrades to be done as soon as possible If you are currently using an old version of Sage contact Wright & Co for details of how to upgrade.

There has never been a better time to upgrade because discounts are available from Wright & Co.

Sage training, system implementation and support by Wright & Co

At Wright & Co we will not just sell you any Sage Package. We will evaluate your needs and requirements and advise accordingly.

After the initial installation of Sage we will work with you (onsite) and provide a step-by-step training programme, only moving on to the next stage when you feel comfortable and ready to do so.

We will input all opening balances from your accounts so that your system starts on a solid basis. As your accountants we already have a good understanding of your business and therefore can help and advise according to your needs.

We provide tips and best practice procedures to enable you to use Sage to run your business effectively and efficiently.

The support does not stop when the training ends but we will maintain contact with you to ensure that any issues are resolved quickly.

Contact Details:

For a full list of the packages available and to book your Sage training and support contact Gerry.

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