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March is the last month of the tax year. If you have anxieties regarding any aspect of your financial affairs that have occurred during the last year, and you have not yet spoken with us, can you please contact us as a matter of some urgency. Usually it is not possible to take effective planning decisions once the tax year end passes.

In the newsletter this month we have explained the new capital allowance rules for cars; outlined the importance of the underlying records that support your tax returns; a final reminder that certain retrospective claims for overpaid and underclaimed VAT closes on 31 March 2009; the tax status of long service awards and finally a few pointers on applying for a dispensation regarding Benefit in Kind.

Our next tax newsletter will be published Tuesday 7 April 2009.

Nigel Holmes

Director - Corporate Tax

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The whole 'work/life balance' has never been more of a blur and right now you may well be wondering where does work stop and life start? It's often during times of challenge that little things can really make a big difference... a simple explanation on a piece of new legislation... an advance notification of a potential opportunity... a simple tip that could save you money... or maybe just an

inspirational thought.

Good ideas are always welcome but when you're busy, staying one step ahead of the game is never easy. Our new Armstrong Watson bulletin is designed to do the hard work for you - it's our way of staying in touch and keeping you up to speed with issues and opportunities that could be helpful.

Deliberately short and to the point, our 'Good Ideas' bulletin will offer you relevant and proactive advice in a no-nonsense format to support and inspire you... and it's free! This bulletin is in addition to our tax newsletter which you will continue to receive.

If you would like to receive our free bulletin please click on this link, which will direct you to a dedicated page on our website for you to subscribe - www.armstrongwatson.co.uk/signup

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Coming Soon Armstrong Watson is about to launch a range of tax factsheets onto our website. keep checking www.armstrongwatson.co.uk for these.

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New rules apply to capital allowances for cars from 1 April 2009 (companies) and 6 April 2009 (unincorporated businesses). The new rules are summarised below.

Summary

For cars purchased on or after the above date, the cost is irrelevant when deciding the capital allowance treatment. The treatment is now CO2 emissions based. For cars already owned at the above date, the CO2 emissions is irrelevant and the treatment remains unchanged until 2014.

Cars aquired on or after 1 April (6 April) 2009

Cars with no private use or company cars

- Cars with CO2 emissions of 110g/km or under - 100% allowance
- Cars with 111 to 160g/km - add to main pool, 20% writing down allowance
- Cars with CO2 of 161g/km or more - add to special rate pool, 10% writing down allowance

(There are special rules for cars registered pre 1 March 2001 or cars with no CO2 data)

Cars with private use and not a company car

- These cars have their own single asset pool as before. The allowance, however, is as per above depending upon emissions: 100% (110 or less), 20% (111 to 160), 10% (161 or

more) followed by the private use adjustment

Existing cars as at 1 April (6 April) 2009

- Car cost more than £12,000 and either no private use or company car - single asset pool until 2014; writing down allowance 20% capped at £3,000 per annum
- Car cost less than £12,000 and either no private use or company car - already in main pool; 20% writing down allowance on pool
- Car with private use and not a company car - single asset pool with 20% writing down allowance, capped at £3,000 if cost more than £12,000 and then subjected to private use adjustment

Leased cars

If the lease is taken out on or after 1 April (companies) or 6 April (unincorporated businesses) the old rules in relation to the disallowance element based upon retail price is abolished. Instead, the following applies:

- Cars with CO2 emissions of 160g/km or less - no lease disallowance
- Cars with CO2 of 161g/km or more - 15% disallowance of rental payments

To conclude, the rules are very different now and may influence your choice of vehicle.

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HM Revenue & Customs now has extensive powers to require that you provide evidence to back up entries on your tax returns. For business owners this means your accounting records and supporting documentation need to be pristine.

If HMRC can demonstrate that your records are less than effective you will face penalties.

The legislation requires you to:

"keep all such records as may be requisite for the purpose of enabling him (you) to make and deliver a correct and complete return for the year or period."

In future you will need to keep a careful eye, not only on the results generated by your accounting software, but also on the completeness of the underlying records. It may well be the case that we offer you advice to improve the way you process and maintain records.

Records include supporting documentation such as, accounts, books, deeds, contracts, vouchers and receipts.

If you would like us to review your accounting systems and record keeping prior to the tax year end please let us know.

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If you have overpaid VAT output tax or underclaimed VAT input tax you may benefit from a claim to recover the amounts involved from HM Revenue & Customs.

- Claims can be back dated as far as April 1973, or the date of registration if later
- The deadline for submitting a claim is the end of this month, 31 March 2009

It is possible to base a claim on a reasonable and valid estimate if the underlying records no longer exist. Claims can include a request for interest.

The following list includes sources for a possible claim:

- Mileage costs paid to employees
- Staff expenses
- Subsistence
- Recovery of VAT on imports
- Demonstrator cars at car dealerships
- Green fees at golf clubs

If you are at all unsure about VAT that has been added to particular supplies you have made, or whether VAT should have been recovered on certain costs, please let us know.

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Any salaried employee of a business can be paid a long service award. The way in which the award is given can radically influence the tax treatment!

All cash awards are taxable. They will be treated as part of your remuneration and subject to deduction of tax and National Insurance. Cash awards include:

- a payment including a cheque (This also rules out National Savings Certificates, premium bonds and so on.)
- a cash voucher
- a credit token
- shares other than those issued by the company employing the person who receives the award
- an interest or rights over securities or shares

Non cash awards are tax free if certain conditions are met. They are:

1. The award must be made to mark a period of not less than 20 years service with the same employer
2. It must not be a cash payment
3. The taxable value of the award must not be more than £50 for each completed year of service

For most employees the amount of the award is determined as the cost to the employer. For lower paid employees it is the second hand value of the award.

If the award exceeds the £50 for each year of service limit, only the excess is taxable.

If an employer makes multiple awards to the same individual, say after 20 years and then again after 30 years; each award qualifies as a separate award - this further concession does not apply unless

there is a gap of at least 10 years between the awards.

If you have clocked up 20 years service you could receive goods to the value of £1,000 and pay no tax or National Insurance - that buys a lot of golf equipment!

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As we approach the end of another tax year you may wish to consider an acceptable method of reducing the level of P11D reporting that is required for your business. With few exceptions, a P11D should be prepared for each director and employee who receives taxable benefits or receives reimbursement of expenses incurred in carrying out their duties. HM Revenue & Customs (HMRC) will often agree to grant a dispensation to waive the requirement to report on P11Ds the reimbursement of certain expenses incurred by directors and employees. Obtaining a P11D dispensation from HMRC is, therefore, an acceptable method of reducing the level of P11D reporting that is required. Please contact us immediately if you would like us to apply for a P11D dispensation for your business for the year ended 5 April 2009.

Please note that the grant of a P11D is not automatic. In addition, HMRC does not accept that, once granted, a P11D dispensation is valid forever. Please let us know if you would like us to review an existing P11D dispensation to consider if it should be renewed or revised.

HMRC requires that you need to have the following systems in place to qualify you for a dispensation, they are:

You must have an independent system in place for checking and authorising expenses claims. At a minimum, this means having someone other than the employee claiming the expenses check that:

- the amount claimed isn't excessive
- the claim doesn't include disallowable items

If it is not possible for you to operate an independent system for checking and authorising expenses claims, for example, because you are the sole director of your company and you have no other employees, you will only be able to obtain a dispensation if you:

- ensure all expenses claims are supported by receipts for the expenditure
- demonstrate that the claim relates to expenditure that can be covered by a dispensation, your receipts may be sufficient for this purpose, but if not you must retain additional information.

Generally speaking dispensations are granted from the application date. However HMRC may agree to apply the dispensation from the beginning of the tax year in which you apply. It's not too late to apply for 2008-09, call if you would like assistance to do this.

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1 March 2009 - Due date for corporation tax due for the year ended 31 May 2008.

19 March 2009 - PAYE and NIC deductions due for month ended 5 March 2009. (If you pay your tax

electronically the due date is 22 March 2009)

19 March 2009 - Filing deadline for the CIS300 monthly return for the month ended 5 March 2009.

19 March 2009 - CIS tax deducted for the month ended 5 March 2009 is payable by today.

1 April 2009 - Due date for corporation tax due for the year ended 30 June 2008.

19 April 2009 - PAYE and NIC deductions due for month ended 5 April 2009. (If you pay your tax electronically the due date is 22 April 2009.)

19 April 2009 - Filing deadline for the CIS300 monthly return for the month ended 5 April 2009.

19 April 2009 - CIS tax deducted for the month ended 5 April 2009 is payable by today.

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DISCLAIMER - PLEASE NOTE: The ideas shared with you in this email are intended to inform rather than advise. Taxpayers circumstances do vary and if you feel that tax strategies we have outlined may be beneficial it is important that you contact us before implementation. If you do or do not take action as a result of reading this newsletter, before receiving our written endorsement, we will accept no responsibility for any financial loss incurred.

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