

## DECEMBER 2011 Tax Tips

We hope you have all had a very successful and enjoyable 2011 and are looking forward to some well-deserved rest over the next week or so. Before we all disappear to eat and drink far too much over this festive season, there are a few things to consider and be aware of:

### 1. Tax Refund Scam

This is the time of year when the phishers make some real money. E-mails purportedly from HM Revenue and Customs have been sent out to millions of UK taxpayers, advising them that they are entitled to a tax refund. Please ignore these e-mails, and you must certainly never reply to the e-mails, or disclose your bank account or other personal details in any way.

HMRC does not operate this way: If you are due a tax refund, it will either be sent to the bank account shown on your tax return or sent to you by cheque.

Please be warned – a large number of people fell for this scam last year and lost a lot of money.

### 2. HM Revenue & Customs Business Payments Support Service

Once you have added up how much you have spent on presents, food and partying, you might realise that you do not have enough left to pay your personal tax bill on 31<sup>st</sup> January, or even your VAT, PAYE or Corporation Tax when they fall due.

If you are unable to pay any of these liabilities, and you have explored all other sources of finance, you can try contacting the HMRC Business Payments Support Service on 0845 302 1435. They may be able to arrange a payment plan over a number of months. Although you will still be charged interest at 2.5% per annum, which is clearly much cheaper than high street borrowing, you will avoid the surcharges and penalties which would otherwise apply. For instance, if you fail to pay Self Assessment tax by 28<sup>th</sup> February an automatic surcharge of 5% will be applied on the whole sum outstanding at that date.

Have all your facts and figures to hand before you make the call. Usually they will give you a decision while you wait. For full details, see <http://www.hmrc.gov.uk/payinghmrc/problems/bpps.htm>

### 3. Tax Return Late Filing Penalties

A new regime came into force in April 2011 under which penalties for late filing of personal tax returns can be £1,000 for filing a return 3 months late, and in the very worst cases the penalty can be 100% of the total tax due if greater. For full details see <http://hmrc.gov.uk/sa/deadlines-penalties.htm>. Previously, there were no penalties if there was no tax liability, but now the penalty can be as much as £1,600 even if you do not have a tax liability.

Remember: all Company Directors, however big or small the company, are legally obliged to file a Self-Assessment Tax Return, even if there is no additional tax liability.

#### **4. Eastern Plateau Grants**

For those clients with businesses in the Eastern Plateau region, there are still grants available to help create and secure jobs in the rural economy. Some of our clients have been very successful in securing these grants, and it has helped business owners to substantially enhance their business prospects in these difficult times. See <http://easternplateau.org.uk/> for more details. If your business is in Hertfordshire or West Essex, it is definitely worth checking to see if you could qualify for a grant. The funds are from the EU and have not therefore been subject to UK government cuts.

#### **5. Year End Tax Planning – End of £100,000 Annual Investment Allowance**

If you are planning substantial capital expenditure in the next year, give serious consideration to bringing forward the expenditure to before 31<sup>st</sup> March 2012. At present, 100% first year capital allowances (Annual Investment Allowance) are available on capital purchases up to £100,000: from April 2012, this reduces to £25,000. Having 100% tax relief is almost like having a 20% discount off the purchase price for small companies, or up to 50% for high rate personal tax payers. Use it or lose it! It can take a while to organise large purchases and the finance involved, so it is essential to start thinking about this now.

Please note Annual Investment Allowance does not apply to motor cars.

**WE WISH YOU ALL A VERY PROSPEROUS AND HEALTHY 2012.**

**If you are in any doubt, please call us for clarification.**

**About us:** *Leggate Associates Limited was formed by Andrew Leggate LL.B FCMA ACA who has over 30 years of tax and accountancy experience in industry and practice, and the practice is managed by Joanne Leggate FMAAT ATT. Our clients range from building subcontractors to multi million pound concerns and high net worth individuals all over Hertfordshire, Essex and London. Please see our website [www.leggateassociates.co.uk](http://www.leggateassociates.co.uk) or follow @LeggateAssoc on Twitter for regular updates.*