

# The Chorus

WINTER 2009

From Perrys Chartered Accountants

## ONLINE FILING OF VAT RETURNS

You may be aware that changes are due to happen to the filing of VAT Returns for businesses with turnover in excess of £100,000 in early 2010. Detailed below are some pointers which will enable you to decide if you will be affected, and what action is needed if you are.

### Who will be affected?

All current VAT registered businesses with an annual turnover of £100,000 or more, exclusive of VAT, will be required to file VAT Returns online for VAT periods beginning on or after 1 April 2010. In addition, where VAT liabilities are due, these will need to be paid electronically.

### How is turnover calculated?

HM Revenue & Customs will use a 12 month period ending on or after 31 December 2009 by reviewing the box 6 turnover figures on your VAT Returns. If you use the flat rate scheme for VAT, although the box 6 figure will include VAT, HM Revenue & Customs will automatically adjust this when calculating your turnover.

### What if my turnover is below £100,000?

If your annual turnover is below £100,000 you will not be required to submit Returns or make payments electronically. There are proposals in the pipeline that mean this could change in 2012. However, there are benefits to filing online given below, and you may want to consider this as you can still register to use the service with a lower turnover.

### What about new businesses?

Any new business that registers for VAT from this date, regardless of level of turnover, will also be required to file and pay VAT electronically.

### Are there any benefits?

One of the main benefits of paying VAT electronically is the extended time period available for submitting the Returns and paying the VAT. An additional 7 days is allowed, so for example, a VAT Return for the quarter ending on 31 December 2009 would normally need to be filed with the payment made by 31 January 2010 but, if submitted online and paid electronically, the deadline is extended to 7 February 2010.

Other benefits include the convenience of being able to submit a Return 24 hours a day, 7 days a week, and there is no concern over the Return being lost in the post as an instant on-screen acknowledgement is received. If you are in a repayment situation, the refund is normally received very quickly.

### How can I pay electronically?

There are various methods of payments that can be used to pay VAT electronically, however the payment

must reach HM Revenue & Customs and be cleared funds by the seventh day after the previous due date. Using the above example, the payment would need to be cleared by 7 February 2010.

The usual methods of payment are available such as by using internet or telephone banking, paying by debit or credit card, CHAPS transfer or Bank Giro. However, the best method from a cash flow point of view is by using direct debit, as HM Revenue & Customs will automatically collect the VAT payment on the third bank working day after 7 calendar days following the Return due date. Using the same example again, the VAT payment would be collected on 10 February 2010.

### Will I receive any warning from HM Revenue & Customs?

HM Revenue & Customs will be writing to all businesses they believe need to file VAT Returns electronically in February 2010.

### How do I register for online filing?

To register to file your VAT Returns online you will need the following 5 pieces of information to enter on the HM Revenue & Customs website:

1. Your VAT registration number.
2. The postcode of your principal place of business.
3. Your date of registration for VAT.
4. The final month of the last VAT Return you submitted.
5. The "Box 5" figure from your last VAT Return.

HM Revenue & Customs will then send you an activation PIN that will be valid for 28 days only. Once you have entered this you should be set up to file online.

### Can Perrys help?

Perrys will be able to file VAT Returns electronically for all clients. To do this we will need the above 5 pieces of information from you, and you will then need to provide us with the activation PIN once you receive it. If you are interested in finding out more about this, then do please speak to your partner or consultant who will be able to tell you more.

You are here: [Home](#)

Confirmation [View help for this page](#)

You are about to send in a return for the amount of £0.00

JOHN DOE LIMITED	Registration Number:	123 4567 89
1 JANUARY	Period:	01 08
ANYVARS	For the Period:	01 May 2008 to 31 Jul 2008
ANYTOWN	Return due date if paid electronically:	07 Sep 2008
AB12 3CD		

1	VAT due in this period on sales and other outputs	£ 0.00
2	VAT due in this period on acquisitions from other EC Member States	£ 0.00
3	Total VAT due (the sum of boxes 1 and 2)	£ 0.00
4	VAT received in this period on purchases and other inputs (including acquisitions from other EC Member States)	£ 0.00
5	Net VAT to be paid to Customs or reclaimed by you (Difference between boxes 3 and 4)	£ 0.00
6	Total value of sales and all other outputs including any VAT (include your box 6 figure)	£ 0.00
7	Total value of purchases and all other inputs including any VAT (include your box 6 figure)	£ 0.00
8	Total value of all supplies of goods and related costs, excluding any VAT to other EC member states	£ 0.00
9	Total value of acquisitions of goods and related costs excluding any VAT, from other EC member states	£ 0.00

Declaration: When you send the above information, you are making a legal declaration that information is true and complete. If false declaration has been made, you will be liable to prosecution.

Please select one of the options below and then click next. Otherwise click Cancel to return to the registration homepage.

I confirm the information above is correct and wish to submit my electronic VAT declaration to HMRC.

My data is incorrect, I wish to make changes.

If you wish to submit please remain connected to the system until you receive an acknowledgement that the VAT return has been successfully received.

Cancel Next

## EDITORIAL

Welcome to the Winter 2009 edition of The Chorus. Many of us will no doubt be pleased to see the end of 2009 as it certainly has not been the best of years for businesses - but will 2010 fare any better?

Unfortunately, printing deadlines do not allow us to comment on the Pre Budget Report which is due to be delivered by the Chancellor of the Exchequer on 9 December 2009. Countless rumours abound about what the content may be, with many talking about further increases in various taxes such as VAT and Capital Gains Tax as the Government struggles to bridge the deficit in their finances.

We will, of course, inform you of the content of the Pre Budget Report in the usual way either by email or by sending you a printed version of the highlights, and if you wish to discuss any matters arising from this please speak to your usual Perrys contact.

We do know for certain that 2010 will bring about changes and tax rises regardless of the content of the Pre Budget Report, and in this edition we give details of the various VAT changes that are taking place including the mandatory online filing of VAT returns for certain businesses from April 2010. We also set out details of the new 50% tax band, and the impact this is likely to have if you earn over £150,000.

If you are an employer, it will become more important than ever to ensure that your PAYE is paid on time and our article details the penalties that will soon be payable if you pay late. In addition you will also now be required to submit your end of year wages Returns online and we remind you of this.

2010 will be a year of change, with a general election due to be held during the first half of the year, although whether this will help businesses and the economy is yet to be seen. As always, we will keep you updated with important changes as they happen, and in the meantime everyone at Perrys would like to wish all our readers a very happy Christmas and a prosperous New Year.



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## Perrys Featured Client – Full Circle Asset Management

Full Circle Asset Management is a privately-owned, independent wealth management firm based in Sevenoaks, Kent. Established for 15 years, fullCircle offers discretionary investment management services for over 400 clients, with £350 million under discretionary management. The team pride themselves on their friendly, personal and straightforward approach and continue to update all their followers, clients and prospective clients alike, through their fortnightly newsletter “threesixty”.

Each fortnight, “threesixty” readers are updated on fullCircle’s analysis of developing market trends and where they believe opportunities can be found and identify the risks. Their clients’ investments are determined by this analysis and are constantly monitored and adjusted according to changes in the economic landscape. It’s what they call “Active Management”.

The active management of their clients’ portfolios, combined with their absolute return philosophy and the directors’ powerful insight, has allowed fullCircle the advantage of foresight during the recent economic collapse.

Managing Director, Andrew Selsby, says “Anybody who watches the markets as diligently as we do would have realised that credit expansion at the rates we were seeing pre-credit crunch was unsustainable. Our experience told us that we needed to move to protect our clients from the impending crash and as a result, our clients’ investments and our business have not only stood firm against the financial flood waters but have seen outstanding growth.”

fullCircle is one of the few success stories to come of the credit crunch and was recently awarded 27th fastest-growing business in Kent at the Kent Messenger MegaGrowth awards.

The company’s Chairman, John Robson, says “We’re thrilled with the performance of the business in the last 18 months, our continuing goal is to ensure that we provide the best quality service to our clients with a world-class investment management service that delivers on what it promises.”

So with the company evolving from a small business into a medium-sized one, fullCircle’s needs are changing too.

“We have worked with Perrys for 10 years now” says Andrew. “We’ve always found the staff to be really helpful and experts in their field so we’ve had the confidence of knowing that their advice is always on hand. Now more than ever, it’s important for the company to maintain its direction whilst staying true to its roots and Perrys remains integral in our development.”

To contact fullCircle for more information please call Jessica Holdstock on **01732 746 700** or email [jessica.holdstock@fullcircleasset.co.uk](mailto:jessica.holdstock@fullcircleasset.co.uk).



**Andrew Selsby**  
Managing Director &  
Fund Manager



**John Robson**  
Chairman &  
Fund Manager

## Income Tax Changes from April 2010

As announced by the Chancellor of the Exchequer in his Budget Report in April 2009, certain income tax changes will be implemented from 6 April 2010, being brought in a year earlier and at higher rates than originally anticipated. This article does not take account of any subsequent changes that may be announced in the Pre Budget Report in December 2009.

### The 50% tax rate

The new higher rate of income tax at 50% replaces the previously planned 45% rate, and will apply to all income above £150,000. It is estimated currently that approximately 350,000 people earn over this amount and will be affected by the new rate.

For dividend income that would otherwise be taxable at the new 50% additional rate this will be taxable at a new 42.5% rate.

### Reduction of Personal Allowances

For those earning over £100,000 per annum, the tax free personal allowance will be tapered by £1 for every £2 of income that exceeds this threshold, until the personal allowance is nil. The point at which the personal allowance is reduced to nil will depend on the level at which this is set for 2010/2011, likely to be announced in the Pre Budget Report in December.

It is estimated that approximately 700,000 people currently earn over £100,000 and will therefore be affected by this new measure. For those that find their personal allowance tapered to nil, a reduction in monthly income of approximately £220 will be seen.

### Examples of tapering

For someone earning £106,000, the excess earnings would be £6,000 and a reduction in the personal allowance calculated as £3,000.

Someone earning £120,000, with excess earnings of £20,000, would find their personal allowance reduced by £10,000. As it is very unlikely the personal allowance would be this high, currently £6,475 for 2009/2010, a person with earnings at this level would receive no personal allowance.

Using the example of a person with earnings of £160,000, they would receive no personal allowance, and would be paying tax on £10,000 of income at 50%. These combined measures would lead to a monthly decrease of income of approximately £300.

### Reducing the impact of the changes

There are certain measures that can be considered prior to the new tax year on 6 April 2010 depending on your individual circumstances, and if you have any concerns in this area please speak to your normal contact at Perrys who will be able to advise you further.

# “Your Charter” is launched!

On 11 November 2009 HM Revenue & Customs officially launched “Your Charter”, their new Charter setting out rights and obligations for anyone who deals directly with them. The Charter sets out in list form the rights and obligations and then goes into more detail of what is meant by each one.

It also gives guidance on where to obtain further information on appeals, complaints and where to get help and support.

The Charter’s key aim is to improve the relationship between HM Revenue & Customs and its “customers” which includes everyone who has dealings with them.

They give their commitment to:

- **Respect you**
- **Help and support you to get things right**
- **Treat you as honest**
- **Treat you even-handedly**
- **Be professional and act with integrity**
- **Tackle people who deliberately break the rules and challenge those who bend the rules**

- **Protect your information and respect your privacy**
- **Accept that someone else can represent you**
- **Do all it can to keep the cost of dealing with them as low as possible.**

In return, HM Revenue & Customs expects its customers to:

- **Be honest**
- **Respect its staff**
- **Take care to get things right.**

The Charter has taken a fair amount of time to develop, but the resulting document is written in clear English and has been commended by official bodies such as the Institute of Chartered Accountants in England and Wales.

The Charter has been given statutory backing in the Finance Act 2009 and HM Revenue & Customs have set up a Charter Advisory Group to monitor how it is implemented in practice. Of course, it is practice that will prove whether it is of value.

Copies of the Charter can be obtained from [www.hmrc.gov.uk/charter/index.htm](http://www.hmrc.gov.uk/charter/index.htm)

## VAT Changes are Happening!

As you will be aware, the standard rate of VAT is being increased from 15% to 17.5% from 1 January 2010 after a temporary reduction to help ease the burden of the recession. We set out below some practical points with regard to this and, in addition, briefly mention the changes for VAT if you sell to the EU which will also be implemented on 1 January 2010.

### Increase in VAT rate

As announced in last year’s Pre-Budget Report, the standard rate of VAT underwent a temporary reduction to 15%, and it is reverting back to 17.5% from 1 January 2010. Generally this change will happen at midnight on 31 December 2009 but there may be certain instances when it does not.

### Overlap of goods or services

If goods are supplied or services given up to 31 December 2009, the lower rate of VAT can be charged. For example, if you were delivering goods to a customer on 29 December 2009 but did not raise the sales invoice until January, the VAT rate would be 15% as the goods were supplied before the VAT increase.

If you are supplying services, for example as a decorator to a private customer, starting on 1 December 2009 and finishing on 31 January 2010 at which point you raise the invoice, you can split the VAT charge on a fair and reasonable basis. In simple terms this is likely to mean half the work charged at 15% VAT and half at 17.5% VAT.

### Pubs, clubs, restaurants and hotels

HM Revenue & Customs have recognised it will be difficult for certain businesses that may be hosting New Year celebrations to make the VAT change at midnight on 31 December 2009. A concession has therefore been introduced which allows these businesses to account for VAT at 15% on takings up to the earlier of:

- the end of the trading of the 31 December session or
- 6am on the morning of 1 January 2010.

### Credit notes, refunds and bad debts

Any credit note or refund given to a customer is based on the same VAT rate that was charged on the original sale. So if a customer requires a credit in January 2010 for an invoice issued in December 2009, the VAT rate on the credit note will be at 15%. This logic also applies to VAT claimed on bad debts.

### The Flat Rate Scheme

If you use the Flat Rate Scheme to account for your VAT, the percentage you will use will change from 1 January 2010. At the time of writing the new rates have not been published, and in this situation it is imperative that you do not go back to the old rate you had prior to the VAT decrease in December 2008 as HM Revenue & Customs have announced that some rates will be changed. If your VAT period overlaps 1 January 2010 you will need to take care with your VAT calculation on your first Return after this date.



### Useful tip

If you want to work out the the VAT increase on your sales values to pass these on to your customers, you will need to multiply the current VAT inclusive price by 47/46.

For example, selling a product for £100 plus VAT currently would be £115 including VAT, after the change  $£115 \times 47/46 = £117.50$ .

### Changes to VAT if you sell to the EU

From 1 January 2010 there are changes happening to cross-border VAT rules for goods and services for businesses who:

- **supply services to or receive services from overseas businesses**
- **supply goods to other EU countries**
- **reclaim VAT incurred in another EU country.**

These changes will affect the method of VAT reclaim in other EU countries, the completion of EC Sales Lists for goods and services and where, how and when VAT is accounted for. If you think these changes may affect you, please contact us for further details.

## Marathon Employee!



Darren Edwards from the Snodland office successfully completed the Flora London Marathon on 26 April 2009 after an intensive 16 week training schedule. His punishing training schedule involved running a total of 527 miles before the event, and included 1,152 squats, crunches, bench presses and bicep curls, and even a training run on Christmas day last year!

Six weeks before the event Darren hurt his knee whilst training and was concerned he may have needed to pull out of the race, but luckily recovered in time and completed the marathon in an amazing 3 hours and 54 minutes! Our congratulations go to Darren, who is hoping to better his time in 2010.

## HM Revenue & Customs Updates

### Paying PAYE on time

HM Revenue & Customs (HMRC) are introducing penalties for late payment of PAYE from May 2010, if this is not paid on time and in full.

Penalties will be implemented if more than one PAYE payment is made late, and will apply to employers regardless of size.

The penalties will be calculated as a percentage of the amount paid late, starting at 1% and increasing to 4% depending on the number of late payments in a year.

Additional penalties of 5% will be added where PAYE is still outstanding after 6 months and again after 12 months.

Penalties will not be levied if there is a reasonable excuse for making the payment late, but this will only apply in extreme circumstances; and if there is only one PAYE payment paid late in a year unless the payment is more than 6 months overdue.

PAYE payments should normally be made by the 22nd of the month for cleared electronic payments, or by the 19th of the month for payments by post (or 17th if you are a large employer).

### Mandatory online filing of P35s

For businesses with 50 or more employees, it has been mandatory to file end of year forms P35 and P14 online with HMRC.

Amended PAYE regulations came into force during 2009 that now require businesses with less than 50 employees to file P35s and P14s online. This takes effect for the 2009/2010 tax year (i.e. year ending on 5 April 2010) and Returns must be filed online by 19 May 2010. There will no longer be incentives available for filing online.

If you are a small employer you should shortly receive further information and guidance from HMRC on this, however if you require Perrys assistance to submit your Returns online then please speak to your usual partner or consultant who will be able to give you more details.

## National Minimum Wage Update

A reminder to our readers that the rates for the National Minimum wage were increased on 1 October 2009. There are three levels of National Minimum wage which must be paid as follows:

- £5.80 per hour for workers aged 22 years and above;
- a development rate of £4.83 per hour for workers aged 18 – 21 inclusive, and workers aged 22 years and above, starting a new job with a new employer and doing accredited training;
- £3.57 per hour for all workers under the age of 18 who are no longer of compulsory school age, in England this is after the last Friday of June of the school year in which their 16th birthday occurs.

From October 2010 the main rate will be extended to apply to 21 year olds. This is following a Low Pay Commission recommendation accepted by the government.

## Companies House Filing Reminders

As detailed in previous editions of The Chorus, we would just like to remind you that accounts for most limited companies now have to be filed one month earlier than previously.

For accounting periods starting on or after 6 April 2008, which will affect standard year-ends starting from 30 April 2009, the

filing period allowed is now 9 months for private limited companies, reduced from 10 months. So instead of filing these accounts by 28 February 2010, they must be filed by 31 January 2010, in order to avoid late filing penalties.

The filing penalties have recently increased to £150 for accounts filed up to 1 month

late, £375 for accounts filed between 1 and 3 months late, £750 for accounts filed between 3 and 6 months late, and £1,500 for accounts filed in excess of 6 months late.

However, it is important to note that these penalties are doubled if two consecutive sets of accounts are filed late for periods starting on or after 6 April 2008.

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**Mayfair** 12 Old Bond Street, Mayfair, London W1S 4PW T: 020 7408 4442

**Bromley** 179 High Street, Bromley, Kent BR1 1LB T: 020 8466 6888

**Snodland** 44 High Street, Snodland, Kent ME6 5DA T: 01634 245900

**Tunbridge Wells** 32-34 St John's Road, Tunbridge Wells, Kent TN4 9NT T: 01892 543900

**West Malling** 19-21 Swan Street, West Malling, Kent ME19 6JU T: 01732 870032

**Wrotham** The Square, Wrotham, Sevenoaks, Kent TN15 7AA T: 01732 882488

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