

Get ready for inspection

HMRC tax returns – avoid delays to prevent fines



HMRC has recently announced an increase in both its powers and the penalties it can mete out and, whilst it intends to be scrupulously fair when it comes to collecting taxation, it does have a new target of holding enquiries into an increasing proportion of tax returns. Indeed, they have published a target of collecting extra tax in over 80% of all such enquiries.

HMRC claims that when they start an enquiry, it does not mean they think you have done anything wrong. It is simply that they wish to routinely check a proportion of tax returns to make sure they're correct, and will sometimes need more information to understand the figures. They also randomly select tax returns for enquiry to ensure the system is operating fairly.

On closer inspection, it seems that the new HMRC powers are very much an unknown area for taxpayers, and it is as well to be aware of the dramatic changes in powers which even mean that an HMRC officer could turn up to inspect business premises without any warning and when you are not prepared for a visit.

Practical issues – what should you do if you get an unannounced visit?

Obviously nobody wants an unannounced visit, so it's best to develop a contingency plan just in case it happens. A working plan should be drawn up and all key personnel in the business should be advised of the key elements of the plan in case HMRC turn up when the proprietors are away from the premises.

Ideally you should work out what to tell the officer, whom to contact and any other action to be taken.

What to tell the officer

The first thing to do is ask the officer to provide his or her formal identity and hand over a copy of the visit notice. The former is a vital protection and if there is any doubt as to the identity of the officer, you should contact the tax office concerned to confirm that a visit has been authorised. Apparently there have been many cases of rogues posing as HMRC officers and gaining access to the till only to escape with its contents. The latter is also important because it is necessary to establish whether the unannounced visit has been approved by the First-Tier Tribunal. If it has then the penalty position for not allowing the officers access becomes more serious.

Who to contact

Even if you decide to allow the visit to take place, try to buy some time. The officer will be ready for what he or she wants to do and will have an obvious advantage. At the very least they should be asked to visit a local coffee bar for half an hour or so whilst you prepare for the visit and preferably contact your Wilkins Kennedy office to see if they can help. It is arguable that in the case of a First-Tier Tribunal approved visit even such an action could amount to obstruction, but it's always best to play safe.

What other action to take

Remember that a refusal to allow the inspection to proceed could give rise to penalties and it is important to note that there is no direct legal redress to prevent a visit other than seeking a judicial review. If the First-Tier Tribunal has given approval for the inspection it will have considered that HMRC has reasonable grounds for proceeding – and that view can only be challenged in Court.

What will they be looking for?

The information you'll need to supply will depend on the nature of the enquiry, but you should be able to provide any information on which your tax return was based quickly and easily.

In a few cases they may decide to conduct an extensive examination of all areas of your tax affairs. These fuller enquiries involve an in-depth review of the records on which your tax return was based including, if relevant, your business records.

Your right to appeal or end an enquiry

You have a right to appeal against decisions or penalty charges following an enquiry. You can also appeal to stop an enquiry if you feel there aren't any grounds for it to continue.

If you are worried about an unannounced snoop from HMRC, simply contact your nearest Wilkins Kennedy office who will be pleased to offer advice and help or Sandra Harrison on 01689 827 505 or email sandra.harrison@wilkinskennedy.com.

New head of client services for business restructuring and recovery

We at Wilkins Kennedy are delighted to announce a new appointment in our continual drive to offer our clients better, more focused services.

Colin McPhail is our new Head of Client Services, and has recently come on board to work with the corporate finance and restructuring and recovery groups at Wilkins Kennedy. The primary focus of his role is building and expanding on existing external professional relations and raising the profile of the Wilkins Kennedy range of services throughout the UK financial marketplace.

At the same time, we are rebranding our Insolvency Division under the new title of Wilkins Kennedy Restructuring and Recovery.

A wide range of experience

With over 17 years financial experience in the asset-based lending and banking sectors, Colin has previously worked on many financial deals as a Director -



Major Corporates at Bank of Scotland, working with companies with turnovers of up to £500 million. Prior to this he held the position of Regional Director of Asset Based Lending at G.E. Commercial Insurance, and also spent ten years at Five Arrows, the asset-based lending division at NM Rothschild, rising to the position of Southern Sales Director. At Wilkins Kennedy, Colin will play a vital role as a catalyst between our recovery and corporate finance functions.

He has extensive background knowledge of the financial marketplace and has been instrumental in funding several multi-million pound finance deals for a wide range of UK corporate firms of all sizes and industries.

Colin states that "I was particularly impressed with the size of the Wilkins Kennedy organisation – with over 400 specialists working across 12 centres in the UK. Between them, these highly experienced teams offer our clients a vast range of skills and experience".

Ask our team of specialists

Colin also works closely with Wilkins Kennedy specialists in all formal categories of insolvency ranging from bankruptcy through voluntary arrangements and all forms of receiverships, administration and liquidation. The group has a strong record of delivering successful solutions where disputes arise.

He enjoys running and has completed a number of half and full marathons. He plays golf regularly and is also a keen skier.

For more information or advice on business recovery and restructuring, simply contact Anthony Cork on 020 7403 1877.

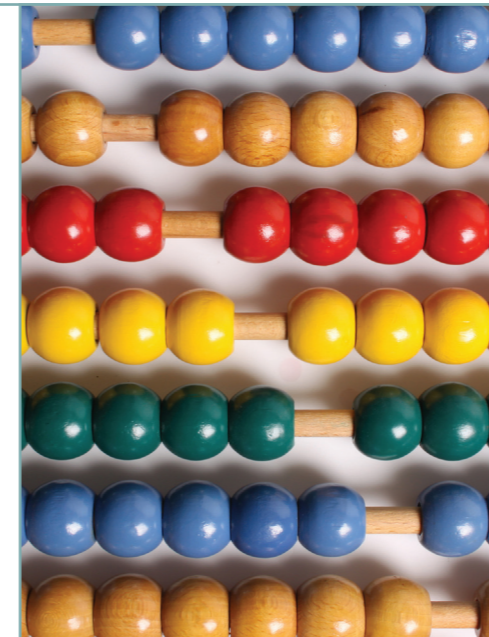


New, simplified accounting for SMEs

The International Accounting Standards Board (IASB) has recently issued an International Financial Reporting Standard (IFRS) designed for use by small and medium-sized entities (SMEs), which are estimated to represent more than 95 per cent of all companies.

The IFRS for SMEs is a self-contained standard which has been tailored for the needs and capabilities of smaller businesses. Many of the principles in the full IFRS for recognising and measuring assets, liabilities, income and expenses have been simplified, topics not relevant to SMEs have been omitted, and the number of required disclosures has been significantly reduced.

If you would like to know more about how to benefit from this new standard, simply call Bob Southey on 01483 306318 or email bob.southey@wilkinskennedy.com or contact your local WK office for further information.



Winter 2010

wknews

How the sweeping new Government legislation could have a big impact on your business

Recent years have seen a barrage of important changes to Government legislation on businesses of every size and in every industry.

Indeed, being unaware of some of these changes could create severe difficulties and heavy penalties for those businesses. This issue highlights some of the more important areas where special care and attention is needed.

Also in this issue we feature an article by one of our clients, Titan Fire and Security. If your organisation would like to contribute information that might be useful to other WK clients, we would be pleased to hear about it. Simply email Claire Peers at claire.peers@wilkinskennedy.com

50% Tax is almost here – so right now is the time for action!

From 6 April 2010, income over £150,000 will be charged a new top rate of income tax at 50%.

The new tax rate will also apply to trustees who are liable at the trust rate of tax. Additionally, individuals with income between £100,000 and £112,950 will experience a marginal rate of tax of 60%. So if these changes could affect you, now is the time to mitigate the effects.

We would recommend that you contact us to discuss further measures which can be taken, but to whet your appetite, here are 5 suggestions; one or some of which may fit you:

Change your Accounting Date

If you are self employed or a business partner, it might be worth changing your accounting reference date. Depending upon the level of profits, you could accelerate income into the 2009/10 tax year, paying tax at 40% rather than 50%.

Incorporation

If you are unincorporated, it may be that incorporation, or introducing a corporate partner will provide you with the flexibility to manage your income below the £150,000 threshold. This is particularly relevant for those that do not withdraw their full profit share, or who have built up "goodwill" which is capable of being transferred. If you already operate through a company, perhaps you could pay dividends ahead of 5 April to benefit from the lower rate.

Bringing Family into the Business

It may be that your spouse, partner or grown up children could be brought into the business, either as partners or shareholders, as appropriate. Following the "Arctic Systems" case and the shelving of the proposed "income shifting" legislation, there is full scope for bringing your spouse or civil partner into the business.

Share Schemes

The appropriate use of tax advantaged share schemes could reduce employment tax charges and replace this with capital related receipts in the hands of senior employees. Whilst not appropriate to all, when considering a tax rate of 18% against 50% we expect share-based remuneration to become more popular over the coming years.

Tax Efficient Borrowings

Even with low interest rates, it is essential where you have borrowings to ensure that the related finance costs are tax deductible, as much as possible. Therefore, consider maximising borrowings related to your "rental business" or other business related borrowings. Careful timing can see business borrowings used to finance personal expenditure.

Take care when choosing

Obviously, whichever route you choose, you should consider all the options very carefully. Each of the above have significant commercial implications which must lead your decision making process.

Above all, before you decide, it's worth checking out your plans with your nearest Wilkins Kennedy office who will be pleased to help. Please see the tax briefings in the tax section of our website, and please call your usual WK contact.

In this issue All change for the new Companies Act
How secure and fire-safe are your premises?
Hitting the higher paid where it hurts

All change for the new Companies Act...

Thursday 1st October 2009 saw the final implementation of the Companies Act 2006 (CA06) which includes a number of important changes.

Below we give an outline of the main changes and how they might impact on your business. It should be emphasised that these are only guidelines and for further, more detailed information on the new requirements, simply call your nearest Wilkins Kennedy office.

The changes in general.

Companies House is replacing all existing forms and will in future require all forms filed to be exact replicas of their formats complying with their precise specifications. Although apparently still in draft, the actual formats are still subject to final amendments and we have been warned that alterations to these forms may still occur in the future. So it is critical before sending any forms you should check that you are using the latest version.

The major change for most businesses will be the format of the annual return and ancillary documentation relating to the common tasks such as the appointment & resignation of officers; change of accounting reference date and share transactions.

Single Alternative Inspection Location (SAIL)

Companies House has now stipulated that there can be only one alternative address where statutory records of the company may be kept other than its registered office address. This alternative address will be known as the Single Alternative Inspection Location (SAIL) and replaces the address that some clients may have provided as being where the register of members (353) or the register of debenture holders (190) was kept.

Annual Return (AR01)

This has been completely revised and will require additional information. Under the 1985 Act, forms 353 and 190 were used to advise Companies House of the location of the Register of Members and Register of Debentures where these are not held at the registered office address. Both these forms are rescinded as of 1st October, as detailed above.

Going forward, Companies House has specified that there can only be one SAIL address apart from the registered office address where records may be held. AR01 now includes a list of these individual records and the location of these (where applicable) must be disclosed (section A7 on AR01). If your business is administered by Wilkins Kennedy you can legitimately state that the relevant WK office is the SAIL address, as long as records are not held at other addresses. This will apply for the register of Members, Directors and Secretaries as these registers are held in electronic format and can be reproduced in hard copy for inspection at any time.

However, if you have records at various locations then this is now illegal and the records must be drawn together to meet the legal requirements of CA06. Notification of records held at an alternate address or relocating to the registered office address must be filed on forms AD03 & AD04 and a change of SAIL address must be filed on form AD02.

Service Addresses for Officers

CA06 now gives officers of companies the right to provide a service address in addition to their residential address to Companies House. The service address will be placed on the public record and the residential address kept confidential. Naturally, this provides a degree of confidentiality for officers but where a company was incorporated prior to 1st October 2009, residential addresses will still appear on old documents filed on the public registers. If the company was incorporated post 2003 then it is possible for officers to have their addresses removed from such documents. All records at Companies House prior to 2003 will remain on the public record.

Because of limitations of space, this can only be a brief outline of a complex set of changes. For further, more detailed, information on how the changes might affect your business, contact Jeanette Beaney on 01689 827505 or email: jeanette.beaney@wilkinskennedy.com or simply contact your normal Wilkins Kennedy office.



A brief summary of the changes:

- > All existing forms have been replaced.
- > Annual Return completely revised.
- > Single Alternative Inspection Location (SAIL) addresses introduced.
- > Service addresses introduced for directors and secretaries.
- > Additional Register of Directors' Residential Addresses now required.
- > Former names to be disclosed for directors.
- > Directors must state country or state of residence.
- > Extra information need for corporate officers.
- > Statement of capital required for annual return and all share capital events.
- > New forms for appointment of officers depending on whether individual or corporate.
- > New on-line PROOF Scheme introduced.
- > New rules re choice of name for incorporations or change of name for existing companies.
- > Shorter Model Articles of Association introduced.

...and for accounts filed at Companies House

Also From 1st October the rules on 'authentication and delivery of documents' to the Registrar are governed by the new Registrar's Rules. A few brief points worth noting:

Accounts must be on:

- > white paper
- > A4 Size (bear in mind when clients print their own accounts and for US clients)
- > Portrait orientation

Documents must only contain black ink (whether typeface or manuscript) – therefore **ALL SIGNATURES MUST BE IN BLACK INK** – remember this when signing your accounts.

Your company registration number must be included on at least one of the following: your balance sheet, your directors' report, directors' remuneration report or audit report.

It is also worth noting that there is no longer the 14 day concession from 1 October 2009 (i.e. currently, if accounts are rejected by Companies House, you have 14 days to get them re-submitted before they are considered late).

Jeanette Beaney

Paying corporation tax online

From April 2011, under government proposals, all companies, clubs, societies, associations and other unincorporated bodies will have to file their company tax returns online for all returns delivered after March 2011 for accounting periods ending after March 31 2010, using a specified iXBRL* data standard for accounts and computations; and

A company tax return consists of form (CT600) with accounts and computations and other supporting documentation. Unincorporated organisations and some charities that don't need to prepare accounts under the Companies Act can still send their accounts in PDF format, but they must send any computations in iXBRL format.

To examine the implications of this change in more detail – or if you would like further advice – simply visit the HM Revenue and Customs website or contact Naomi Nesbit on 01962 852263 or email: naomi.nesbit@wilkinskennedy.com.

* Inline eXtensible Business Reporting Language



...and now VAT online, too!

Hot on the heels of the article above, HMRC has recently announced that for VAT periods on or after 01 April 2010, you must file VAT returns online and pay any VAT due electronically. You will not receive paper returns for completion for any period starting after that date.

The new requirement applies to all business with an annual turnover of £100,000 or more, excluding VAT, and to all new businesses registering for VAT after that date.

Enrolment for EC Sales Lists will be required as described above and these too

may be completed online. Enrolment for the new electronic system for reclaiming VAT incurred in other EU member states can be done at the same time.

First time online registration

To set up your online payment system, go to: www.hmrc.gov.uk. Then go to: "do it online" green box on left of screen and follow the instructions.

And of course if you need any help migrating to online payment simply contact your nearest Wilkins Kennedy office who will be pleased to help.

Fire Safety Legislation – even more box ticking?

A major WK client has asked us to share some important changes to fire safety legislation that affects businesses of all sizes. Tony Hanley, Managing Director of Titan Fire and Security, outlines as follows:

Fire Safety Law significantly changed on 1st October 2006. For executive guidance please see the Fire Industry Association website at <http://www.fia.uk.com/en/fire-safety-order/>

"Although this change happened 3 years ago, there is much confusion for business owners and managers as to how to comply, and because of this, in some cases, the consequences of getting it wrong are hitting home, financially.

What's Changed ?

Fire Brigades no longer provide free-of-charge traditional inspection and prescriptive advice visits, instead they are now educators and enforcers of the Law (with mixed outcomes dependent on region).

HM Government has published 13 guides applicable to various premises to aid compliance, which are available free of charge at <http://www.communities.gov.uk/fire/firesafety/>

So who's now Responsible for compliance ?

Put simply, it is now the business owner/occupier and/or owner of a premises, namely the Person in Control or Responsible Person (RP) - who is required to conduct a suitable and sufficient fire assessment for their premises and the activities being undertaken; identify hazards, identify persons that may be at risk, take steps to manage or eliminate risks, draw up a suitable and sufficient fire plan, and then communicate the fire plan to all relevant persons entering the premises. This plan is frequently reviewed and used an ongoing live working document.

Consultants Charter or Strike a balance?

"A business colleague recently mentioned that they were being harassed by a telesales person to pay £199.00 for an online fire risk assessment or face prosecution. Clearly this is wrong, highly exploitative and not a good way forward".

Compliance for most premises need not be a complex or costly affair. HM Govt guides books are very good source for setting up a framework to manage fire safety from.

Competency & Value Vs Price & Shortcut

The RP has a duty in the legislation to evidence that he or she has suitably "competent persons" carrying out periodical inspection of the fire safety equipment installed on the premises. Titan always advise prospective clients to check the credentials of the "specialist" prior to appointment. This can be done by requesting sight of certificates of competency for the work that they are employed to do (not just a "Thomson local" badge). After all this is life safety. Likewise, do verify client testimonials, and do a credit check to ensure they will be around to support you - the economic environment is changing the landscape, and a low price does not mean a thorough (or competent) job.

Working to 'Fire Gold' Standard

"We deal in life safety, for which there are simply no shortcuts", continues Tony. Titan operates with competency accreditations at both Company and individual engineer level. Being certificated to National Security Inspectorate (NSI) "Fire Gold" standard, means our customers have recourse through an independent 3rd party if we fail to deliver on workmanship. They come and inspect our work frequently and were always happy for them to talk freely to our customers.

With competency evidenced Titan have an edge on service whereby every service contract comes with a 5 pledge service support charter, including rapid response. Should we fail on any one, at any time, we fully refund a whole years service fee with no quibble.

Tony closes by saying: "After 20+ years in business, a key realisation for me is that my time is best served by doing what I know best, which is the fire safety & security of my customers, and development of the great people here at Titan."

"Our relationship with WK has grown over many years from a traditional audit only – and a once a year meeting - to the expansion of



Safety. An absolute.

outsourced support for our Payroll, HR function, Sage accountancy software overhaul & remote monthly management accounting. Furthermore, WK recently obtained a positive outcome on a laboriously over exuberant, 18 month HMRC investigation, which was an unwanted major distraction for me. Steve Grant and his team are always responsive and have regularly gone the extra mile. I know WK work to recognised standards for their industry to act in a professional advisory role to Titan. My only regret is that I should have done it sooner !"

Fire Regulations survey

Titan provide telephone support regarding any queries about compliance to the new Fire Regulations, plus a survey of fire detection & alarm system, portable fire extinguishers, emergency lighting, CCTV or access control systems.

For further information please contact Tony Hanley on 01895 813333 or log onto www.titanfiresec.com – either way, please mention this WK News newsletter when speaking with Tony.

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