

IMPORTANT CHANGES FROM APRIL 2011

PENALTIES FOR LATE FILING AND LATE PAYMENT OF TAX

A new penalty regime for late filing and late payment of Income Tax through Self Assessment starts in April 2011.

The penalties for filing your tax return late are:-

Day one: you will be charged an initial penalty of £100, even if you have no tax to pay or you have already paid all the tax you owe.

Three months late: you will be charged an automatic daily penalty of £10 per day, up to a maximum of £900.

Six months late: you will be charged further penalties, which are the greater of 5 per cent of tax due or £300.

Twelve months late: you will be charged yet more penalties, which are the greater of 5 per cent of tax due or £300. In serious cases you face a higher penalty of up to 100 per cent of the tax due.

Penalties for paying your tax late, including payments on account, are:-

Thirty days late: you will be charged an initial penalty of 5 per cent of the tax unpaid at that date.

Six months late: you will be charged a further penalty of 5 per cent of the tax that is still unpaid.

Twelve months late: you will be charged a further penalty of 5 per cent of the tax that is still unpaid.

These penalties are on top of the interest that HMRC will charge on all outstanding amounts, including unpaid penalties, until your payment is received.

HMRC BUSINESS RECORD CHECKS

This year sees the introduction of HMRC's proposal to carry out business record checks. The aim is to tackle tax loss resulting from poor record keeping and HMRC plan to visit 50,000 small and medium sized businesses each year to check the accuracy of their book keeping methods.

Whilst record keeping has always been an important part of any business, it is now even more so, with penalties of up to £3,000 being imposed for significant record keeping failures.

If you would like us to carry out a review of your current book keeping and provide assistance in improving its accuracy, please contact the office to arrange an appointment with one of our qualified members of staff.

PAYING HMRC

The rules for paying some of the most common taxes are changing.

- Corporation Tax. From 1 April 2011, companies and organisations must submit their company tax returns online and pay all corporation tax and related payments electronically. This includes interest on overdue corporation tax and penalties for not filing company tax returns on time.
- Class 2 National Insurance contributions not paid by Direct Debit will in future become due on 31 July and 31 January, the same as self assessment income tax.
- PAYE late payment penalties. HMRC will start issuing late payment penalty notices to employers who paid their PAYE late in the 2010/11 tax year.
- Penalties for submitting a VAT Return on paper instead of online. From April 2011 if you should have submitted your VAT Return online but sent it in by paper instead, you will be charged a penalty. These penalties will apply to returns for accounting periods ending on or after 31 March 2011.

Payment can be made using the following methods:-

Direct Debit
Debit or credit card over the internet
Internet, telephone banking or BACS
CHAPS transfer
Bank Giro
Post Office

Further details on each of these methods of payment can be found at:-
www.hmrc.gov.uk/payinghmrc/index.htm.

Alternatively you can contact our office to discuss how to pay.

HMRC's OLD BANK ACCOUNTS ARE CLOSING

You must now use the new HMRC bank account details to make electronic payments by Bacs Direct Credit, internet/telephone banking or CHAPS.

Payments made to HMRC's old bank accounts will no longer be accepted. You may be charged a surcharge if your payment is not received by HMRC by the agreed deadline date.

If you are paying HMRC by Bank Giro then you must make sure that you are using a payslip that shows the new NatWest account details. Payslips containing HMRC's old Bank of England account details can no longer be used.

CLASS I NATIONAL INSURANCE CONTRIBUTIONS THRESHOLD

For 2011/12 the employers' earnings threshold at which NI contributions are charged at 0% has increased to £136 per week. This represents an annual increase of £1,352.

If you are currently taking a salary from your company based on the 2010/11 rate, you should consider increasing this to the above figure.

MILEAGE RATE

From 6th April 2011, mileage rates have increased from 40p to 45p for the first 10,000 business miles travelled in a tax year. Thereafter the rates remain unchanged at 25p.