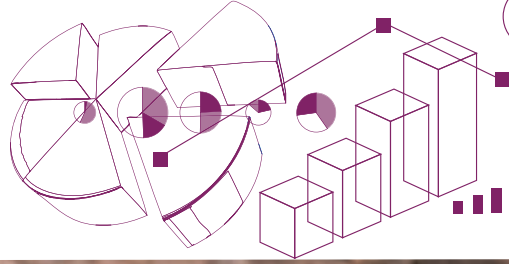




Randall & Payne

Tax Bulletin

- Business Advisors
- Audit & Accountancy
- Tax & Wealth Planning



IF YOU'RE IN BUSINESS, TAX CAN SEEM LIKE A MINEFIELD.



There have been a lot of changes that have come into force from the start of April so we hope that you will find this bulletin helpful in highlighting some of these. The aim of the bulletin is to make you aware of the basic changes and rules without going into a significant level of detail. The articles are written by our tax team who will be very happy to discuss further. If you would like to have a review of your tax affairs then please call us to arrange a free hour meeting.

www.Randall-Payne.co.uk

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ANOTHER STEALTH TAX? – PREVENTION IS THE KEY

An alarming example of HMRC's apparent intention to use the new penalty legislation at every opportunity is their recent VAT tribunal case against Russell Francis Interiors.

The company misunderstood the tax point for a land transaction, resulting in a premature claim for input tax - a one off 'technical' error with no likelihood of a tax loss. HMRC charged a 15% penalty - the 'standard' minimum of 30% for being careless but mitigated to 15% for a prompt disclosure. This was reduced under appeal to 7.5% on the basis that the 15% was not reasonable. The final penalty amounted to £2,531 - a significant charge for a 'careless' error where there was no loss of tax.

Chris Mattos of Randall & Payne Tax explains: "The major changes to the UK's penalty regime are a 'win, win' situation for the Government. There is no bad press as would be the case in increasing tax rates and a hike in penalties for those 'who have done wrong' carries little sympathy from the public and immediately increases the Treasury's take significantly using administration already in place."

HMRC recently introduced a new range of penalties, removing the anomalies between VAT and other taxes, at the same time as introducing significantly

increased benchmarks for the minimum penalties, depending on the nature of the offence. The penalties affect VAT, Income Tax, Corporation Tax, National Insurance Contributions, PAYE and the Construction Industry Scheme.

The least offence is for 'carelessness', now carrying a minimum 30% penalty, but of course penalties increase in line with, as HMRC see it, the seriousness of the offence, up to 100% of the tax at issue.

A new penalty regime for late filing and late payment of Income Tax through Self-Assessment starts in April 2011. HMRC is getting tough on taxpayers who file and pay late. The new penalties for Self-Assessment returns start at £100 but increase depending on the length of the delay up to £1,600, or in worst cases, 100% of the tax, if greater. In addition, penalties of 5% will be levied at intervals on the tax outstanding and of course HMRC will charge interest on all outstanding liabilities (including the penalties) – currently interest is charged at 3%. For years before 6 April 2011, the penalty was £100 for late filing but that could be remitted in full by paying all the tax on time or reduced in line with the tax due if that was less than £100.

The message is 'don't be late in filing tax returns or in paying the tax and contact us for advice on transactions that you don't encounter regularly'

For more information contact Chris Mattos: cjm@randall-payne.co.uk

Furnished Holiday Lettings (FHL)

Changes from 6 April 2011:

- Loss relief restricted - losses can no longer be off-set against other income. Losses from FHL can only be set against other FHL income in the same period or carried forward and set against FHL profits of later period.

Planned changes from 6 April 2012:

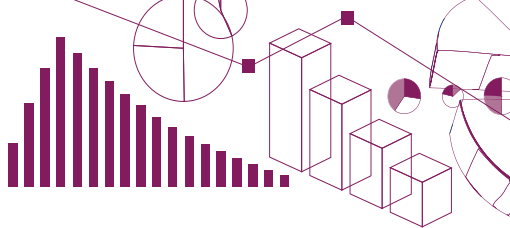
- Qualifying days that property must be available for letting increased from 140 days to 210 days (30 weeks)
- Qualifying days that property must actually be let increased from 70 days to 105 days (15 weeks).

If several properties are FHL the 105 days can be averaged – subject to election.

- * UK FHL will be considered separately from EEA FHL when applying the averaging rules.

**For more information contact
John Gaze:
jhg@randall-payne.co.uk**





Research & Development tax relief for companies

- R&D relief for small and medium size companies currently worth 175% of expenditure. Set to rise to 200% from 1 April 2011 and to 225% from 1 April 2012.
- Qualifying expenditure minimum of £10,000 per accounting period to be abolished from 1 April 2012.
- Tax credits available for SMEs
- Similar but less favourable scheme available for large companies.

If you are involved in an R&D project which 'seeks to achieve an advance in overall knowledge or capability in a field of science or technology through the resolution of scientific or technological uncertainty' your company may have a claim.

For more information contact John Gaze: jhg@randall-payne.co.uk





Child and Working Tax Credits

Changes from 6 April 2011:

- Income disregard limit is going down – you must now notify HMRC if your income changes by more than £10,000 compared to the previous tax year.
- Income limit for Child Tax Credits is falling from £50,000 to £40,000.
- Child care cost
 - * The help you now receive for child care cost drops from 80% to 70%
 - * The maximum cost you can claim each week is £175 for one child and £300 for two more children (i.e. $£175 \times 70\% = £122.50$ per week for one child).
- The extra tax credit for babies is being stopped
- If you're 60 or over you only need to work 16 hours to qualify for working tax credits.
- You can claim working tax credits if:
 - * You work at least 16 hours per week
 - * You are not already getting tax credits.

You must report any changes in circumstances to ensure you are receiving what you are entitled to. i.e. a child leaving home, a drop in working hours or starting work.

For more information contact Vicky Beavis: veb@randall-payne.co.uk



Negligible Value Claims

We are seeing an increase in the number of claims for businesses where there is no longer any likelihood of any return of investment.

- Shares can only be regarded as being of Negligible Value when there is no prospect of a return to the shareholders through future earnings or through a sale of the company's assets
- Claim to be treated as though the asset is sold and immediately reacquired at the time of the claim
- A negligible value claim can be made to set a capital loss against any other income or capital gains
- Claims can be made in current or two previous tax years
- Shares need to be subscribed for with no preferential rights
- The company is required to have been a trading company throughout the six years to the date of disposal or throughout its active existence if less than six years
- Companies carrying on some trades do not apply
- Relief may still be claimed if the company has stopped trading when shares disposed of
- Relief may still be obtained if there has been a share reorganization or take-over

For more information contact Amie Hearn:
alh@randall-payne.co.uk

| SOYBEANS (CBT) | | Strike | | Calls-Settle | |
|----------------|-----|--------|-----|--------------|-----|
| Price | May | Jly | Aug | Price | May |
| 700 | | | | | |
| 725 | | | | | |
| 750 | | | | | |
| 775 | | | | | |
| 800 | | | | | |
| 825 | | | | | |

| SOYBEAN MEAL | | Strike | | Calls-Settle | |
|--------------|-----|--------|-----|--------------|-----|
| Price | May | Jly | Aug | Price | May |
| 220 | | | | | |
| 230 | | | | | |
| 240 | | | | | |
| 250 | | | | | |
| 260 | | | | | |
| 270 | | | | | |

| SOYBEAN OIL (CBT) | | Strike | | Calls-Settle | |
|-------------------|-----|--------|-----|--------------|-----|
| Price | May | Jly | Aug | Price | May |
| 2450 | | | | | |
| 2500 | | | | | |
| 2550 | | | | | |
| 2600 | | | | | |
| 2650 | | | | | |
| 2700 | | | | | |

| WHEAT (CBT) | | Strike | | Calls-Settle | |
|-------------|-----|--------|-----|--------------|-----|
| Price | May | Jly | Sep | Price | May |
| 490 | | | | | |
| 500 | | | | | |
| 510 | | | | | |
| 520 | | | | | |
| 530 | | | | | |
| 540 | | | | | |
| 550 | | | | | |

| COTTON (CTN) | | Strike | | Calls-Settle | |
|--------------|-----|--------|-----|--------------|-----|
| Price | May | Jly | Oct | Price | May |
| 2.18 | | | | | |
| 1.48 | | | | | |
| .94 | | | | | |
| .54 | | | | | |
| .30 | | | | | |
| .16 | | | | | |



Solar Seminar

We are advising a number of clients, particularly in the agricultural sector, about the benefits of installing panels and getting the benefit of the Feed-in Tariff. This includes the tax implications of Capital Allowances, what entity the panels should be bought in and whether the income from domestic systems will be taxable. Tax is a driver despite there not being any direct green tax incentive for the panels.

Our solar seminar was a real success – for more details see:
<http://www.randall-payne.co.uk/news/solar2.html>

Since our seminar, a consultation document has been issued on 18th March 2011 regarding a fast-track review of the Feed-in Tariffs associated with solar electricity production. For more details:
<http://www.decc.gov.uk/assets/decc/Consultations/fits-review/1438-condoc-fasttrack-review-fits.pdf>

Although this is only a consultation document, there is a significant pressure within it to reduce the Feed-in Tariffs by up to 72.3%. This would have a significant effect on the return on investment of a solar panel installation. It is important to note that this only applies to installations larger than 50kWh. To give you a rough idea, a 10kWh installation is about the size of an average family house roof.

With the proposal to take effect from 1 August 2011, there is a significant gain to be had from having a solar panel installation finished and operational by 31 July 2011 so as to take full advantage of the current tariff level offered by the government.

Having reviewed the consultation, we were amazed that the word “CO₂” does not feature in the document at all – we wonder if someone is missing the point here? **For more information contact Chris Mattos: cjm@randall-payne.co.uk**

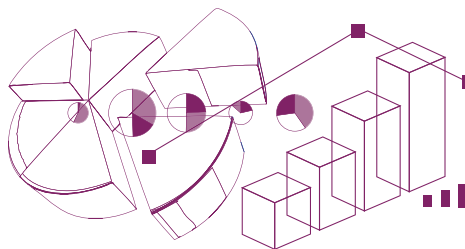


BUSINESS RECORD CHECK TRIAL HAS BEGUN

HMRC has confirmed the start of a Business Records Check (BRC). They have also confirmed that letters sent out recently are part of the trial and have agreed to make this clear in future trial letters.

In addition, HMRC have confirmed that no penalties will be charged for record keeping failures during the trial. The results of the pilot, together with the feed-back from the consultation, will be considered before any full programme of work starts.

HMRC have apologised for not providing more clarity before starting the trial, which is taking place in the period from 04 April to 15 July 2011 and initially involves 30 HMRC staff in 8 locations: Edinburgh, Irvine, Manchester, Liverpool, Stockport, Sunderland, Sheffield and Portsmouth. It is estimated that up to 12,000 BRC visits will be undertaken in this period depending on the outcome of the early stages of the trial. BRC cases will be selected using HMRC's existing risk engines and procedures.



New addition to our tax team



On 29 March we welcomed our latest tax efficient member : RP, the Smart Car

Did you see our Budget coverage?

To read more of what Gloucestershire businesses thought about the Budget go to:

<http://www.randall-payne.co.uk/news/budget-business.html>

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