



# INSIDER • FEB 2012

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**Welcome to your February newsletter. The new year is well underway, and so too are HMRC's tax avoidance initiatives. This month we give you some tips on keeping your records in order, as HMRC's Business Record Checks loom. Meanwhile, the countdown to the end of the tax year has begun, and you may want to make sure you have made the most of your tax efficient allowances; we give you a round-up in Your Money.**

## Online VAT filing

From 1 April 2012 all VAT registered businesses will have to submit VAT returns online and pay and VAT due electronically too.

From 1 April 2010 it was compulsory for all businesses with an annual turnover of £100,000 or more to file and pay VAT online, but the latest change will mean that every VAT registered business must do so.

*If you do not already file your VAT online, we can set up authorisation to do it for you. Please contact us to find out more.*

## Business Record Checks

HMRC has come under fire in recent weeks over its Business Record Checks, which target small and medium-sized businesses. HMRC claims that 44 per cent of businesses have issues with their record-keeping, while 12 per cent have seriously inadequate records.

The checks, 20,000 of which are planned for the 2012/13 tax year, could result in penalties of up to £3,000 for 'inadequate record keeping', a term that HMRC has yet to define.

The Business Record Checks system is now being reviewed after considerable concern was raised over the potential compliance burden it could place on already stretched small and medium sized businesses.

While the added pressure is not welcomed, keeping on top of your business records is essential. Tips on this include ensuring:

- All income is recorded and banked promptly
- All recorded expenses are authorised and valid
- All recorded debts are recoverable
- All your liabilities are identified and recorded when they are incurred

*We can help you to establish and maintain an efficient business records system. Please contact us to find out more.*

## Communication is key

Last year saw more pay cuts and freezes than in any year since the financial crisis began in 2008, according to the Chartered Institute of Personnel and Development (CIPD). And while economic growth is vital this year, subdued pay rises and freezes are likely to be inevitable in order to make this happen.

If you are facing these options, it is imperative that you keep communication between you and your employees open. Make sure that they understand the reasons for pay freezes, and the realities of what the business needs to achieve to enable pay increases.

Keeping your employees motivated and productive has never been more important, and communication is key to this.

*We can help you to do this, please contact us to find out more.*

## YOUR MONEY

### Don't waste your tax efficient saving and investment allowances

Every tax year your tax efficient savings and investment allowances are renewed, which means that before the end of each tax year (6 April to 5 April), you may want to make sure that you have made the most of your allowances.

The 2011/12 tax year ends on 5 April, and your allowances include:

#### ISAs

Each year you can save and invest into an ISA (Individual Savings Account), and while the amount invested does not attract tax relief, the income and gains on the investment are free from most taxes. The amount that you can put away increases each year in-line with CPI inflation.

- The total ISA limit for 2011/12 is £10,680;
- £5,340 of which may be saved in a cash ISA.

You can transfer previous years' ISAs into new ISA accounts to get a better rate or return without losing the tax relief, but you must do it in the correct way, and there may be limitations. You can transfer cash into stocks and shares accounts, but NOT the other way round.

In November 2011, the Junior ISA was introduced, designed to replace the Child Trust Fund (CTF) for under 18s that live in the UK but missed out on CTFs.

- The total Junior ISA limit for 2011/12 is £3,600;
- The money can be split between a stocks and shares and cash ISA account, one of each can be held at any one time;
- Anybody can pay into the Junior ISA, and the money belongs to the child but they cannot take it out until they turn 18, when it will automatically turn into an ISA.

#### Pension contributions

- Pension contributions are paid net of basic rate tax, and the pension provider recovers the tax element. Up to £3,600 per year (gross) may be invested by any individual irrespective of whether they have earnings to match it or not;
- Pension contributions also save higher rate and additional rate tax for those liable, and this relief is normally given through the self-assessment return;
- Tax relief is generally only available for pension contributions of up to £50,000 a year, but please discuss with us the relief available to you for 2011/12.

### February's Money Facts

Current bank rate	0.5%
Quantitative Easing Scheme	£275 billion
Current inflation	4.2%