

# ***J F HORNBY & CO***

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## **NEWSLETTER JULY 2007**

### **FEE PROTECTION INSURANCE**

Fee Protection Insurance is available to the firm's clients via Abbey Tax Protection.

The insurance arrangements cover the professional fees which arise in connection with income tax self assessment full enquiries, corporation tax self assessment full enquiries, corporation tax accounts investigations, employer compliance disputes and H M Revenue & Customs VAT disputes.

Cover is available at the following rates:

<b>Client Status</b>	<b>Fee per Annum</b>
Personal taxation clients	£31.50
Company directors	£31.50
Partners – in partnership	£31.50
Trusts	£31.50
Sole traders	£99.75
Partnerships - as distinct from the partners	£105.00
Companies – as distinct from the directors	£116.50

The fees are payable for scheme years commencing 1<sup>st</sup> September.

Clients may join the scheme at any time during a scheme year in which event a reduced premium will apply for that scheme year.

Clients at 1<sup>st</sup> July 2005 have received full details of the scheme. New clients from 1<sup>st</sup> July 2005 receive details of the scheme prior to the annual renewal on 1<sup>st</sup> September. Further information regarding the scheme is available to all clients upon request.

### **INVESTMENTS**

Arrangements can be made for clients to meet with an independent financial advisor at our offices, at their business premises or at their home.

The meetings which are without obligation are on a no charge basis.

The independent financial advisors are available to review existing investments and pension arrangements, give advice on new / proposed investments and pension arrangements and generally to agree an investment and / or pension strategy.

### **GENERAL ADVICE**

The firm is available to give impartial advice on a wide range of financial and business matters. Please do not hesitate to contact us at any time.

### **THE TAXATION OF SMALL PENSIONS**

As the majority of our readers will be aware, the vast majority of pensioners receive their pension after tax has been deducted under Pay As You Earn (PAYE), and indeed this is the correct method of taxing any pensions. However, HM Revenue and Customs (HMRC) is concerned that there are still some pensions being paid under old arrangements which were agreed between pension providers and HMRC.

If pensions are being paid under the old arrangements this can result in some pensions being paid tax-free when tax, in fact, is due. This, of course, can result in hardship for pensioners who may not be aware that tax was due.

HMRC has now informed all pension providers that they must account of any tax due on pension payments under the PAYE scheme so that all pensioners are treated fairly. However, it is the dates that are important in relation to any changes and a summary of these follows.

HMRC asked all pension providers to ensure that all pension payments were taxed correctly for all new pensions which started since 6 April 2007. If you are receiving a pension which started before 6 April 2007 and payments are being received with no tax being taken off nothing will change until the end of the current tax year, ie 5 April 2008. At that time your pension provider will send details of your pension to HMRC who will check to see if the pension can continue to be paid tax free or whether tax has to be paid. If HMRC want further information they will contact you. Until they do so there is nothing for you to do.

HMRC has provided some advice for those who are concerned that they might be affected by the changes outlined above, and we set these out below:

You will not be affected if any of the following apply to you:

- You are receiving a pension or pensions and you already complete a Self Assessment Tax Return every year.
- Your pension or pensions are already being paid under PAYE and taxed. You will know if a pension is being taxed because the provider will send you a tax statement (P60) after 5 April each year showing how much pension you have received and how much tax has been paid.
- If you are over 65 but not yet 75 and your estimated taxable income for the year from 6 April 2007 to 5 April 2008 from all sources, including state retirement and other pensions, is less than £7,550 (this is your tax-free allowance).
- If you are 75 or over and your estimated taxable income for the year from 6 April 2007 to 5 April 2008 from all sources including state retirement and other pensions, is less than £7,690 (this is your tax-free allowance).
- If you are under 65 and your estimated taxable income for the year from 6 April 2007 to 5 April 2008 from all sources, including any state retirement pension (if you are female) and other pensions, is less than £5225 (this is your tax-free allowance).

You may be affected if:

- you receive a pension which is not being taxed, the untaxed pension is not included in the tax code applied to your main source of income and your estimated taxable income exceeds the relevant limit set out above.

If you think that you may be affected by the above, you do not have to do anything at present as HMRC will not check to see if tax is due until your pension provider has sent HMRC details of your pension payments in April 2008.

If there is tax to pay on any pension payments you have received you will be informed by HMRC as to how much tax is due. For the majority of individuals this will mean that their pension will be taxed from the tax year 2008/09 onwards and any underpayment of tax for 2007/08 will normally be collected in 2009/10 through the PAYE scheme month by month. Note that HMRC has stated that it will not expect anyone to have to pay any tax due in one lump payment and this will be collected over a period of time (usually one year).

Finally, it should be noted that if tax should have been paid on a pension before April 2007 HMRC will not usually be requesting payment of any tax due unless someone had deliberately been trying to avoid paying the tax due.

## **VAT INVOICES – MAKE SURE YOU ARE COMPLYING WITH THE LAW**

It is surprising how many businesses are not complying with current legislation in relation to the details that must be included on a VAT invoice. These details will vary according to the nature of the business and the purpose of this article is to provide a checklist for our clients who are registered for VAT and who therefore supply VAT invoices in some form or another.

### **All businesses**

All businesses must show the following on any VAT invoices they issue:

- an identifying number
- your name, address and VAT registration number
- time of supply
- date of issue (if different from time of supply)
- your customer's name (or trading name) and address
- a description identifying the goods or services you are supplying; and
- the unit price

For each description of the goods and services you must show the:

- quantity of goods or extent of the services
- charge made, excluding VAT
- rate of VAT
- total charge made, excluding VAT
- rate of any cash discount offered, and
- total amount of VAT charged in sterling

You must, by law, keep a copy of the invoice issued.

#### **Special types of business**

Businesses that mainly sell directly to the public, eg shops, garages etc, do not have to issue a VAT invoice to their customers unless they are asked for one. If a customer asks for a VAT invoice and the amount of the supply is more than £250 (including the VAT) then an invoice must be issued which contains the detail set out above. If the total value of the supply is £250 or less then a less detailed invoice can be issued which need only show the following details:

- your name, address and VAT registration number
- time of supply
- a description identifying the goods or services supplied
- charge made including VAT; and
- rate of VAT.

You do not have to keep copies of any less detailed VAT invoices you issue.

#### **Receipting of invoices for cash payments**

You should note that if your customer has paid you in cash you must, if asked, clearly show on the VAT invoice that payment has been received and the date of the receipt.

### **EMPLOYING MIGRANT WORKERS – MAKE SURE YOU KNOW THE LAW**

As the United Kingdom allows more and more people from overseas to reside in this country, so too do businesses within the UK employ more migrants.

The employment of migrants does, of course, have advantages to a number of businesses, some of which relate to the work ethos of certain of these employees and the fact that employment costs can be lower due to lower wages being paid.

But there can be problem areas, in the main relating to the dangers of employing illegal migrant workers.

Various government and other bodies provide advice in relation to the employment of migrant workers, much of which relates to carrying out the necessary steps to ensure that you are not employing illegal migrants. You should not to turn a blind eye to any checks you should be carrying out and pleading ignorance to the legislation and other regulations is no defence if you break the law.

We would advise anyone considering employing migrant workers to go to the website “Employing migrant workers” at [www.employingmigrantworkers.org.uk](http://www.employingmigrantworkers.org.uk). This website contains a proactive step-by-step guide that will take users through all the steps needed to ensure that a person is legally allowed to work in the UK. Once this guide has been completed an employer can use it as a statutory defence against prosecution in the event that the employer has unknowingly employed someone illegally.

The following is an extract from the above website concerning the steps that have to be taken to establish a statutory defence. This extract will highlight the fact that there are a number of detailed steps that have to be taken.

“You should follow Steps 1 - 3 set out below **for every new job applicant** who you may be considering employing after 1 May 2004. By doing this you will be sure that your recruitment practices comply with the requirements for establishing the statutory defence, and you will not be convicted for employing a person illegally.

You must also make sure that you carry out Steps 1 - 3 **before a person begins working for you**. If you take on an employee and do not have the defence for that person, then you will be at risk of committing a criminal offence under section 8 if that employee is found to be working illegally for you.

### STEP 1

You should ask all of your job applicants to provide:

- **one** of the **original** documents included in **List 1**; **OR**
- **two** of the **original** documents in the combinations given in **List 2**.

There is no need to ask your job applicant to produce documents from both **List 1** and **List 2**.

*(Note: The lists referred to above can be found on the “Employing migrant workers” website)*

### STEP 2

Under the changes to the law, you are required to satisfy yourself that your job applicant is the rightful holder of any of the documents they present to you. These documents should also allow them to do the type of work you are offering.

You must carry out the following **reasonable steps** when checking all of the documents presented to you by your job applicant:

- check photographs, where available, to ensure that you satisfied these are consistent with the appearance of your job applicant;
- check any dates of birth listed, so that you are satisfied these are consistent with the appearance of your job applicant;
- check that the expiry dates have not been passed;
- check any United Kingdom Government stamps or endorsements to see if your job applicant is able to do the type of work you are offering, **and**
- if your job applicant gives you two documents from List 2 which have different names, you should ask them for a further document to explain the reason for this. The further document could be a marriage certificate, divorce document, deed poll, adoption certificate or statutory declaration.

### STEP 3

Finally, make and retain a photocopy or a scan, recording the image in a way that cannot be altered (i.e. on a CD-R) the following parts of all documents shown to you:

- the front cover and all of the pages which give your job applicant’s personal details. In particular, you should copy the page with the photograph and the page which shows his or her signature; **and**
- any page containing a United Kingdom Government stamp or endorsement that allows your job applicant to do the type of work you are offering.

You should then keep a record of every document you have copied. By doing this, the Immigration Service will be able to examine your right to the defence if they detect anyone working illegally for you.”

## IDENTITY THEFT – HAVE YOU BEEN A VICTIM?

As the use of electronic transmission and storage of information becomes more and more prevalent, so too have the dangers of identity theft. Identity theft is the illegal use of an individual’s identity and personal information. Criminals are able to find out about a person’s details and use them to open bank accounts and get credit cards, loans, state benefits and important documents such as passports and driving licences.

Many of our readers have been advised in the past, either by ourselves or other organisations, about the ways in which they can protect themselves from identity theft but it is also important that individuals are aware as to whether or not they have already been a victim of identity theft and are unaware of the fact.

Set out below is an extract from the Identity Theft website ([www.identity-theft.org.uk](http://www.identity-theft.org.uk)) which is a website produced by the Home Office Identity Fraud Steering Committee which is a collaboration between UK financial bodies, government and the police to combat the threat of identity theft.

You may become a victim of identity theft if:

- you have lost or had stolen important documents such as your passport or driving licence
- post expected from your bank has not arrived or you are receiving no post at all

You may already be a victim of identity theft if:

- you identify entries on your personal credit file from organisations you do not normally deal with
- items have appeared on your bank or credit-card statements that you do not recognise
- you applied for a state benefit but are told that you are already claiming
- you receive bills, invoices or receipts addressed to you for goods or services you haven't asked for
- you have been refused a financial service, such as a credit card or a loan, despite having a good credit history
- a mobile-phone contract has been set up in your name without your knowledge
- you have received letters from solicitors or debt collectors for debts that aren't yours
- financial institutions that you do not normally deal with contact you to chase an outstanding debt.

If any of the above applies to you, you should give serious consideration as to whether you have unknowingly been the victim of identity theft.

If this is the case, or you suspect that this might be the case you should immediately obtain a copy of your credit file from one of the following credit reference agencies:

**Call Credit** – <http://www.callcredit.plc.uk/> **Equifax** – <http://www.equifax.co.uk/> **Experian** – <http://www.experian.co.uk/>

Once you have obtained the report look through it in detail. If you find the names of organisations with whom you have never dealt, contact them immediately, remembering to keep a written record of all telephone conversations, including the name of the person you spoke to and the date of the call. Keep all letters etc received from these organisations.

An important change was introduced by the Home Office on 1 April 2007. If you think that you have been the victim of identity theft which involves the use of a plastic card, online banking or cheques you should report the matter directly to the financial institution concerned. This change in the regulations was introduced to streamline the reporting of such frauds.

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<sup>i</sup> *The articles in this newsletter are of necessity summaries of the topics covered. The publisher has taken all due care in the preparation of this publication. No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication can be accepted by the authors or the publishers. The publisher accepts no responsibility for the content of any material provided by third parties or for the content of any hypertext site referred to in this publication. The Publisher accepts no responsibility for the content of any website of other document referred to in this publication.*