

NEWSLETTER JULY 2016

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 reviews and HM Revenue & Customs VAT reviews.

Cover is available at the following rates:

Client Status	Fee per Annum
Personal taxation clients	£30.00
Sole traders	£120.00
Partnerships – including personal tax returns	£120.00
Companies – including personal tax returns	£120.00

The fees are payable for scheme years commencing 1st September.

Clients at 30th June 2015 have received full details of the scheme. New clients from 1st July 2015 receive details of the scheme prior to the annual renewal on 1st September. Further information regarding the scheme is available to all clients upon request.

ADVISORY FUEL RATES FOR COMPANY CARS

New company car advisory fuel rates have been published which took effect from 1 June 2016. The guidance states: *'You can use the previous rates for up to one month from the date the new rates apply'*. The rates only apply to employees using a company car.

The advisory fuel rates for journeys undertaken on or after 1 June 2016 are:

Engine size	Petrol
1400cc or less	10p
1401cc - 2000cc	13p
Over 2000cc	20p

Engine size	LPG
1400cc or less	7p
1401cc - 2000cc	9p
Over 2000cc	13p

Engine size	Diesel
1600cc or less	9p
1601cc - 2000cc	10p
Over 2000cc	12p

The [guidance](#) states that the rates only apply when you either:

- reimburse employees for business travel in their company cars
- require employees to repay the cost of fuel used for private travel

You must not use these rates in any other circumstances.

If you would like to discuss your car policy, please contact us.

VAT FLAT RATE SCHEME GUIDANCE UPDATED

HMRC have issued updated guidance on the operation of the VAT Flat Rate Scheme which allows taxpayers to calculate the VAT payable by applying a flat rate percentage to their VAT inclusive turnover, rather than netting off output and input VAT due on sales and purchases.

The revision in the guidance follows a number of unsuccessful visits to the First Tier Tribunal (FTT). HMRC has issued a revised version of VAT notice 733 Flat Rate Scheme to update their guidance in accordance with the FTT decisions.

The previous version of the notice listed a number of trades and professions (at paragraph 4.4 of the guidance) and indicated the relevant sectors and percentages that these types of business should choose. These had a higher percentage than the 12% rate which applies to 'business services not listed elsewhere'.

The FTT was critical of HMRC in their rigid interpretation of their own guidance. Although this section of the guidance has not been removed, taxpayers are now advised to 'use ordinary English' and choose the sector which 'most closely describes what your business will be doing in the coming year'. The new guidance confirms that HMRC will not change a business's choice of sector retrospectively as long as the choice was reasonable.

Please contact us if you would like any advice on VAT matters.

NAO REPORT SAYS HMRC'S CUSTOMER SERVICE QUALITY 'COLLAPSED'

According to a report by the National Audit Office (NAO) the quality of service at HMRC 'collapsed' over an 18 month period between 2014 and 2015.

The report found that average call waiting times tripled in 2014/15 and in the first seven months of 2015/16. Call waiting times for self assessment tax returns peaked at 47 minutes last autumn, which resulted in HMRC having to bring in 2,400 extra staff for their tax helpline.

Using HMRC's own criteria, the NAO valued people's time at an average of £17 an hour, and, as a result, calculated that callers would have wasted a total of £66 million while waiting on the phone, £21 million while actually talking to HMRC and £10 million on the cost of the call itself.

The NAO report blames the poor performance on HMRC's decision to cut 11,000 staff between 2010 and 2014 in the move to persuade more people to complete their tax returns online. The report claims that HMRC 'misjudged the cumulative impact of its complex transition and released too many customer service staff before completing service changes'.

In other words, it greatly underestimated how many call centre staff would still be required to help taxpayers with self assessment queries.

Amyas Morse, head of the NAO, said:

'HMRC's overall strategy of using digitally enabled information to improve efficiency and deliver service in new ways make sense to the NAO. This does not change the fact that they got their timing badly wrong in 2014, letting significant numbers of call handling staff go before their new approach was working reliably.'

'This led to a collapse in service quality and forced a rapid expansion of headcount. HMRC needs to move forward carefully and get their strategy back on track while maintaining, and hopefully improving, service standards.'

HMRC said its service levels had improved since the period analysed in the NAO report, and that, over the last six months, call waiting times had averaged six minutes.

Ruth Owen, HMRC's director general for customer services, said:

'We recognise that early in 2015 we didn't provide the standard of service that people are entitled to expect and we apologised at the time. We have since fully recovered and are now offering our best service levels in years.'

HMRC URGES CLAIMANTS TO RENEW TAX CREDITS ONLINE

HMRC are urging people to renew their tax credits claim well before the 31 July deadline.

HMRC have made improvements to the online renewal service and recommend claimants renew their claim online once they receive their renewal pack which is issued between April and June. The online service can now accommodate all changes in circumstances (working hours, childcare costs or income) which affect the amount of someone's entitlement.

Nick Lodge, HMRC's Director General, Benefits and Credits, said:

'Our [online service](#) means that you can renew at any time of the day or night, and on any device, without having to call us. Online help can also answer most queries you may have and a web chat facility will be available to support people renewing online. We urge everyone who can to go online.'

'Our customers should check their details and renew early to ensure they get the right money. The sooner people renew their claim, the sooner we can check payments are correct, meaning we avoid paying too little money, or too much, which claimants then have to pay back.'

This year, claimants renewing online will be able to access further information, including viewing their next payment, through their own online [Personal Tax Account](#).

CONTRACTORS MONTHLY RETURNS

From April 2016 changes have been made to the Construction Industry Scheme (CIS). Part of the reforms were that contractors must file their monthly returns online.

HMRC have introduced a number of improvements to the CIS online service with a view to making it easier and more efficient to use. These changes include the facility to amend returns online. They have also introduced a new online message/alert service. HMRC will issue messages and alerts including:

- Monthly Return Inactivity Confirmation
- Period of inactivity about to end
- Submission of a 'nil' monthly return during a period of inactivity
- Submission of a monthly return containing payment information during a period of inactivity
- Inactivity request for an inappropriate period
- Return amendment where the number of subcontractors have changed
- Cost of materials enquiry
- Have you filed your Monthly Return yet?
- Subcontractor tax treatment incorrect
- Submission where HMRC are unable to match subcontractor information to their records.

These messages will be sent to the contractors HMRC CIS Online account. HMRC are asking contractors to check if they are receiving these messages via their commercial software package, otherwise contractors may need to access them via the HMRC online service.

HAVE YOU ACCESSED YOUR PERSONAL TAX ACCOUNT?

HMRC are advising employers that their employees may benefit from accessing their Personal Tax Account. These accounts allow taxpayers to view information about their tax affairs and advise HMRC online about changes that may affect the tax they pay. The services available through the Personal Tax Account include:

- checking income tax estimates and tax codes
- advising HMRC about changes affecting company cars
- using the online forms available to claim tax deductible work expenses or a tax refund
- checking the expected level of their state pension
- renewing tax credits
- advising HMRC of a change of address.

In a recent development the system for registering for this service has been revised and it is now possible to register using your National Insurance Number and P60 information. To register visit <https://www.gov.uk/personal-tax-account>.

Employers may wish to promote the service to their employees as this should result in fewer enquiries being made by them to their payroll or HR departments

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