

# NEWSLETTER NOVEMBER 2011

## AGREEMENT WITH SWITZERLAND TO SECURE UNPAID TAX

The government has agreed measures with Switzerland to tackle offshore tax evasion. Under the terms of an agreement, existing funds held by UK taxpayers in Switzerland will be subject to a significant one-off deduction of between 19% and 34% to settle past tax liabilities.

From 2013, a new withholding tax of 48% on investment income and 27% on gains will ensure the effective future taxation of UK residents with funds in Swiss bank accounts. This will be accompanied by new information-sharing rules which will make it easier for HMRC to find out about Swiss accounts held by UK taxpayers. The new charges will not apply if the taxpayer authorises a full disclosure of their affairs to HMRC.

## UNEMPLOYMENT FIGURES

The latest unemployment figures show the number of people out of work rose by 80,000 to 2.51 million in the three months to July 2011.

Neil Carberry, CBI Director for Employment Policy, said:

*'This rise in unemployment is troubling, particularly the growing number of young people out of work.*

*'With one in five 16-24 year olds currently unemployed, tackling youth unemployment must be a priority. Businesses are eager to play their part through apprenticeships, training and work placements, but now the government must do all it can to create the right conditions for the private sector to create much-needed jobs.'*

## HMRC REMINDER ON NEW TAX RETURN PENALTIES

HMRC are reminding individuals and businesses about new Self Assessment penalties for late returns and late payments, which have come into effect this autumn.

The changes will apply to Self Assessment returns for 2010/11 which must be submitted by 31 January 2012.

'The new penalties for late Self Assessment returns are:

- an initial £100 fixed penalty, which will **now apply even if there is no tax to pay, or if the tax due is paid on time**
- after 3 months, additional daily penalties of £10 per day, up to a maximum of £900
- after 6 months, a further penalty of 5% of the tax due or £300, whichever is greater; and
- after 12 months, another 5% or £300 charge, whichever is greater. In serious cases, the penalty after 12 months can be up to 100% of the tax due.'

## REVISED CONSTRUCTION INDUSTRY PENALTIES

From October 2011 the late submission Construction Industry Scheme monthly returns will result in revised penalties. The penalties are as follows:

- a basic penalty of £100 for failure to meet due date of the 19th of the month
- where the failure continues after two months after the due date, a further penalty of £200 will be charged
- after six months an additional penalty will be due, rising to the greater of 5% of the tax or £300
- after 12 months a further penalty will again be due being the greater of £300 or 5% of the tax but, where the withholding of information is deliberate and concealed, it will be 100% of the tax (or £3,000 if greater) and where information is withheld deliberately 70% of the tax (or £1,500 if greater).

## HMRC REPORT INCREASE IN PHISHING SCAMS

HMRC have confirmed that reports of fraudulent 'phishing' emails have risen by 300% over the past year. The figure for August 2011 was 24,000. HMRC are currently helping to shut down around 100 scam websites a month.

They are stressing that if anyone receives an email claiming to be from HMRC advising that they are due a tax repayment that they do not follow the email's instructions.

The emails provide a 'click-through link' to a cloned replica of the HMRC website, where the recipient is asked to provide their credit or debit card details. HMRC advise that victims risk not only having their bank accounts emptied but also their personal details being sold on to other organised criminal gangs.

Joan Wood, Director of HMRC Online and Digital, said:

*'We only ever contact customers who are due a tax refund in writing by post. We currently don't use telephone calls, emails or external companies in these circumstances. If anyone receives an email claiming to be from HMRC, please send it to phishing@hmrc.gsi.gov.uk before deleting it permanently.'*

*The increase in reports is partly due to improved awareness of this scam. However, I have no doubt that more of these "phishing" emails are in general circulation than ever before.*

*HMRC will do everything possible to ensure those receiving this email know what steps to take to protect their information, and we are working closely with other law enforcement agencies to target the criminals behind this serious crime and see them brought to justice.'*

## HMRC LAUNCH THE TAX CATCH UP PLAN

HMRC have launched a campaign to target private tutors and coaches who have undeclared tax liabilities.

The Tax Catch Up Plan (TCUP) is aimed at individuals who provide private lessons, or who profit from tuition and coaching, as a main or secondary income where the correct tax has not been paid. The types of tuition, instruction or coaching covered by the TCUP include tuition of traditional academic subjects, fitness and dance instruction, musical instrument tuition, art, services provided by life coaches and others.

Under the TCUP, tutors and coaches have until 31 March 2012 to advise HMRC about their outstanding tax for the years up to 5 April 2010, and pay what they owe. HMRC have confirmed that those who come forward by the deadline are likely to receive the best possible terms for paying the tax owed. If they have to pay a penalty, it is unlikely to be more than 20%.

Those who wait for HMRC to come to them will find that they have to pay much higher penalties (as much as 100% and may even face criminal prosecution). After 31 March 2012, using information pulled together from different sources, HMRC will investigate those who have chosen not to come forward.

Marian Wilson, Head of HMRC Campaigns, said:

*'Our campaigns are designed to ensure tax is paid so that the money is available to spend on public services used by everyone. We are making it as easy as possible for people offering tuition and coaching to use this unique opportunity to put their tax affairs in order by making a full disclosure, and benefit from the best possible terms.'*

*We are using various intelligence sources to identify and then target those who do not take advantage of this opportunity to declare their full income. The message is clear: contact us before we contact you.'*

The Tax Catch Up Plan has two stages:

- From 10 October 2011 to 6 January 2012, tutors/coaches/instructors must register with HMRC to 'notify' that they plan to make a voluntary tax disclosure.
- By 31 March 2012 those who have registered to notify must tell HMRC what they owe and pay the tax, interest and penalties due.

## HMRC EXTEND BUSINESS RECORDS CHECKS

HMRC have announced that they are extending their Business Records Checks programme.

These checks were piloted earlier this year and involved checks on the adequacy of Small and Medium Sized Entities' business records. The pilots apparently found that around 44% of businesses visited had issues with their record-keeping, while around 12% of those visited had seriously inadequate records.

HMRC are now extending this activity from mid-September to cover a number of key areas across the UK. As part of this, the number of full-time staff employed on the programme will rise from 30 to 120.

HMRC are planning to complete up to 12,000 checks by the end of the current financial year, with 20,000 provisionally planned for 2012/13. HMRC are increasing the number of visits so it can refine the process, before final decisions on a national roll-out are taken in the New Year.

### **MAKE SURE YOUR EMPLOYEE INFORMATION IS CORRECT**

HMRC are reminding employers of the importance of correct employee information and have updated the questions on the introduction of Real Time Information (RTI). They have issued a number of questions and answers stressing the importance of correct details in the run up to the introduction of RTI in 2012/13.

According to the advice which has been issued:

*'It has always been important to make sure the information that you send HMRC about your employees is accurate to help ensure that your employees pay the correct Income Tax and NICs. Improving the accuracy of the information you hold and send to HMRC will help match the information to the correct HMRC record. This could save you money by helping to reduce the number of employee enquiries you receive.*

*This is not just important for tax and NICs. From October 2013, RTI will support Universal Credit by providing the Department for Work and Pensions with up to date information about claimants' employment income. Ensuring your employee information is correct will help to ensure they receive the right amount of Credit.*

*As part of the process for an employer joining RTI, HMRC will align the records of employees held on the NPS system and the records held by employers. HMRC will publish more information about the 'employer alignment' process soon.*

*In the meantime HMRC recommends that you start to prepare for RTI by checking the information you hold.'*

Over 80% of matching problems experienced by HMRC are caused by incorrect information about an individual's name, date of birth or National Insurance number.

### **NATIONAL INSURANCE NUMBERS – BY LETTER**

HMRC have for many years notified individuals of their National Insurance number (NI No) for the first time by sending them a plastic NI No card.

Last year, as part of the Government's Spending Challenge, it was announced that HMRC would stop issuing NI No cards and send letters instead. The government estimate this will save approximately £1 million per annum.

Late last year HMRC introduced a system of notification by letter for those requesting a reminder of their NI No, and in July this year adults requesting a number for the first time will be issued with one by letter by Jobcentre Plus.

HMRC have confirmed that they will stop sending NI No cards altogether. Anyone needing a number (adults and juveniles approaching age 16) will now receive their NI No on a notification letter.

HMRC are advising employers that new employees may now have a letter or a card with their NI No information and that either is acceptable.

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