



## Inside...



New Records Checks



Protect Against Tax Investigation



HMRC Targets Defrauders



FREE Business Workshop



Scam Warning

... and much more

# New Business Records Checks

**Clients running small or medium-sized enterprises (SMEs) should be concerned that HMRC is about to embark on 50,000 Business Records Checks (BRCs) a year from this August. Not least because the penalty for failing to keep good business records is up to £3,000.**

These checks are designed to ensure that business owners are keeping full and complete records, so that accurate accounts and returns are prepared and that the right amount of tax, VAT and PAYE is paid.

Typically, a letter is sent asking the business owner to get in contact within 10 days to arrange a convenient date and time for an officer to visit. They will consider the adequacy of the records for the nature and size of the business to ensure accurate returns are filed.



The officer may also make recommendations on any improvements which can be made.

### *What records will HMRC ask to see?*

HMRC is interested in how you record your income and expenditure and usually the officer will request the business records for the last three months. HMRC will expect to see documentation for the initial record of any sale; e.g. till rolls or invoices raised for work done, plus all bank/building society accounts into which business income has been paid.

HMRC will expect expenditure records for stock and/or materials purchases, motoring receipts, utility bills, landline and mobile telephones and the PAYE. You will need to produce all bank/building society/credit card account statements from which business expenditure has been paid.

*Continued on page 2*

**Don't Miss our FREE Business Growth and SAGE Hints and Tips workshops coming up next month. See inside for details and reserve your place(s) TODAY!**

Neither the income nor the expenditure list is exhaustive and more detail can be found on our website [www.fkca.co.uk](http://www.fkca.co.uk). Remember, more records must be kept if the business is registered for VAT, and the specific requirements will vary from business to business.

Please also note that there are some highly contentious areas where HMRC pushes for records to which it is not entitled; e.g. private financial statements and confidential patient records.

#### **How will SMEs be selected for a BRC?**

Guidance issued so far suggests that the first batch of SMEs to be targeted will include those whose previous tax returns have consistently been filed late, or appear to include estimated or round sums. Risk analysis of different trades and professions will also be used to identify common opportunities for SMEs to understate income or overstate expenditure.

*We have provided some examples for a variety of businesses where HMRC might want to look at the business records on our website [www.fkca.co.uk](http://www.fkca.co.uk); if your type of business is not featured here and you'd like to discuss this matter further, please speak to your usual advisor.*

#### **What to do if you're selected**

If you are contacted by HMRC about a BRC, you need to get in touch with us straightaway. A BRC could lead to a further enquiries and further costs if business records are incomplete and the officer believes there is any element of carelessness or deliberate action on behalf of the business owner in failing to maintain detailed records.

#### **And finally... what to do NOW to make sure you're protected**

The Foxley Kingham Tax Investigations Service offers invaluable protection against the cost of HMRC investigations, including BRCs, and can significantly reduce the amount of stress and disruption you'll have to face if you are selected. And with prices held for the sixth year running it only costs from as little as £55, so if you have not already signed up we strongly suggest you do so NOW, before the tax man comes to call.

**For more information please see the article below.**

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## **Tax Investigations Service – Protection you can't afford to be without**

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Every UK tax payer (business or personal) is at risk of a tax investigation or enquiry by HMRC. You don't have to have done anything wrong to be targeted, yet could end up facing months – even years – of disruption. And the cost in professional fees of mounting a suitable defence (and ensuring you don't pay any more tax than you should) can run to thousands of pounds.

What's more, the risk of being selected is higher than ever. If you've read our feature article on the new Business Records Checks you'll know that 50,000 businesses like yours will be subjected to these in the coming year, adding significantly to the existing threat of an enquiry or investigation. The fact is that HMRC are redoubling their efforts to uncover any unpaid taxes in order to generate an additional £7 billion a year and they're leaving no stone unturned.

The good news is that our Tax Investigations Service can protect you against the potentially crippling cost of an HMRC investigation, by reimbursing the professional fees incurred if you or your business are targeted.

That means we can put in the time needed to get you the best result without you worrying about the bill.



We strongly recommend all our clients sign up to this service, more so now than ever before, so once again we'll be absorbing any additional costs in order to offer you this invaluable service at the same low rates for the sixth year running.

And with prices starting from just £55, that's protection that no business can afford to be without.

*To sign up, or for more information, please call Christine McAneney on 01582 540800 or e-mail [christine.mcaneney@fkca.co.uk](mailto:christine.mcaneney@fkca.co.uk) TODAY. The start date for this service is 1st October, so we need to have your details and signed forms back by 30th September for you to be fully covered.*

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## Managing Deliberate Tax Defrauders

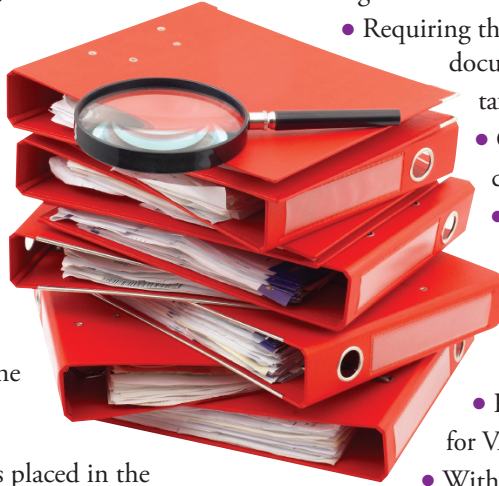
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HMRC have launched a new programme to closely monitor the tax affairs of individuals, businesses and companies that have been classed as deliberate defaulters (DD).

This new measure is in addition to existing legislation which allows HMRC to publish the names of taxpayers who have been penalised for deliberately:

- Understating tax due, or overstating claims or losses, to the tune of more than £25,000
- Failing to notify HMRC when required to do so, leading to a loss of tax of more than £25,000
- Committing certain VAT and excise wrongdoings, leading to a loss of tax of more than £25,000.

Any taxpayer classed as a DD may become part of this enhanced monitoring and activity programme known as Managing Deliberate Defaulters (MDD). Taxpayers placed in the MDD will be subject to checks of their entire tax affairs which can last for up to five years. Taxpayers who make a full unprompted disclosure will not be placed into the MDD programme subject to certain conditions being met.



**There are a variety of measures HMRC may use to monitor a DD's tax affairs.**

These include:

- Making announced or unannounced inspection visits to carry out pre-return checks of books and records
- Asking for certain records so that they can be checked
- Requiring that additional information or documents be sent in with the relevant tax returns
- Conducting in-depth compliance checks
- Observing and recording business activities and cross-checking details in their accounts
- Require submission of quarterly or monthly VAT returns
- Require the same accounting periods for VAT and Income Tax or Corporation Tax
- Withdraw the use of certain schemes if deemed necessary for the protection of tax revenue.

*Taxpayers who fail to keep their tax affairs in order will face increasingly intrusive interventions and HMRC may also start criminal proceedings. If you are concerned about this issue please contact us on 01582 540800.*

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## HMRC to target Private Tuition and Coaching Professionals

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HMRC will launch its latest disclosure campaign this autumn, targeting individuals providing educational or leisure teaching qualifications, such as national curriculum tutors and fitness coaches. The exact terms have yet to be finalised but it is expected that a reduced penalty will be offered for voluntary disclosures.



Aptly enough the Revenue has been doing its homework in preparation for this latest campaign, contacting language schools, distance learning companies and other educational establishments providing vocational courses, and requesting details of payments made for services provided by non-employees, including “gross payments made for teaching, lecturing, tutoring, examining and invigilating, from which no PAYE tax has been deducted, for the years ending April 2009, 2010 and 2011.”

*If you think you may be affected we strongly advise you to get in touch immediately on 01582 540800, so that we can restrict any potential problems and advise on how to proceed.*

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# Could you be missing a trick?

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## Timely Tips from our Corporate Finance Expert

Given the prevailing economic conditions, many owner-managers have put any plans for the growth or development of their businesses on hold until they feel more confident about the future. However, if you're one of them you could be letting valuable opportunities pass you by.

Here our Corporate Finance expert looks at some timely options that we've been working on for other clients, and which may also be of benefit to you...

### Some options to consider (and why now is a good time to act)

#### 1. Reorganisations

In the past, business owners have not always organised their affairs in the most tax or administratively efficient structure, and whilst companies were profitable that may not have been a major factor.

In some circumstances commercial factors can make keeping businesses independent of each other of paramount importance. However, if there are cross guarantees and inter-company trading/management charges already in place, then the benefit of independence may not outweigh the tax and cost benefits of a simplified consolidated company structure.

We have helped a number of clients to bring their companies together to form a tax group that allows tax losses to be passed from one entity to another, thus mitigating the risk of HMRC deeming management recharges unjustified.

A step further is to bring the trades and assets of the companies together into one trading operation which can significantly save on administration support costs, including accountancy fees!

If you have a number of companies and would like us to review the most efficient structure, we'd be very happy to help.

#### 2. Executive Management Incentive (EMI) Schemes

One likely consequence of the economic downturn is a drop in the value of your business, but even this can be turned to your advantage. Offering shares to key employees as part of an EMI scheme is a good way to reward them for their loyalty over the recent

difficult times, boost motivation and productivity and aid retention.

Introducing a scheme now, when the share price is low, means you can offer a valuable benefit to employees at a lower cost to them, just when you really need to keep your team inside.

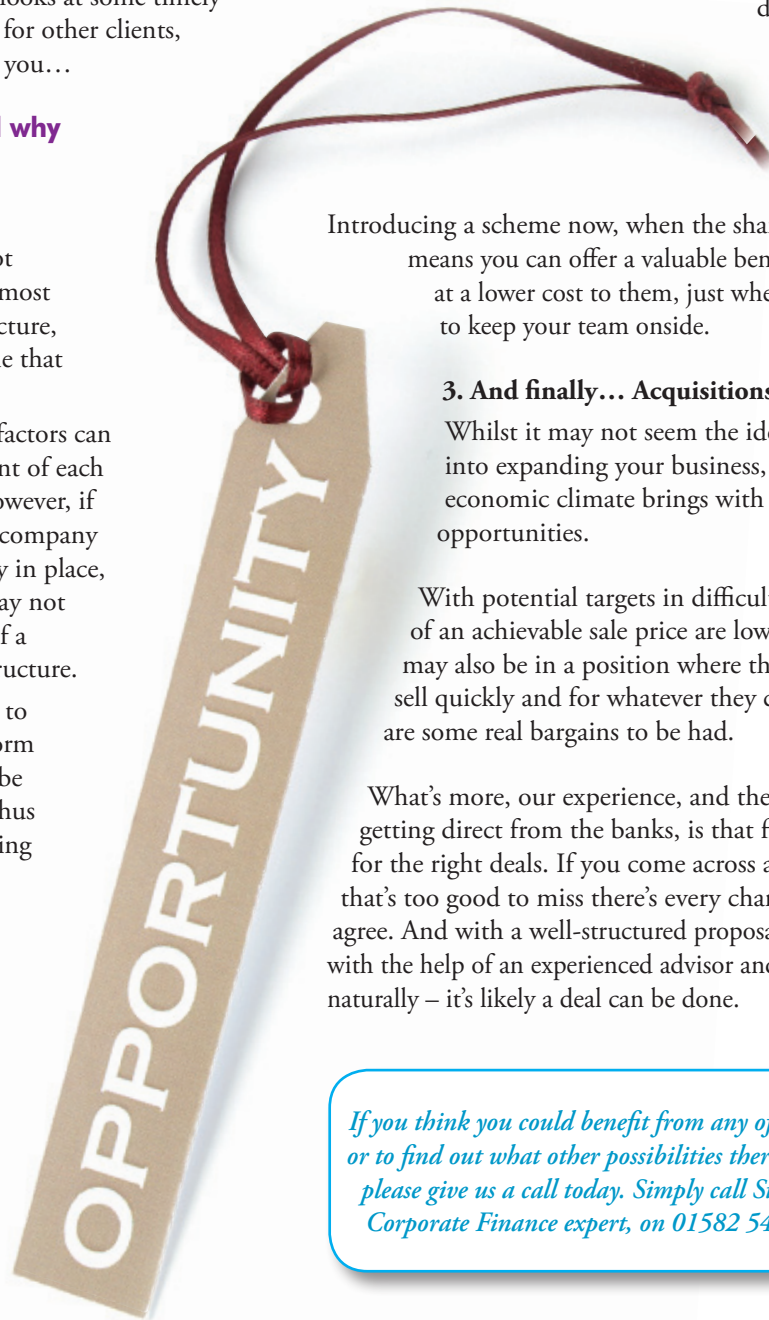
#### 3. And finally... Acquisitions

Whilst it may not seem the ideal time to look into expanding your business, in fact the current economic climate brings with it a wealth of opportunities.

With potential targets in difficulties, expectations of an achievable sale price are lower, and owners may also be in a position where they're compelled to sell quickly and for whatever they can get, so there are some real bargains to be had.

What's more, our experience, and the message we're getting direct from the banks, is that finance is available for the right deals. If you come across an opportunity that's too good to miss there's every chance the bank will agree. And with a well-structured proposal – put together with the help of an experienced advisor and deal manager, naturally – it's likely a deal can be done.

*If you think you could benefit from any of these suggestions, or to find out what other possibilities there may be out here, please give us a call today. Simply call Steve Sansom, our Corporate Finance expert, on 01582 540800 to discuss.*



*“...attention to detail, a true understanding of your personal and business needs and foresight in pointing out any pitfalls or opportunities in the future - Foxley Kingham provide all this and more...”*

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## Payroll news

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### P11D Dispersations

A dispensation is a notice from HM Revenue & Customs (HMRC) that removes the requirement to report certain expenses to them at the end of the year on forms P11D or P9D. There is also no need to pay any tax or National Insurance contributions to HMRC on items covered by a dispensation. Once granted, dispensations last indefinitely. However, HMRC reviews them regularly - usually at intervals of five years or less - to make sure that the conditions under which they were issued still apply.

#### Expenses generally covered by a dispensation are:

- Travel, including subsistence costs associated with business travel
- Fuel for company cars
- Hire car costs
- Telephones
- Business entertainment expenses
- Credit cards used for business
- Fees and subscriptions.



HMRC strictly apply the dispensation from the date they accept an application, although in most cases they will agree to retrospective cover to the beginning of the current tax year.

*The application process is fairly straight forward: you simply complete and submit form P11DX. Do take care in completing the form. If you are at all unsure of the answers to the various questions, or would like us to apply for you, please contact us.*

### New National Minimum Wage Rates

The following changes to the National Minimum Wage (NMW) rates come into force on 1 October 2011:

- The main rate for workers aged 21 and over will increase to £6.08
- The 18-20 rate will increase to £4.98
- The 16-17 rate for workers above school leaving age but under 18 will increase to £3.68
- The apprentice rate, for apprentices under 19 or 19 or over and in the first year of their apprenticeship will increase to £2.60

#### Notes

The age at which you become entitled to the main rate was reduced from 22 to 21 on 1 October 2010. The apprentice rate was introduced on the same date.

If you are of compulsory school age you are not entitled to the NMW. Some of your other employment rights are also different.

*Taxpayers who fail to keep their tax affairs in order will face increasingly intrusive interventions and HMRC may also start criminal proceedings. If you are concerned about this issue please contact us on 01582 540800.*

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## Employment law update

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### Agency Workers Regulations

These regulations will come into force on 1 October 2011 and will mean that agency workers receive "equal treatment" compared to permanent staff after being employed for 12 weeks. Our online guide will help employers understand and implement the changes.

#### What it means for employers

In summary, the regulations mean that from 1 October 2011, agency workers in the UK receive "equal treatment" compared to permanent staff after being employed for 12 weeks.

#### This means agency workers:

- are entitled to the same pay, holidays, working time,

overtime, breaks and rest periods as comparable to permanent workers

- have equal access to collective facilities (e.g. canteen, childcare facilities, transport services)
- have access to information about permanent employment opportunities and access to training.

The regulations do not cover occupational social security schemes, including sick pay, pensions or financial participation schemes.

*You can read the guidance on the Department of Business, Innovation and Skills website.*

# Automated reconciliation of UK taxpayers' PAYE records

## Last month HMRC started an automated reconciliation of UK taxpayers' PAYE records.

### Tax overpayments 2010-11

Initially HMRC will be looking for taxpayers who have overpaid tax. By the end of September 2011 HMRC should have submitted forms P800s and refunded any tax overpaid. It is estimated that up to 3.5m taxpayers will be repaid an average of £340 each.

### Tax underpayments 2010-11

In the following quarter, to the end of December 2011, HMRC will be sending out P800s to taxpayers who have underpaid tax for 2010-11. It is estimated that 1.2m people will owe an average of £550 each. In most cases the tax will be recovered by reducing code numbers for 2012-13.

It is worth noting that for 2010-11 the amount below which underpayments are written off is reduced from £300 to £50. Also the maximum liability that can be recovered by a reduction in a code number will increase from £2000 to £3000 for 2012-13.

Year To Date	
Total Gross Pay TD	12824.50
Gross for Tax TD	12824.50
Tax paid TD	2880.90
Earnings For NI TD	8712.00
National Insurance TD	
Pension TD (Inc AVC)	



## Looking to upgrade your SAGE software?

Contact us for a competitive quote

Foxley Kingham are accredited SAGE Business Partners and in most cases are able to beat any quote for software/service packages – even those offered direct from SAGE itself. We are also able to make a more accurate assessment of your needs because we know your business **PLUS** we're here at the end of the phone if you need support, so no hanging about waiting for someone in a customer service centre to take your call.

A number of clients have recently been caught out by being offered a lower price for their software, then encouraged to sign up for expensive support packages that include features and upgrades they simply don't need. So please don't fall into the same trap. If you're looking to upgrade and you're offered a deal, be sure to contact us for a competitive quote **BEFORE** you commit yourself elsewhere.



## FREE Sage Hints and Tips Workshop

On Thursday 10th November we'll be hosting a FREE Sage workshop to introduce the latest updates and help you make the most of your software.

**Find out what's new in SAGE 50 Accounts 2012 PLUS get valuable hints to help you get more from your accounts package.**

This morning session is intended to help all SAGE 50 users get maximum benefit from their software, with a user-friendly guide to some of the features and capabilities that could be put to work in your business.

For anyone looking to upgrade in the foreseeable future, there will also be an insight into the 2012 version, and we'll round off with a Q & A session and a chance to swap experiences with fellow users and quiz experts from SAGE and Foxley Kingham.

The workshop will be held in our offices in Rothesay Road, Luton. Kick off is at 9.45 a.m. for registration and refreshments, and we plan to finish at around 12 noon.

**Please note that places are limited so if you'd like to come along, you need to book NOW to avoid disappointment.**

*To reserve your place(s) or for more information, please call Christine McAneney on 01582 540800, e-mail [christine.mcaneney@fkca.co.uk](mailto:christine.mcaneney@fkca.co.uk) or use the fax back form on page 8.*

# Half day business growth workshop: 6 Steps to Massive Business Results

Friday 4th November 2011  
8.45 a.m. – 12.30 p.m.

*“... Many stimulating ideas and ways to improve a business ... Highly recommended”*

Julie Carolan, Linford Consulting Ltd

*“... positive and inspirational strategy to develop and plan for [the] future”*

Paul Jones, Instalec

*“Very worthwhile – a must for a small business”*

Chris Nunn, Box Clever Display



Starting at 8.45 a.m. for registration and refreshments, the morning-only session packs in a wealth of practical advice to help you build your business, with proven strategies to help you:

- Step out of the day-to-day running of your business and focus on how to improve and grow it
- Manage your time more effectively
- Sell and market your business more effectively
- Boost profits
- Improve the productivity and commitment of your employees and build a better team
- Increase the value of your business

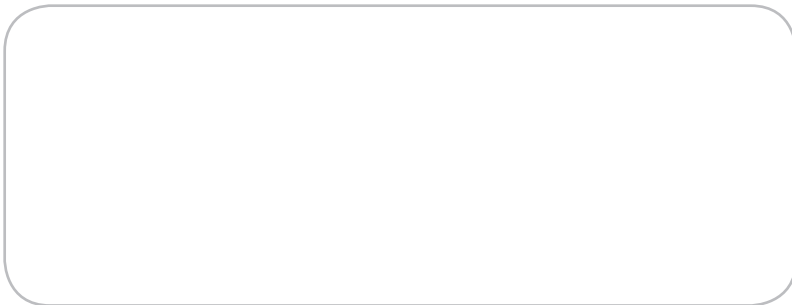
After much positive feedback, we're teaming up with Action Coach again to give you the chance to attend their 6 Steps to Massive Results workshop, **FREE OF CHARGE**, and find out for yourself why it's been such a hit with previous attendees.

**Walk away with renewed energy, vision and focus to take your business to the next level**

The workshop will be held at the Business Competitiveness Centre, Kimpton Road, Luton LU2 0SX.

The workshop will be followed at 12.30 p.m. by a buffet lunch and the chance to network with sponsors and fellow delegates.

*For further information or to reserve your place(s) please contact Lisa Taylor on 01582 540800 (Monday – Wednesday) or e-mail [lisa.taylor@fkca.co.uk](mailto:lisa.taylor@fkca.co.uk) with the names of those wishing to attend. Alternatively please use the fax back form on page 8.*



## Warning: Beware of bogus HMRC e-mail scam

Please beware of e-mails currently circulating, which appear to be from HMRC, advising the recipient that they are due a refund and requesting that they submit their bank details – in what is a very authentic looking form – in order for a repayment to be made.

***If you receive such an e-mail please ignore it as it is a scam to get hold of your personal bank details.***



***HM Revenue & Customs do not email taxpayers regarding income tax refunds due to them.***

As your agents we will advise you if a refund is due and of the amount. You do not need to claim the refund as we include the request on your behalf on the self assessment tax return.

*Michelle Blacker, Tax Manager*

### FAX BACK 01582 480901

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- Please reserve (Qty)..... places at the SAGE Hints and Tips Workshop
- Please send future issues by e-mail to  
.....
- Please amend my contact details (make any changes in the address box above)

Name .....

Company .....

(if different from above)

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Designed and Printed with Variable Data by DX Imaging, Watford WD18 8EA  
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