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Newsletter February 2012

Our newsletter this month contains the following articles: a heads up for higher rate tax payers regarding tax relief on pension contributions, a few tax planning tips for 2011-12, some 'phishing' tips from HMRC and finally a reminder of late filing and payment penalties.

Our next newsletter will be published 1 March 2012.

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Higher rate tax payers are you missing out?

Do the following criteria apply to you? If so you might like to read this article...

- Do you make payments into your own or your employer's pension scheme?
- Do you pay higher rate tax, 40% or 50%?
- Have you omitted to claim higher rate tax relief on the contributions you have made?

If your answer to these questions is Yes, or Yes and No, then you may be one of the estimated 425,000 UK tax payers that are failing to claim higher rate relief on workplace pension contributions.

You may for instance assume that your payroll department are dealing with this for you. Or, that the Government automatically channels any refunds due into your pension pot. This is often not so.

If you pay 'net' contributions the tax office will top-up your fund for the standard rate tax paid of 20%. The remaining 20% tax relief, (if you pay tax at 40%) or 30%, (if you pay tax at 50%) has to be claimed from HMRC direct unless your employer operates a net pay arrangement for you.

Which pension schemes are affected?

Most money purchase pension arrangements are affected, including:

- Personal pension plans (including Self Invested Personal Pensions - SIPPS)
- Workplace 'contract based schemes' including group personal pensions, group stakeholder schemes and group SIPPS.

The following schemes are not affected:

- All final salary schemes.
- Money purchase schemes that operate through a salary sacrifice arrangement in which case pension contributions are made before tax is deducted.
- Schemes where contributions are deducted from taxable pay.

If you are not sure what sort of pension you have check with your pension provider or employer.

How do I make a claim?

You need to make a claim in writing to HMRC as soon as possible. Claims can be backdated for up to four years. We would, of course, be delighted to do this for you. You will need to provide details of the gross and net contributions you have made in the period of your claim.

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Tax planning opportunities prior to 5 April 2012

The end of the 2011-12 tax year is fast approaching, 5 April 2012. This article emphasises some of the issues that you may like to consider while there is still time to act.

1. Investing in new or second hand equipment: If you make a purchase of qualifying equipment before 6 April 2012 you should be able to write off 100% of the cost against your profit for 2011-12. The current limit is £100,000. The bad news is that from 6 April 2012 this £100,000 limit is being reduced to just £25,000. (There are complications if your trading year end straddles the tax year end. In this case the amount of tax relief you can claim may be reduced.) Accordingly if you are contemplating a significant equipment purchase it would be worth your while to see if savings in tax can be made if you purchase before 6 April 2012.
2. Employees provided with private fuel: If you have company car users and the company pays for business and private fuel, both the company and the employee will suffer a tax charge. These charges can be eliminated entirely if the employee refunds the private element to the employer. The simplest way to do this is provide a log of private mileage and multiply this by HMRC approved fuel rates.
3. Annual tax allowances – capital gains tax: You are entitled to tax free gains up to £10,600 during 2011-12. If you have made no chargeable disposals so far this tax year you have until 5 April 2012 to take advantage of this allowance. If you don't use it, it will be lost. Take a look at your share portfolio and see if you are sitting on any gains that you would be willing to realise. Take care not to buy back shares disposed of as they will likely be caught under the 'Bed & Breakfast' rules.
4. Annual gift allowance – inheritance tax: Have you taken advantage of the £3,000 annual gift allowance? And last year's if not utilised?
5. Dividends: If you take regular dividends from your company you may want to consider the timing of the dividends you receive in March and April 2012. Dividends voted and paid on or before 5 April 2012 will be taxed in 2011-12, dividends voted and paid on 6 April 2012, a day later, will form part of your income for 2012-13. Everyone's circumstances will be different but this is a planning exercise that is well worth thinking about. This should enable you to see if you can achieve an overall reduction in tax, or second best, be able to defer tax payments due for a year.

If you have not considered these tax planning options we would be more than happy to discuss the value of applying them before the 5 April 2012 cut-off date. Please note that the above list is not complete and a visit may reveal other opportunities...

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Phishing tips from HMRC

During the last three months HMRC has helped to close down 185 websites that are purporting to hand out tax refunds to taxpayers.

Individuals receive an email and are requested to part with personal details of their bank or credit card accounts to facilitate the supposed tax refund.

HMRC will only ever contact you about these matters by post. Currently they do not use telephone calls, emails or external companies.

You can check the advice published at www.hmrc.gov.uk/security/index.htm to see if the email you have received is listed. If you do receive a suspicious email:

1. Forward the email to HMRC at phishing@hmrc.gsi.gov.uk and then delete it from your hard drive.
2. Do not click on any website addresses, attachments or other links in the email.
3. Follow advice from www.getsafeonline.co.uk.
4. If you have inadvertently provided details of your bank or credit card accounts call your bank or card provider immediately.

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Self-assessment late filing and payment penalties

Late filing:

Many individuals who are late in filing their 2011 self-assessment return may not realise that they will suffer late filing penalties even if they owe no tax for 2010-11.

And the days of a single £100 fine are long gone. The new fines are:

- One day late an initial penalty of £100
- Three months late a daily penalty of £10 per day up to a maximum of £900
- Six months late an additional £300 or 5% of any tax outstanding, whichever is the higher amount
- One year late a further £300 or 5% of any tax outstanding, whichever is the higher amount

As you can see the minimum penalty for filing 6 months late is £1,300 even if all your tax due is paid on time or you are due a tax repayment. If you have not filed your 2011 self assessment return on time, you will have already incurred a £100 late filing penalty. Further penalties of £10 a day will apply if you have not filed your return by 30 April 2012.

Late payment:

If you are late in settling your self-assessment liabilities a penalty calculated as 5% of tax unpaid at 30 days, 6 months and 12 months will be added to your debt. Additionally interest will be due until the debt is cleared.

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Tax Diary February/March 2012

1 February 2012 - Due date for corporation tax payable for the year ended 30 April 2011.

19 February 2012 - PAYE and NIC deductions due for month ended 5 February 2012. (If you pay your tax electronically the due date is 22 February 2012).

19 February 2012 - Filing deadline for the CIS300 monthly return for the month ended 5 February 2012.

19 February 2012 - CIS tax deducted for the month ended 5 February 2012 is payable by today.

1 March 2012 - Due date for corporation tax due for the year ended 31 May 2011.

19 March 2012 - PAYE and NIC deductions due for month ended 5 March 2012. (If you pay your tax electronically the due date is 22 March 2012).

19 March 2012 - Filing deadline for the CIS300 monthly return for the month ended 5 March 2012.

19 March 2012 - CIS tax deducted for the month ended 5 March 2012 is payable by today.

