



Taxes

Are your business records good enough?

No business welcomes close scrutiny from the tax office. Even if nothing extra is payable, the cost of dealing with these enquiries (in terms of both your time and fees from your accountant) should not to be underestimated, according to Godalming-based chartered accountants Shipleys.

In recent years HMRC has shifted much of the burden of tax compliance on to the taxpayer, with the introduction of automatic penalties for those who do not file and pay on time. This has enabled it to focus far more of its resources on enforcing the rules.

With the country's overall budget deficit, the squeeze on public expenditure and the Government's desire to balance the books, HMRC must be under pressure to collect what tax they can. The Sunday Times reported that the Revenue has been told to collect more money in a bid to close the 'tax gap', and small firms are thought to be an easy target.

Some commentators have reported a year-on-year increase in the number of enquiries of more than 50 per cent. And more fines look set to be imposed.

HMRC has started 'pilot' versions of the programme, not expected to begin until the second half of this year, to check the adequacy and accuracy of records maintained by small and medium

sized businesses.

Under this business records check programme, 50,000 businesses will be checked annually and penalties of up to £3,000 charged where proper records are not kept. This penalty has existed for many years, but its use – let alone the imposition of the maximum – historically has been rare.

HMRC claims it does not intend to have a regime which simply levies £3,000 every time there is a failure to keep proper records. However, its own 'impact assessment' forecasts this initiative will raise £600million over the four years, which suggests that each of the 50,000 enquiries annually will result in a £3,000 penalty (50,000 x 4 x £3,000 = £600million)!

Other changes mean the £100 penalty for late filed personal tax returns will be imposed even if you do not owe any money, and the introduction of a penalty scheme for employers who are late paying PAYE/NIC and Construction Industry Scheme (CIS) deductions. More information is available from our website www.shipleys.com

Despite the tough economic climate it is increasingly important that returns and payments are dealt with on time.

For further information please contact Shipleys on 01483 423607 or email Luckettm@shipleys.com