

JULY 2008 - ENEWS

This month we update you on the final timescale for the long awaited increase in the personal allowance for the current tax year.

We also include our usual round up of news. Please browse through this month's articles using the links below and contact us if any issues or questions arise.

- **Extra Personal Allowances**
- **Report on HMRC's lost discs**
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- **HMRC Powers**
- **Newcomers must earn the right to stay in the UK**

Extra Personal Allowances

HMRC have now issued further guidance on the increase in the personal tax allowance which is due to take effect from 7 September 2008.

The guidance is aimed at both employers and employees. Although the increase takes effect for pay dates from 7 September onwards the change will effectively be backdated for the majority of individuals until the beginning of the tax year.

As has been widely reported the increase in personal allowances from £5,435 to £6,035 will mean that the majority of basic rate taxpayers will be £120 better off for the current tax year. The increase is designed to compensate those tax payers who were worse off following the removal of the 10% starting rate of tax from non-savings income. Higher rate taxpayers will not be better off following the increase in personal allowances due to a corresponding reduction in the point at which taxpayers start paying the higher rate of tax of 40%.

Please get in touch if you require any clarification of the new rules.

Internet Links: [HMRC guidance](#) [Employee guidance](#) and [Employer guidance](#)

Report on HMRC's lost discs

Alistair Darling has made a statement to Parliament following the Poynter Review, which was commissioned following the loss of the child benefit data discs. The Independent Police Complaints Commission (IPCC) has also issued a report into the circumstances surrounding the loss.

HMRC's Acting Chairman, Dave Hartnett, has written to the Financial Secretary to the Treasury, Jane Kennedy, regarding the findings of the reviews. He said:

'HMRC is absolutely committed to delivering all of their recommendations and to ensuring data security remains an explicit priority in the future'.

According to the report HMRC have significantly strengthened their data security since the incident.

The report by the IPCC found no evidence of misconduct or criminality by HMRC staff, however it did acknowledge that the data loss was avoidable and a result of 'serious failings' within HMRC.

Mr Poynter noted that HMRC have made good progress towards implementing the 45 recommendations which are designed to ensure HMRC achieves the highest standards of data security.

Both reports and related documents can be accessed using the link below.

Internet Link: [Poynter Review](#)

Professional subscriptions

Do you pay any professional subscriptions? If so then tax relief may be due on the subscription as long as the professional body appears on the latest HMRC list. The list includes all bodies approved by HMRC up to 30 May 2008.

HMRC update the list periodically.

Please get in touch if you are not already claiming tax relief and would like to do so.

Internet Link: [HMRC list](#)

HMRC penalties for errors

HMRC have issued revised guidance on the system of penalties which they will be able to apply to taxpayers.

The revised penalties were introduced as part of legislation enacted in the Finance Act 2007. The penalties generally affect returns which cover the period from April 2008 and are due to be submitted from 1 April 2009.

Internet Link: [HMRC leaflet](#)

£10,000 VAT errors

Businesses have long been allowed to correct net errors not exceeding £2,000 in their VAT returns. From the first new VAT period commencing on or after 1 July 2008, HMRC have raised the previous limit of £2,000 to a minimum figure of £10,000.

Errors of more than £10,000 can also be put right on the return for businesses whose turnover for VAT purposes exceeds £1 million.

HMRC are in the process of updating their website to reflect this change.

Please do get in touch if you have any concerns in this area.

Internet Link: [HMRC notes on VAT errors](#)

HMRC Powers

HMRC has been busy aligning its own rights and powers following the merger, several years ago, between the two old organisations of the Inland Revenue and HM Customs. This process will take a number of years as the different organisations previously had different powers, from rights to view paperwork and in some cases to rights of access to business premises.

Some of the powers are contained within legislation making its way through Parliament as part of the Finance Bill. We will keep you informed of how these increased powers will affect you.

Internet Link: [Accounting Web article](#)

Newcomers must earn the right to stay in the UK

The government has announced that foreign nationals who wish to become British citizens will have to earn the right to stay here.

The government's new tough approach, outlined in a draft Immigration and Citizenship Bill, will require all migrants to speak 'English' and 'obey the law' if they want to gain citizenship and stay permanently in Britain. Other changes will result in speeding up the process of gaining citizenship for those who 'contribute to the community'.

From a MORI poll it appears that the public support the proposals.

Internet Link: [Press release](#)