

Cyber Stalking

A new ruling has allowed the French tax authorities to start trawling social media platforms to look for evidence of tax evasion. What many UK taxpayers may not be aware of is that HMRC has already been trawling through taxpayers Facebook and Instagram accounts for years to look for evidence of tax evasion.

The ruling in France allows the government to look at the profiles, posts and pictures of French taxpayers, provided there are no privacy settings on those social media accounts.

The use of social media allows tax authorities to build a picture of a taxpayer's lifestyle and cross-reference this with income declared. If it looks like an individual is living beyond their means then this may provide the grounds for an inquiry into their affairs.

Taxpayers in the UK need to be aware that when they are posting online, their social media accounts may, similarly, be looked through by HMRC.

A recent case involved HMRC investigating a 'jobless' Londoner whose lifestyle consisted of golf and exotic holidays. This lavish lifestyle was funded through evading tax on smuggled tobacco – whilst being documented on social media. Other recent cases include:

- HMRC found a businessman was using money saved through VAT tax avoidance to fund his extensive collection of extravagant cars and a holiday home in Spain

Beyond trawling through social media profiles (it is important to make sure yours is set to "private") and data shared by foreign tax authorities, HMRC also relies on tip offs from the public. It receives over 100,000 calls per year on suspected tax fraud or evasion through its Fraud Hotline. Investigations can not only take up considerable amounts of time and resources but obviously could also lead to penalties being imposed. Penalties can be up to 100% of the amount HMRC believes it is owed – depending on whether HMRC thinks mistakes were deliberate.

HMRC issued over 31,500 penalties for "deliberate" mistakes last year, which carry a fine of up to 100% of tax owed, and over 82,000 for "careless" mistakes, with a fine of up to 30%.

Don't forget our PFP fee cover we offer to all our clients. If you are interested, please contact us and we will send you details.



Oakwood Reminder



March 2020

Volume 20 —Issue 1

Business is great but we are always looking for more.

Please pass on this newsletter to any one you feel may benefit.

Telephone: 01483 276100

joleary@oaktax.com * www.oaktax.com

EDITORIAL



Welcome to the first edition of the Reminder 2020

It is a bit late to wish you all a Happy New Year, but another month and it will certainly be a 'New Tax Year'!

The March Reminder every year is usually about the legislative changes concerning tax, National Minimum Wage, statutory payments etc and this year is no different but there are other changes about to happen.

Most of our visitors will know we have suffered floods on and off for the last five years and this latest one actually damaged furniture and computers, but because of our own preventative measures, no records were damaged. Damp in the office has plagued us since day one and the landlord has agreed something drastic has to be done to remedy the situation. To do this, we have to vacate the premises for about four weeks, and this will happen over the coming months. We believe we shall be not far away so we will contact you nearer the time to let you know our changed address. Telephone numbers and email addresses will stay the same.

In this issue, we are emphasising the powers HMRC have to investigate, and gather data and generally make themselves a nuisance, sometimes to our perfectly honest and straightforward clients. No-one is exempt, so please do read the articles and if anything occurs to you, or you do want to consider our fee protection policy, please call the office and we will send you details. Peace of mind can be bought, and the prices are very reasonable.

Other articles include timing in your business, travel and expenses, EU Immigration and Brexit, missing pensions, so something for everyone!

Jane Briggs
FCPA

- All tax calculations are compared with the previous two-year's tax returns for anomalies.
- Tax Coding notices for both the previous and current tax year are reviewed in line with the Tax calculation to check for anomalies.
- Further in-house quality control checks are performed on every tax return before being sent to the client and again before submission.

So next time Claire or Gemma are pestering you for your tax documentation or insisting on seeing the actual tax certificate rather than just accepting the figures in An email please remember, we are doing this to prevent simple, but extremely costly mistakes from being made. If you realise there has been a mistake on a tax return, it is vital you let us know as soon as possible so that we can correct it as quickly as we can and hopefully avoid any nasty surprises.

Landlords caught underpaying tax

HMRC uncovered 11,129 cases where landlords had underpaid tax or not paid any tax on their rental income last year, a 27% increase from 8,704 the previous year.



While HMRC increasingly scrutinises the tax affairs of UK Landlords, more and more are likely to face investigations. HMRC's 'Let Property' campaign began in 2013 but has been ramped up in the last year. One of HMRC's latest actions under this campaign was to send tens of thousands of 'nudge' letters to landlords who it suspects of avoiding tax. Nudge letters have been widely used by HMRC as part of its compliance activities in recent years and are designed to scare taxpayers into reviewing their affairs. Although intrusive for clients, these letters are seen by HMRC as a cost-effective way of reducing non-compliance. It is easy to see why HMRC is concentrating its focus on Landlords – HMRC collected £44.7m in extra tax through these investigations into landlords last year, up from £32.8m the year before. This success means HMRC is likely to push on with its campaign. A key thing for all Landlords to be aware of is that if HMRC suspects a landlord has been deliberately avoiding tax, it has the power to reclaim 20 years' worth of tax payments. HMRC can also impose fines up to the total value of any unpaid tax as well as the unpaid tax. HMRC collected £7.6m worth of fines from landlords last year. However, if a landlord realises they have made a mistake and makes it known, HMRC will only reclaim the tax payments going back six months. This highlights the importance of ensuring you tell us immediately if you realise a mistake has been made.

Any mistakes made act as a warning to HMRC and could trigger investigations, which may result in penalties. Our clients can protect themselves against the cost of most tax investigations by enlisting the services of PFP. Call 01483 276100 or email office@oaktax.com



Why are Oakwood so insistent on having certain tax records?

HMRC penalties are on the increase (up 32% on that of 3 years ago), reaching a total of £816m in 2019. Rising penalties are a clear statement of intent from HMRC and shows the working methods for investigating taxpayers are improving all the time. If a taxpayer is investigated and HMRC have evidence of wrongdoing or inconsistencies on their tax returns, then they may be hit by even larger penalties. So why are penalties rising so fast? HMRC has unprecedented access to data on taxpayers which it plugs into state-of-the-art computer programmes which build a detailed picture of a taxpayer's life, and enable HMRC to accurately estimate how much tax that person should be paying. This is then cross-referenced with receipts. Sophisticated data-driven computer modelling allows HMRC to quickly and cheaply identify cases to investigate. In addition, as some taxpayers may have seen, the latest manifestation of HMRC's data gathering is 'cyber stalking' taxpayers on social media and other online platforms.

As most of you will be aware, Oakwood have a number of policies and procedures in place to help prevent our client from making such mistakes when preparing tax returns:

- A yearly checklist is produced and sent to all our clients at the end of the tax year detailing the records and information we think we will require to prepare your personal tax return.
- We encourage all our clients to email / post copies of any tax documentation to us as soon as you receive it. Let us worry about keeping it safe, one less thing for you to be concerned about.
- All our clients are asked to provide us with hard or electronic copies of tax documentation P60s P45s, P11Ds etc.
- Tax calculations are produced on our commercial tax software which has direct links with HMRC and can usually 'fetch' PAYE income details for a client directly. Where 'fetch' is not available, we will use the information given on the P60, P45 etc and where it is successful, cross check with the details on the P60.
- Our clients' directorships are checked on Companies House to make sure we are aware of all appointments.
- All Partnership income is taken directly from copies of the Partnership tax returns sent to us or advised to us by the Partnership Accountants.

Travel and Subsistence Expenses

If you are a self employed sole trader, the tax rules no longer allow you to claim for food and drink whilst going about your daily work activities as these expenses are deemed part of your normal living costs. HMRC say you must eat to live, therefore eating is not a business expense!

However, if you make a business trip that includes an overnight stay, then that accommodation, an evening meal and breakfast can be allocated as a business expense if the receipts are clearly noted showing that the expense was a business trip. An evening meal can also be claimed as a business expense if you were required to stay late into the evening and the receipt shows this was the case.

All business expenses should have a receipt showing the date and what was purchased, not just a card receipt showing the amount spent on the credit/debit card. To save you paying fees to us for having to account for private expenditure, can we suggest you review what methods you use for personal expenses and try not to use the business bank account, business debit or credit card please?

In the event HMRC were to investigate your books and records, keeping your personal expenditure separate is of paramount importance. Also, don't use personal credit or debit cards for business expense as that also opens you up to having to provide all your personal records. Don't forget we can provide fee protection insurance in the event of an enquiry into your tax return and/or accounts, so that all our fees are covered.

For details, please call the office.

"Success is not final, failure is not fatal: It is the courage to continue that counts"

Winston Churchill



How to hire effectively



Taking on your first member of staff is an exciting prospect for any small business – But one that is all too easy to get wrong for the uninitiated.

A key indicator of your business success may well be the point at which you need to hire your first member of staff, it can pose an often-overwhelming challenge: you want the best person and you probably don't know where to find them!

There are so many options: you can go it alone, use agencies or explore new technology. However you choose to hire, it's so important to get it right – and, while every new person will impact your business, setting the tone with that first hire is often the most crucial.

Employee Branding:

- Demonstrate how brilliant your business role is in comparison to other opportunities in your industry and describe the company progression on offer in your Job advert.
- Make all prospective employees aware of the company's intangible features and benefits, including the business plans, goals, values, ethics as well as complimentary benefits.
- Communicate if you have set or flexible working hours and if you are happy to offer working from home and unlimited annual leave.

Know where to look:

- Make sure you look under specialist job boards for your company.
- Find a suitable recruitment agency who can gain access to candidates that direct employers cannot.

Plan your interview:

- Think about what you need to find out and ask questions needed to establish this
- Have a planned structure but allow the candidate to ask questions
- Make sure you aren't just asking generic questions, but discuss topics regarding the Candidate's interests and hobbies
- It is always a good idea to interview potential candidates twice as this not only demonstrates commitment on their behalf but gives the opportunity to ask any further questions. Try and get another member of staff to lead the second interview so you can discuss opinions later on.

Don't rush:

- Do not let the pressure and burden of needing a new member of staff rush you into a rash decision, hiring someone new is a huge decision and must not be taken lightly
- Most importantly do not let the process stress you out, remember the right candidate is out there for your business and it is not worth settling for less.

Each new employee is an investment in your business's future so it is vital to commit the time and resources to getting it right.

EU Immigration and Brexit

A new “Australian style” points-based immigration system will apply from January 2021 to both EU and non-EU citizens coming to the UK. It will replace the current immigration system and current free movement for European citizens to the UK.

For EU citizens recruited before 1 January 2021, employers can rely on the existing right to work checks they carried out when they recruited based solely on the worker's EU passport or EU identity card. Employers shall not be required to distinguish between EU citizens who moved to the UK before or after Brexit until the new, points-based immigration system is introduced from January 2021.

EU citizens already in the UK prior to Brexit are required to apply for settled or pre-settled status by 31 December 2020, if they want to stay in the UK beyond 31 December 2020. If they do not apply by that time, in principle they would be working illegally, but the employer will have no obligation to check that, because it will still be able to employ someone based solely on their EU passport or EU identity card, if it was checked before their employment started during the transition period. At present, that would be the only right to work check required.

National Minimum Wage and National Living Wage rates 2020



These rates are for the National Living Wage and the National Minimum Wage. The rates change every April.

Year	25 and over	21 - 24	18 - 20	Under 18	Apprentice
April 2019 (current rate)	£8.21	£7.70	£6.15	£4.35	£3.90
April 2020	£8.72	£8.20	£6.45	£4.55	£4.15

Timed to Perfection



Timing is everything when running a small business, from when you start up to juggling your own commitments.

Ultimately you can judge the success of your business by how much control you have over your time, lots of people set up their own business to escape the 9-5 but end up working 5-9 which is fine if you love what you do and the business is growing, but not when you find you are in a worse position than you thought you would be.

We are all answerable to time every day, especially when running a business.

It is widely agreed that the pace of business has sped up, we live in a world where customers want everything done now! Clients expect answers immediately, overnight or same day delivery with which inevitably then comes the danger for a small business; the expectation to keep up and being forced to work every hour of the day and into the night in order to accomplish this.

However there is a way to resolve this; by making sure that you take the time to communicate on a regular basis with your clients. As a whole, people are happy to be kept waiting as long as they are regularly updated. Many companies do this by sending delivery updates such as, your delivery has been dispatched, or your delivery is currently in a particular place waiting to be collected and the driver called Sam will be with you between 1-2pm later today. Even notes on products that are unavailable like “currently out of stock” will appease most clients as they feel like they are being informed.

In summary, if a business takes the time to keep the lines of communication open with their clients, they may be able to claw back some of the valuable personal time that is so needed by many business owners.

If you haven't really thought about this, perhaps it is time to do so now.

As a business ourselves, we all aim to reply to an email within one working day and if we can't fully respond to you immediately, we will try and give you a 'window' as to when you can expect it.

Employment law changes to contracts from 6th April 2020

From April 6, 2020, the statement or employment contract has to be given to all staff as a “day one” right. What this means is that workers, as well as full and part-time employees, will need to receive this statement/contract before the job starts.

New additions range from the number of days the person is expected to work to any paid leave given.

Here's the full list:

- days of the week the individual is required to work
- entitlement to paid leave (maternity and paternity)
- any other remuneration or benefits
- any probationary period, conditions of its duration included
- any training provided, including whether it is mandatory or paid for by the worker
- the notice period for termination
- absence terms, such as incapacity to work and sick pay
- length of temporary or fixed-term employment
- work conditions outside the UK if it's for more than one month



We do employment contracts so if you are in need of one, do get in touch.

The Parental Bereavement (Leave and Pay) Act

This is expected to come into force in April 2020.

This legislation creates a new right to two weeks' bereavement leave and pay for employees whose child dies below the age of 18, or whose child is stillborn.





Missing Pensions



As a recent study suggested, the average person will have 11 jobs throughout their working lives, the Department for Work and Pensions predicts that by 2050 there will be around 50m small pension pots left behind when people change jobs. Currently, it's the individual's responsibility to remember who all their providers were and then alert them to any change of address so paperwork doesn't go astray.

Research from the People's Pension found that 1 in 5 people have lost track of a pension and 3 in 5 don't know where all their pension savings details are. Employers are often turned to for help when employees have lost pension details, so it's worth stressing the importance of keeping hold of pension provider details for all employees.

Missing or lost pensions can be found using the Governments 'Pension Tracing Service' <https://www.gov.uk/find-pension-contact-details>

To help any of you looking for lost pensions;

Where to start

Step 1. Start by digging through any paperwork you have at home.

Old employment contracts or staff handbooks might indicate if you were a member of a pension scheme, and payslips showing pension deductions are helpful.

If you do find details of a provider but don't know how to contact them, Companies House should be able to help.

What does the provider need?

Once you have the information about the pension provider, you need to be armed with the following information when you make contact:

- name (current and previous, if different) date of birth and NI number
- address (current and where you lived when you think you had the lost pension)
- the date you joined and left the pension scheme (if known)
- the name of the company you worked for
- the address of the company you worked for
- the date you began working for the company and the date you left.

Information required by employee

You will need to make some decisions when you find any lost pension so you should ask the following: what's the current value of the pension pot, and the estimated value at the expected retirement date?; are there any management charges for taking a pension now or in the future, and if so, what are they? is there a nominated beneficiary set up (that person may no longer be appropriate) is it a defined benefit scheme (final salary) or a defined contribution (money purchase) scheme?; are there any pension guarantees included?

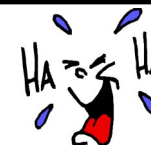
Is it actually lost?

It used to be the case that when you left your job pension contributions were refunded, in which case of course there is nothing to look for.

There are some key dates to be aware of in this regard. If you were employed before 1975 it's almost certain that you would have had a refund of your pension contributions unless you were there for at least 15 years. If you left between April 1975 and April 1988 you may have a pension if you were over 26 and had completed over five years' service.

If not, it's almost certain that you would have received a refund of your pension contributions. If you left after 1988 you may be entitled to a pension, as long as you completed over two years' service with the employer. If you left before completing two years, it's almost certain that you would have received a refund.

Joke Time



A nervous taxpayer was unhappily conversing with the Inland Revenue Tax investigator who had come to review his records.

At one point the investigator exclaimed, "Mr. Smith, we feel it is a great privilege to be allowed to live and work in the UK. As a citizen you have an obligation to pay taxes, and we expect you to eagerly pay them with a smile."

"Thank goodness," returned Mr Smith, with a giant grin on his face, "I thought you were going to want me to pay with cash."