

Driving Facts

Tax news

Carbon Copy – Another High Maintenance CO₂ Reduction Scheme

It would be impossible not to notice that the environment is very much at the top of the current government's agenda. Whether it be changes to company car tax or capital allowance rules there have been a plethora of measures designed to encourage us to reduce our carbon dioxide emissions. In this article we look at the latest of these, the CRC Energy Efficiency Scheme (CRC).

The Basics

The CRC applies in full to large commercial organisations with a total annual half-hourly metered electricity use of approximately £1 Million. There will also be numerous organisations on the cusp that will be required to disclose their energy consumption, but will not be required to fully participate in the scheme.

For those organisations involved, allowances will need to be purchased for CO₂ emissions from all fixed energy sources, not just electricity. The first payment to purchase allowances under the scheme takes place in April 2011.

Organisations will be ranked according to their emissions performance and appear in a published league table. Those whose position in the table improves may well be able to claim back credits from the scheme while those performing poorly may have further payments to acquire additional allowances.

As more and more organisations seek to establish their "green" credentials, the publication of league tables will allow potential customers to consider relative performance within the scheme as a deciding factor between otherwise similar organisations when making a purchasing decision.

How Does this Affect my Business?

You may now be sat there thinking that this scheme will not impact on your business; however, you would be wrong. As the current legislation stands, franchisors will be grouped together with their franchisees, regardless of whether the franchisor owns the premises from which the franchisee trades or not. The justification for this approach was that the public did not differentiate between dealer and brand, although not unsurprisingly, not everyone agrees.

Unless the legislation does change, many of the brands are burdened with this scheme, which means that you as motor retailers may be charged with the

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task of gathering and submitting this information, much like an extension of composite reporting. It will therefore fall on each participating franchisee to incorporate the scheme into its information gathering process.

The Opportunities

Apart from the burden of ensuring compliance with another government scheme, there are still potential commercial benefits to be had if the scheme is approached in the correct way.

In the short term, as the franchisors are required to assess the energy performance of their franchisees, a review in this area will be essential. Upfront costs aside, areas for improvement may well be highlighted that have the effect of reducing overall energy bills for your business. In addition, with credits being available under the scheme for the franchisor if a strong relative performance is achieved, it may be that individual franchisees will take a share of this rebate, perhaps by way of the standards bonus. Unfortunately, the flip side of this may be that you are expected to contribute to the initial purchase of the credits in the first place.

In the longer term, a requirement to use components that qualify on the government's technology list for energy efficiency or water efficiency, can not only improve energy performance but also attract enhanced capital allowances leading to further savings being made for your business through the tax system.

The Conclusion

The timing of the introduction of this scheme may not be welcome and with yet another layer being added to the daily compliance burden of those involved, there is certainly more cost involved. The optimists however, would point out that the opportunity to benefit commercially as well as environmentally exists for the most efficient organisations.

Further HMRC Security Alerts

HMRC have renewed their advice regarding scam emails that state that you are due a tax repayment, and request information such as bank details in order to process the refund. Many of these emails and website links look remarkably convincing but please be aware that HMRC will never contact you in this way concerning your tax affairs. Please forward any emails received to phishing@hmrc.gsi.gov.uk



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Emails are also being issued concerning National Insurance refunds. These emails advertise the services of companies which apply for a refund of National Insurance on their customer's behalf. Contrary to appearances, these companies are not affiliated with HMRC.

Finally, HMRC have actually added to the confusion regarding scams by trailing a new means of communicating with taxpayers. SMS text messages are now being used by HMRC as a way of contacting its 'customers', and these messages ask you to contact them on 0845 300 3900. If a text message is received which requests you to call any other number, you should not respond.

Repayment Claims – Use It Or Lose It

With effect from 6 April 2010 HMRC will restrict the number of previous years for which a refund of tax can be claimed and it is vitally important that you act now to preserve your entitlement to historic claims. The changes are :-

- The deadline for reclaiming tax from previous years is changing to four years
- This is a reduction from the old limit of six years
- Reclaims for 2004-05 must be submitted by 31 March 2010 - this is the first year affected by the new deadline

This is of particular relevance to any technicians, who have not yet claimed expenses to which they are entitled for their tools, as the new rules will restrict the amount of refund they can obtain.

Changes to the PAYE System – P35's and Late Payments

Several changes to the PAYE system are taking effect over the next few months. Firstly, it is an HMRC requirement that the employers' year-end return form P35 is submitted online this year. Should anyone still be operating a manual payroll, then action will need to be taken by April, to ensure that the records are transferred onto a computer system which will enable compliance.

Also from May 2010, HMRC is introducing new penalties for late payment of PAYE – this includes Income Tax, NICs, student loan deductions and

Construction Industry Scheme deductions. Under these changes, employers may incur penalties if they do not make PAYE payments on time, and in full. The penalties will be calculated as a percentage of the amount paid late, and, for in-year payments, the percentage charged increases as the number of late payments in the year increases. This contrasts with the old system where penalties often only arose if amounts were still outstanding at the end of the tax year even if in-year payments were made late.

Coding Notices – Confusion Reigns

You may have heard in the press that since HMRC changed their PAYE computer system, there have been several 'glitches' with coding notices. As the new codes are issued for the next tax year 2010/11, it is apparent that there are many errors and employees are urged to check the notice issued, and contact HMRC to report any inconsistencies.

The main issue appears to be that the system is, in some cases, unable to differentiate between current and past employments; consequently, people may get several coding notices, splitting their personal allowances between different employers. Each coding notice indicates which employment it relates to, so it is relatively easy to check and correct mistakes to ensure employees do not overpay tax.

In some cases HMRC have estimated that employees will earn in excess of £100,000 and removed personal allowances from tax codes, which may not be correct. It is therefore particularly important this year, to check carefully any code issued.

HMRC Compliance Reviews – A New Approach

HMRC are rolling out training of their Compliance Officers to enable them to undertake cross-tax reviews. What this means in practice is that future compliance visits are unlikely to look at one tax in isolation but could potentially cover VAT, PAYE and Corporation Tax together for example.

One problem with this is that, whereas in the past HMRC have generally notified an accountant of a proposed visit, this will now not happen unless they hold authorisation for all taxes being reviewed. It is therefore vitally important that you notify your accountant that a visit is planned, so that you are prepared for the ever-increasing array of questions and potential traps, which may unexpectedly come your way.

If you have any queries on any of the subjects covered in this newsletter or on any tax or company secretarial matters please email us at taxteam@trevorjones.uk.com or call our helpline on 0161 493 1930.

These articles are of a general nature and specific advice should be obtained before they are acted upon.



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