

EXCLUSIVELY FOR CONTRACTORS

MONTHLY GUIDE JULY 2001 ISSUE 48



DATES TO REMEMBER

With all the confusion caused by IR35 it is easy to overlook key dates that need to be observed to keep you out of trouble with the Inland Revenue. Regardless of your IR35 status the obligations you have to ensure that your company continues to function properly remain the same. This is particularly true with the first item on our checklist. The other points relate to your personal obligations under self-assessment. This checklist is of course particularly important for those of you who deal with your own tax affairs.

Deadline Date Action Required

2001

July 6

Forms P11D must be submitted by the company in respect of all employees with benefits received during the tax year ending 5th April 2001. This specifically is something that the employer has responsibility for. Rumours have been circulating that the Inland Revenue would, by concession, extend the filing deadline until September 19th and they have now confirmed that penalties will not be charged as long as they are submitted by this date. This is one of the deadlines which is less rigidly enforced.

July 31

More fines:-

- (i) If you have not filed your tax return for the tax year ended 5th April 2000 you face another fine of £100.
- (ii) This is the date for the second instalment of Income Tax due on January 31st 2001. With IR35 this may not affect you.
- (iii) Any tax due on 31st January 2001, which remains unpaid, attracts a further 5% surcharge.

September 30

We always remind you of this. If you want the Inland Revenue to calculate your tax liability then you must file your tax return for the year ending 5th April 2001 by this date. If you do then any underpayment of tax will be collected in your notice of coding during the following tax year i.e. commencing 6th April 2002.

October 5

If you have untaxed income or are liable for Capital Gains Tax and have not informed the Inspector by this date you could be liable for a penalty equalling the tax due on 31st January 2002.

January 31 2002

- (i) You will know this one by now it is the annual scramble to submit tax returns for the year ending 5th April 2001. If you don't you face an automatic penalty of £100.
- (ii) The deadline to pay any outstanding tax due for the year ending 5th April 2001.
- (iii) Due date for the first instalment of tax due for the year ending 5th April 2002.

FEE PROTECTION SCHEMES

As you know we have written to you about our special Fee Protection Scheme. We were interested to see that PCG have also come up with a policy, which is intended to cover the problem of suddenly finding that you are deemed to caught by IR35.

It seems to us that there are significant problems with this policy. For a start it costs £460 per annum and a one-off fee of £249 for an assessment and will probably mean that changes in the contractual arrangements themselves will need to be made before the underwriters will accept liability. Bear in mind that if these changes are not made then the policy would be invalidated and of course as contractors change projects then another assessment would be needed to ensure that they are still covered.

If you have not yet signed up for our scheme then take another look at what it offers. As well as the cover which is excellent, the cost to a company is only £189 per annum.

PROBLEMS FOR INTERNET COMPANIES CONTINUE

The number of Internet related companies that closed last month numbered 53 increasing the combined total during the last 18 months to 555. Initially the failures related to business to consumer companies but now the problems have spread to companies providing Internet access, infrastructure and consulting. The number of closures can only be underestimating the true position, as many start up companies will have gone bust without troubling the statisticians. Ascot Drummond who specialised in on-line accountancy for contractors are one of the victims having just gone into administration. We take no pleasure in this at all. Mercury Private Equity invested £3m in the company about 9 months ago and further funding was promised if targets were met but at the time of its demise the company had only 575 clients and gross revenues of £400,000 per annum. Like all internet based businesses it is a question of getting the model right and we anticipate that there will be no shortage of buyers for the business.

FUTURE SEMINARS

Our seminar programme will recommence for a limited period in September and October so that our clients can be updated on IR35. Please let us know by e-mail to janc@wheawill.co.uk if you are interested in attending and we will advise you once the dates have been finalised.

NEW CLIENTS

Thank you very much for all the introductions that you have given to us over the last few months and for bringing your colleagues along to our seminars. Please continue to let us know if any of your friends are unhappy with their accountants and we will arrange a free assessment of their circumstances. Please let Gordon know at gordonm@wheawill.co.uk

LITIGATION AND E-BUSINESS

A case has just been decided in a dispute between Internet Trading Clubs Ltd (ITC) and Freeserve. The case has some interest because it raises important points regarding contractual obligations on Internet products.

Briefly, there was a joint venture between ITC and Freeserve to set up what amounted to a motoring club on the Internet. ITC had the expertise and had the responsibility to develop the product and Freeserve agreed to market it on their Internet service and also by advertisement. There were problems with the product itself and the launch was delayed. The business climate for e-products generally deteriorated and new members fell away and each party blamed the other for the failure.

The Judgement itself came down very heavily in favour of Freeserve, principally because ITC was the party with the product expertise but the fact that there was an argument and a lengthy court case does show that accurate agreements including provisions for termination are particularly important when operating in a new business area. It is one thing entering into a contract with deadline dates which depend on the implementation of well-known technologies and procedures but quite another where new technology is involved.

NATIONAL MINIMUM WAGE

For those of you with children at university who work during their holidays this could be of interest. The NMW for young people is to be increased from £3.20 an hour to £3.50 an hour from 1st October 2001 (the same date that the adult rate increases from £3.70 an hour to £4.10 per hour).. The Government has also confirmed that this youth rate will continue to apply to workers between 18-21.

Although 30p per hour does not seem much of an increase it will add 10% to the cost of employing youngsters. The rate will rise by another 10p per hour from October 2002.

ENDOWMENT MORTGAGE, - ARE YOU RED, GREEN OR AMBER

The Financial Services Authority have published the result of their survey into people with endowment-linked mortgages. The survey covers 10 million mortgage endowment holders and everybody should have received a colour-coded letter. Green means that your endowment policy is on target to pay off the mortgage, amber means that you must keep an eye on the policy and red means that the policy needs to grow by at least 8% per annum to reach the required level. In today's economic environment of low inflation combined with low investment returns this looks unlikely particularly for those of you with policies maturing within the next 10 years. Seven out of ten households have not responded to red-letter warnings and half of those who have responded have said that they are relying on means other than the insurance policy to pay off their mortgage. The FSA warns that this increasingly will cause a problem and that many people face having their houses repossessed. If you took out an endowment-linked mortgage (they were most popular in the 1980's and 90's) then the first thing to do is to contact the insurance company who you have the policy with to obtain up to date forecasts of the maturity value. It will then either be a case of increasing the premiums you pay or perhaps starting some other form of investment e.g. an ISA which has tax advantages but where the funds are available when you need them.

UK LEADS EUROPE IN INTERNET SHOPPING

The Wall Street Journal has published the results of research that shows that 58% of UK Internet users have purchased on-line during the last six months. The average for the rest of Europe is only 38%.

Not surprisingly travel related items in the form of airline tickets and reservations head the list of purchases made.

NOTE

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Past Newsletters are available on our website at www.wheawill.co.uk

SUMMER HOLIDAYS

Long time readers will know that we now go on our summer break. May the sun shine on you and we will see you again in September.

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