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## PAYE CODE FIASCO UPDATE

Tax chiefs were hauled to give evidence to the Treasury Select Committee recently and admitted that a staggering 24million people could have had their tax bills miscalculated over recent years.

Six million will get letters before Christmas either demanding an average of £1,400 or offering a refund by cheque after a new computer system identified errors in their PAYE accounts.

MPs heard there is a backlog of a further 17.9million 'unresolved' tax cases dating back to 2005, which HMRC is hoping to process by 2012. Many of those could now face demands for underpaid tax.

Ministers have ordered HMRC to make another climb down to try to appease public anger.

HMRC have agreed that those facing tax demands of £2,000 or more as a result of errors will not be charged interest on the money they owe.

HMRC have stated 'Only those who will not engage with us will be charged interest'

The Revenue has already agreed to waive bills of £300 or less, meaning 900,000 taxpayers will be spared paying any money back – at a cost of £160million to the Exchequer.

HMRC also insisted the fiasco was not all bad news, since while 1.4million people will have to pay an extra £1,400 in tax, 4.5million people will get refunds of £400 on average.

**A word of warning – HMRC are becoming much more intrusive in their Investigations of individuals and businesses so be prepared for more enquiries and most importantly, be prepared! Talk to us about our Tax Fee Protection Service. Cover yourself against any HMRC enquiry or Investigation now!**

## Team Update

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Joanna Price will be running a seminar at the Flintshire Business Week.

The seminar will be held on Friday 15<sup>th</sup> October at 3:45pm at the Northop Hall Country House Hotel in Northop Hall – Business to Business Day.

The topic is 'Business Development, Marketing and Promotion - Accountancy with a difference!'

Business to business is about creating and building relationships.

Accountants are ideally placed to bring a lot more to a business than just the usual accounting and tax advice.

So what can the accounting profession offer SME's to help them do business with each other, to help their businesses grow and improve profitability.

If you are interested in attending this seminar or any of the other events, please register via the business week website.

[www.flintshirebusinessweek.co.uk](http://www.flintshirebusinessweek.co.uk)

## WORKING "IN IT" RATHER THAN "ON IT"?

Many small firms take a random approach to business planning, according to a recent study.

Research by business insurance comparator [SimplyBusiness.co.uk](http://SimplyBusiness.co.uk) of 400 British businesses shows that 54 per cent of them have no written business plan.

More than two thirds of entrepreneurs make decisions on gut instinct alone, while 65 per cent do not credit check new customers.

Firms also risk costly legal action over inadequate HR practices, with over a fifth (21 per cent) with no formal contracts for their permanent employees and 79 per cent with no dedicated person to handle HR operations.

Limited time and resources are characteristic of growing businesses, and the recession will have stretched owners further than ever before. Understandably, many have become so focused on working in their business that their time working on their business may have suffered as a result.'

So how can we help?

We can perform a simple "Business Health Check" to highlight key areas for you to strengthen and recommend actions to take.... and we are great listeners!

Why not talk to us about your future personal goals and business objectives and we can help you devise a written plan and discuss the key targets you need to monitor to make sure you are on track to reach your targets.

The most successful clients we work with all have written plans and regularly sit with us to review how they are doing.

It really does make a difference to work "On It" from time to time!



## Useful iPhone Applications



**Business Analyst - £1.79 (iPhone, iPod Touch, iPad)** is a profit improvement

tool that shows the sensitivity of flexing the pricing policy of a client business.



**Bump – Free** You can easily swap contact details with someone else with

an iPhone, iPod Touch or Android phone by bumping the two devices together.



**Hullo mail – Free (iPhone, Android, Blackberry)** offers a quick and easy way

to manage, send, receive and share voicemails and also provides free, instant voice messaging to mobile and email, whichever operator you use.



**BenPal Pension Modeller – Free (iPhone, iPod Touch, iPad)** puts you in

control and helps you work out your own retirement future.



**Print n Share - £3.99 (iPhone, iPod Touch, iPad)** is the first app that

enables you to view, store & print email, documents, files, attachments, photos, contacts and web pages.

## OFFICE OF TAX SIMPLIFICATION

This was recently launched and there are genuine high hopes of this initiative serving to create a simpler tax system.

The Chancellor has initially asked the OTS to take forward two reviews, which cover tax reliefs and small business tax simplification (including IR35), with details as follows:

- OTS has been commissioned to review a list of all reliefs, allowances and exemptions within the taxes and duties administered by HMRC and identify those reliefs that should be repealed or simplified to support the Government's objective for a simpler tax system. The Government is particularly interested in identifying reliefs that are largely historic, not frequently used, create distortions in the tax system or are complex for business or HMRC to administer. OTS has been asked to produce an interim report by late Autumn 2010 and a final report with recommendations to the Chancellor ahead of Budget 2011.
- OTS will provide an initial report to the Chancellor by Budget 2011 that identifies areas of the tax system that cause the most day-to-day complexity and uncertainty for small businesses and recommends priority areas for simplification. Once the Government has considered the initial report the OTS will be asked to produce specific recommendations on tax simplification for small businesses. As part of the initial report, OTS will also explore alternative legislative approaches to IR35.
- We will make sure that we take full advantage on your behalf of any tax simplification proposals coming from these 2 reviews. If you have any suggestions on tax simplification (polite ones naturally!) please send them to us and we can pass them on to the OTS at the appropriate time as a complete submission from this firm by reference to real life issues identified by us and our clients.

## HUMOUR

Bill the accountant and two associates were going to an audit one day. They parked their car and got out. Then Bill realised that the keys were still in the car and the doors were locked.

*"What are we going to do?"* said Bill. One accountant said, *"Well we could get a coat hanger and try to unlock the door"*. The second accountant said, *"We could try to pry the door open"*.

Bill then replied, *"Well, whatever you do, you'd better hurry. A storm is coming and the top is still down"*.

## NEED FINANCE FOR EXPANSION PLANS?

Recent figures released by the British Bankers' Association (BBA) show that lending to small businesses is in decline.

The banking trade association's figures indicate that new loans to small firms increased by £75 million between May and June 2010, but year-on-year term lending has decreased by £269 million. Average monthly loans have declined by almost half since 2008, when banks lent an average of £991 million to small firms. In 2010, the average monthly loan rate is £564 million.

In addition, overall lending has decreased significantly in 2010 despite small businesses increasing deposits into banks by £2.5 billion over the past four months, according to the BBA.

Our experience shows that if a firm has a well prepared business plan with credible forecasts and there is a system to regularly review progress then banks are more likely to look at the proposals seriously. In addition there alternative sources of finance available. Please talk to us if this is an area you need to discuss.

## NEWS ON PENSION CONTRIBUTIONS TAX RELIEF

Consideration is being given to abolishing the previously announced rules whereby from 6 April 2011 those with income of at least £150,000 in the tax year concerned, suffer a loss of some or all of the higher rate tax relief otherwise available.

The aim is to raise at least the same amount of revenue (£3.5 billion annually), however, and this may be achieved by drastically reducing the annual allowance to in the region of £30,000 to £45,000. Clearly, therefore, this will impact on many people.

A Discussion Document raised a number of issues, including the possibility of capping tax relief at 40% and what should be the appropriate level of the lifetime allowance which currently stands at £1.8 million and may well be reduced. We will have to wait to see what transpires, but clearly there are to be some severe restrictions applying from 6 April 2011.

If you need to talk about your pension please call us and we will be delighted to help you plan for a more comfortable retirement!



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