

## Hobsons : Newsletter July 2007

### Tax News

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News this month for travellers taking large sums of cash abroad, or into the UK, a note for pensioners taking State Pension benefits for the first time, possible tax opportunity for owners of commercial buildings and a re-run of the increased benefit charges for van users (including penalties for non-compliance of the new Anti-smoking rules).

Our next newsletter will be published on 7 August 2007.

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### Worker Registration Schemes required for workers from Eastern European States

Employers are finding more and more that they are receiving applications for employment from people seeking work who have lived in the Eastern European states and in particular Poland.

If you wish to employ a worker who has lived in one of these states, the individual needs to register under the Worker Registration Scheme run by the Home Office ([www.ind.homeoffice.gov.uk](http://www.ind.homeoffice.gov.uk)). In the event that they do not comply their employment becomes illegal and as an employer you lose your new recruit!

So, it is wise to be aware of the requirements and ensure that you are able to retain your new team member!

#### Who does this apply to?

From May 1 2004, anyone who wishes to work for more than one month in the UK and has recently arrived from:

- Czech Republic
- Estonia
- Hungary
- Latvia
- Lithuania
- Poland
- Slovakia
- Slovenia

#### What does the worker have to do?

The worker will need to complete a form called the WRS form, which is found on the Home Office Website. With their completed application form (WRS form) they will need to send the following:

- A letter from the employer confirming that he/she is working (a copy of the contract or offer letter is not acceptable)
- Two passport photos
- The worker's passport or ID card
- Payment of £90 to process the application

What happens if the worker does not apply to register?

If the worker does not apply within one month of starting the job, their employment will become illegal.

If the worker then moves on to other employment having initially registered with the original employer they will then need to notify the Home Office again to re register with the new employer's details.

What happens after 12 months working for the same employer?

Once the worker has been working legally in the UK for 12 months without a break they will have full rights of free movement and will no longer need to register on the Worker Registration scheme. They can then get a residence permit confirming their right to live and work in the UK available from the Border and Immigration Agency.

For further information, the following contact details may be useful:

Worker Registration Team  
Border and Immigration Agency  
PO Box 4154  
Sheffield  
S1 9DW

Tel: 0114 207 6022

Email: [WPcustomers@bia.homeoffice.gsi.gov.uk](mailto:WPcustomers@bia.homeoffice.gsi.gov.uk)

Website: [www.workingintheuk.gov.uk](http://www.workingintheuk.gov.uk)

**Immigration Enquiry Bureau**

Tel: 0870 606 7766

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**Taking cash abroad - new cash declaration rules commence 15 June 2007**

A new European Union (EU) law on travellers declaring "cash" came into force on 15 June 2007 in the UK and throughout the EU. It has been introduced to help combat money laundering, including tax evasion.

It only applies to persons who:

- are entering the UK from a non EU country, or
- are travelling from the UK to a non EU country

and are carrying "cash" of 10,000 Euros, about £6,500, or more (or the equivalent in other currencies).

"Cash" includes not only currency notes and coins but also cheques of any kind (including travellers' cheques) and banker's drafts.

For this purpose the Isle of Man and the Channel Islands are non EU countries and so the declaration is required from persons travelling there from the UK or entering the UK from there (whether by air or sea) with sufficient "cash".

Travellers are required to declare the "cash" to HM Revenue & Customs (HMRC) at the place of their departure from, or arrival in, the UK.

Forms on which to make the declaration are available at ports and airports and are also downloadable from the HMRC internet site. The forms require information about the amount of money, its owner, its origin, its intended use and the intended recipient as well as details of the traveller's name, address, nationality, passport number and occupation and the journey being made.

The intention is that travellers should simply drop their completed form into a box before boarding their boat or plane, retaining a carbon copy which they should produce if challenged.

Travellers could face a penalty of up to £5,000 if they fail to comply with the obligation to declare, or provide incorrect or incomplete information.

Under existing law "cash" of more than £1,000 may be seized anywhere in the UK (including at ports and airports) if a customs or police officer has reasonable grounds to suspect that it is either the proceeds of, or is intended for use in, unlawful conduct. This "cash" may then be forfeit to the Crown if no acceptable explanation for it can be provided.

It is expected that HMRC will use information from "cash" declarations in their efforts to counter tax evasion and other crime.

There will still be no declaration required for people travelling between the UK and other EU countries.

The countries of the EU are Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Gibraltar, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, (including the Canary Islands), Sweden, and the United Kingdom (not including the Isle of Man and the Channel Islands).

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## **State Pensions - tax return declarations**

Most pensioners will be aware that their State Pension is taxed as earned income.

If you delay taking your pension you may become entitled to take the deferred benefit as an increase in your weekly/monthly pension, or as a lump sum.

Both of these options are taxable and need to be entered on your tax return from the fiscal year that you first receive the pension and if taken, the lump sum.

If you are a tax client we obviously are aware of your age and therefore eligibility for State Pension benefits. However we will not know if you have decided to defer taking your pension and if so, that you may be receiving a lump sum at some time in the future.

It would be helpful if you could keep us informed so that we can properly advise on any resulting tax liabilities that may arise - and when they may fall due for settlement.

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## **Commercial Buildings - Time is running out for certain tax claims**

From April next year fixtures and fittings included in the sale or purchase of a commercial building will be treated differently for capital allowance purposes. At present you can claim a tax writing down allowance of 25% per annum. (This rate is applied to the tax written down value at the beginning of each year.)

From April 2008 these types of fixtures and fittings are to be re-classified as long-life assets and the annual tax allowance will be reduced to 10%.

This does point up an interesting tax planning opportunity for purchasers of commercial property who did not sign a particular tax election when the property was bought.

The tax election referred to here is a Section 198 claim. This election effectively binds both the seller and purchaser of a commercial property to an agreed valuation for fixtures and fittings included in the sale. This agreement is irrevocable - cannot be subsequently changed.

If you did sign such an election what we are about to suggest will not apply!

If you did not sign a S198 election you are free to have the original split of the purchase price between the cost of the building and its fixtures and fittings re-examined for tax purposes. If you can provide the Revenue with sufficient evidence (professional valuations etc) you may be able to increase the amount attributed to fixtures and fittings. This can be achieved even if a number of years has passed since you bought the property.

The benefit is an increase in your claim for capital allowances from the date of purchase of the property until 5 April 2008. (If you still own the property at that date.)

Time is running out so please give us a call if you would like us to examine past claims on commercial property that you own.

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### **Vans - tax smoke screen!**

Most users of commercial vehicles will now be aware that private use of a van will trigger a benefit in kind charge of £3,000 per annum - this applies from 6 April 2007. Plus an additional £500 if the van owner provides an employee with fuel for private use.

The Revenue do allow certain incidental non-business use without incurring a benefit charge including home to work mileage.

It is worth reviewing contracts of employment and other procedures to keep employees the right side of the benefit legislation. Of course they will then need to comply with the ban!

If commercial vehicle users would like more information on the Revenue's definition of "incidental private use" please give us a call.

What employers may not realise are the fines that may be levied on themselves and/or their employees if they fail to observe the new "Anti-Smoking" legislation that applies in England from 1 July 2007. (In Wales these regulations came into force on 2 April 2007, Northern Ireland 30 April 2007. Scotland introduced the legislation on 26 March 2006).

Believe it or not a vehicle used solely for business purposes is likely to be considered "business premises" for the purposes of the Anti Smoking legislation. You are obliged to display No Smoking signs in such vehicles.

Smoking in a smoke free vehicle carries a potential fine of £200.

Failing to display a No Smoking sign carries a potential fine of up to £1,000 per offence.

Failing to prevent smoking in a smoke free vehicle carries a potential fine of up to £2,500 per offence.

Again the requirements of this legislation should be included in your contracts of employment.

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## Tax Diary July/August 2007

**1 July 2007** - Due date for corporation tax due for the year ending 30 September 2006.

**6 July 2007** - Complete and submit forms P11D return of benefits and expenses and P11D(b) return of Class 1A NIC's.

**6 July 2007** - Deadline for submission of new Tax Credit application for 2007-2008, if you want to secure a full years claim.

**19 July 2007** - Pay Class 1A NIC's (by 22 July 2007 if paid electronically).

**19 July 2007** - PAYE and NIC deductions due for month ending 5 July 2007. (If you pay your tax electronically the due date is 22 July 2007)

**19 July 2007** - Filing deadline for the CIS300 monthly return for the month ending 5 July 2007.

**19 July 2007** - CIS tax deducted for the month ending 5 July 2007 is payable by today.

**31 July 2007** - Deadline for Tax Credit renewal submissions - notification of income for 2006-2007.

**31 July 2007** - Due date for second payment on account of self assessment tax 2006-2007.

**1 August 2007** - Due date for corporation tax due for the year ending 31 October 2006.

**19 August 2007** - PAYE and NIC deductions due for month ending 5 August 2007. (If you pay your tax electronically the due date is 22 August 2007)

**19 August 2007** - Filing deadline for the CIS300 monthly return for the month ending 5 August 2007.

**19 August 2007** - CIS tax deducted for the month ending 5 August 2007 is payable by today.

DISCLAIMER - PLEASE NOTE: The ideas shared with you in this email are intended to inform rather than advise. Taxpayers circumstances do vary and if you feel that tax strategies we have outlined may be beneficial it is important that you contact us before implementation. If you do or do not take action as a result of reading this newsletter, before receiving our written endorsement, we will accept no responsibility for any financial loss incurred.

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