

Q&A

WITH
ALISTAIR
WALLACE
FCCA CTA



What a mistake to make

Tax – we all have to pay it but get it wrong and it could be costly. Here are some real life experiences and pitfalls that we've encountered: -

Non-payment of a salary

Having taken over acting for a company, the previous accountant's had not informed the directors of the benefits of drawing a salary. This would decrease the company's tax bill by around £1,600 per director per year, and preserve their state pension. After some hasty correspondence with HMRC, we had this reinstated for the current tax year.

Property VAT

A client purchased a property to re-build a new dwelling. This would allow VAT incurred on the costs to be reclaimed from HMRC. However he changed his mind and kept the existing outside walls intact. Unfortunately this meant he could not now reclaim any VAT incurred. There was small comfort in that the property had been vacant for 2 years so the VAT could be charged at a reduced 5% rate by his suppliers.

VAT flat rate scheme

Another client elected to use the flat rate scheme so he could pay a reduced rate of VAT on his turnover. However, he had overlooked that rental income is exempt for VAT and he had now inadvertently brought this into the VAT net. We immediately took him out of the scheme once discovered.

Purchase of a vehicle

A car main dealer advised a client to finance a vehicle on contact hire. However, she was purchasing a fuel efficient vehicle that qualified for 100% tax relief if owned. Luckily, she contacted us just before signing on the dotted line and we managed to reduce her year's tax bill by over £8,000 with the right advice.

These are just a few examples that we've come across. For these clients, we were able to find a quick solution. Good communication with your accountant is key, which is what we encourage at BKB.