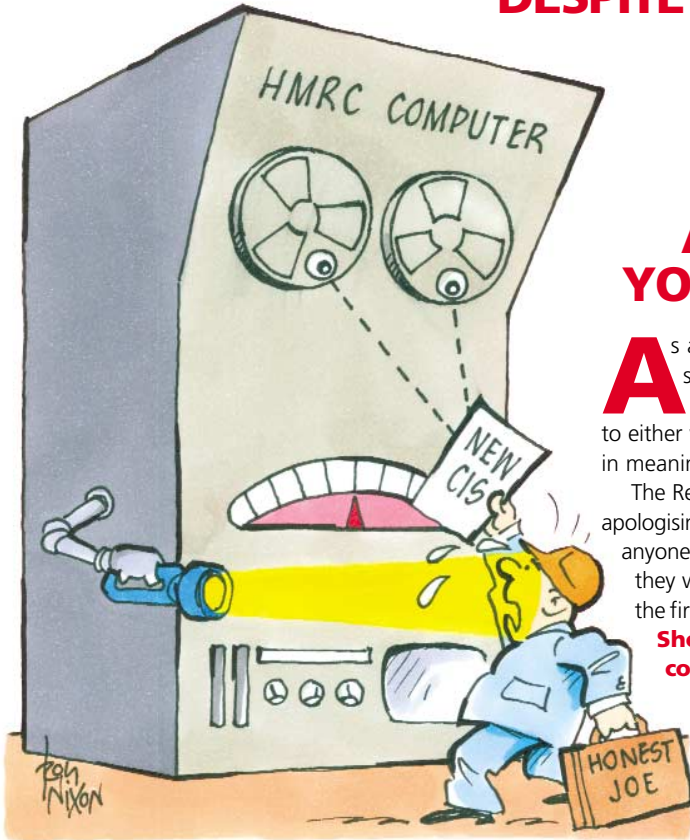




Briefing

DESPITE ITS FAILINGS THE NEW CIS COMPUTER IS STILL LEARNING A LOT ABOUT YOUR BUSINESS



As anticipated the HMRC's software has not been robust. Many contractors are struggling to either verify sub-contractors, or send in meaningful returns.

The Revenue however are not apologising for their system failure; anyone who complains is simply told they will not enforce penalties for the first six months!

Should we all be equally complacent? We believe not!

Disguised employees

A great deal of information is already being garnered from your monthly returns with regards to working patterns.▶

Inside ▶

Revenue approval. EEBS maintains its 100% record
When is 'fully compliant' not enough? All solutions are not equal!

MSC regulations. No concern for EEBS clients

Pension Stealth Tax? Why is the government checking we all have stakeholder schemes?

Carousel fraud. Beware!

EEBS service improvements. Email timesheets, email invoices and direct debits.

Despite its failings the new CIS computer is still learning a lot about your business - continued

Come the end of this period, in October, the Revenue have made no secret of their intention to use this information to reclassify subbies as 'disguised employees'.

We would strongly advise any contractors who are regularly using sub-contractors directly examine the records they are submitting. If the same people are showing up month after month, they should consider their position seriously.

TTQT (Tax Treatment Qualifying Test)

Also, while fines are not currently being levied, non-conformances are still being recorded and will count will against you in the TTQT.

This is the new automated compliance test for sub-contractors to establish whether they remain eligible for gross tax treatment. You must have complied with all obligations arising under ICTA88 and TMA70 (including not just CIS but PAYE, P11D, self assessment return and Corporation Tax) in the qualifying period to retain gross payment status.

The belief that many sub-contractors seem to have that technical failures during the 'period of grace' will be ignored is misplaced.

Removal of gross payment status will be automatic and will require a formal appeal to be overturned.

Concerned about the MSC Regulations?

Notwithstanding that the MSC (Managed Service Company) Regulations do not become law until they receive Royal Assent (in September?), and notwithstanding that the 'third party debt provisions' could not possibly affect clients until after January 2008, a number clients have contacted EEBS with concerns about MSC.

We are happy to confirm that these regulations DO NOT apply to us.

MSC is targeted at Composite

Company type schemes who claim their exotic shareholding arrangements circumvent IR35, and who abuse the 'dividend route' to avoid paying National Insurance.

EEBS does not provide Managed Service Companies - we are an 'umbrella type' company who engage our sub-contractors directly and whose sub-contractors pay the full rate of Tax and National Insurance ordained by Parliament for the Construction Industry.

'Carousel Fraud' warning

Clients should be aware that, as missing trader (carousel) fraud in high value electronics becomes more difficult, some of the 'players' are migrating into payroll services. One (UKAT) has even been paying a 5% kickback to clients for engaging staff through them.

The Directors of this firm

have been arrested and input tax relief is being refused. In addition to huge VAT and tax bills the clients face uncomfortable questions about conspiracy to defraud.

We would urge everyone to be very nervous of any deal which seems too good to be true, it normally is!

NEW CIS IS A 'FINE' SYSTEM



When is 'fully compliant' not enough?

While many services claim to be NewCIS and MSC 'compliant' clients should know that not all such arrangements are equal.

Accountancy Services

and packages may address verification and record keeping, but provide zero protection against employment claims or reclassification of subbies as employees.

Contract Writing Services

(often insurance underwritten) might stand up in court or alternatively cover any legal costs, holiday pay and tax due (if the insurance company cannot wriggle) but can never compensate you for your lost time preparing the case nor protect you from HMRC penalties for non-compliance.

Payroll 'Bureaus'

As with accountancy services, unless the contractors are

being engaged directly by the company, the risks of reclassification, and of employment and WTD claims, is NOT mitigated.

Composite Companies

may indeed be fully CIS compliant, and will protect you from worker status review, but will not pass MSC regulations in January.

The only sure fire way to both protect yourself from employment status issues, MSC and NewCIS administration is to engage an umbrella type limited company who engage their sub-contractors directly (like EEBS!).

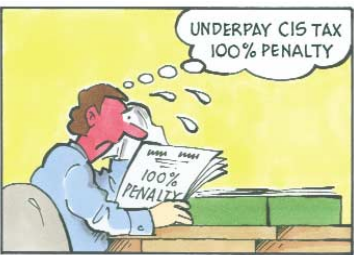
HMRC accept EEBS business model

Last month HMRC formally closed all investigations into EEBS and has officially confirmed it is not seeking to oppose our business model.

In the last three months eight more clients reported uneventful investigations where the Revenue did not even question the legal validity of our arrangements.

From incorporation EEBS has maintained a 100% approval record with the Revenue without itself or any client being referred to the Commissioners. (Compare this with our nearest competitor who is continually in the courts!).

Clients (and prospective clients) can be certain that dealing with EEBS is safe, legal and ethical.





...all this and mandatory pensions contributions in April?

Gordon Brown has been receiving bad press for the his mishandling and consequent under funding, of pensions. We believe, it is inconceivable that he will not try to address this issue very early in his premiership.

We have for a long time been asserting that the only reason to force employers to provide non-contributory 'stakeholder' pensions schemes, was to get in place (in a non-contentious way) the infrastructure to cope with mandatory employers contributions at some time in the future.

In the last few months the government has been sending out letters checking up that all employers have set up schemes and we predict that contributions will be made compulsory during the next financial year. We think you can expect an additional 3% or 4% on your wages bill next year, rising to between 8% and 10% over the next decade.

Another reason, if you need one, to make sure you maintain your sub-contractors self-employed status (or indeed encourage employees revert to being self-employed if they have already converted).

STOP PRESS

In his Labour Party Leadership acceptance speech Mr Brown made much his announcement of a commitment to affordable housing for first time buyers. He said the Housing Minister would 'attend cabinet' and that local authorities as well as the private sector and housing associations would build houses. We learnt, while he was Chancellor, not to take such announcements at face value - the devil was always in the detail. We will be watching developments here with interest.

New services

Three new services make sub-contracting through EEBS even easier (and environmentally friendly!).

E-mail timesheets

EEBS can now provide pre-populated timesheets which need only hours to be filled in and then emailed in order to pay subbies.

E-mail invoices

EEBS is moving to an exclusively email invoicing service.

Direct Debit

EEBS can now DD money from your account two days after invoice saving you both administration and bank charges.

Over the next months staff will be contacting all clients but, if you would like early conversion, **please call 0845 257 3327 or email karen@eebs.co.uk**

NB: It must be noted that while our literature has been prepared with the advice of solicitors and accountants it does not, in itself, constitute legal advice. You are advised to seek professional legal advice before pursuing any course of action.



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