

Level IV Certificate
In
Corporation Tax
for small and micro entities

FY2022

Lesson 1

SAMPLE

Contents**LESSON 1**

LESSON 1 INTRODUCTION TO CORPORATION TAX	5
CHAPTER 1 ADMINISTRATION of CORPORATION TAX	5
Corporation Tax	5
Notification of Chargeability	5
Company Tax Return	7
Record Keeping	9
Amendments and Errors of the Company Tax Return	9
Enquires opened into the Company's Tax Return	10
MTD for Business: Corporation Tax	12
Setting up as CT Agent	13
Register as Agent; Enrol for Services as Agent	13
Request Authorisation	16
Use of Services	17
Duties and Responsibilities of the Bookkeeper and Tax Agents	18
How to engage clients - Professional Clearance letter	19
How to engage clients - Letters of Engagement	19
Progress Test 1	25
CHAPTER 2 ACCOUNTING PERIODS	27
Accounting periods – Introduction	27
Taxable Total Profits	29
Adjustment of Trading Profits	29
Disallowed Expenditure	30
Dividends	34
Bad Debts	34
Hire and lease charges	34
Interest payable on loans	36
Income not taxed as trading profit	37
Financial Years – CT rates	39
CAP falls entirely in FY2015 or later	39
CAP falls entirely in FY2014	40

CAP straddling FY2014 and FY2015.....	42
CAP straddling FY2015 and later	44
Short Accounting periods.....	44
Long period of accounts	45
Payment of corporation tax.....	49
Instalments for large companies.....	51
Instalment due dates for large companies.....	51
Instalment amounts for large companies.....	53
Instalments for companies in a group.....	54
Exceptions to considering instalments	56
Interest on late payment and overpayment of corporation tax.....	56
Progress Test 2	61
Answers to Progress Tests.....	65
Assignment 1	71

SAMPLE

LESSON 1

INTRODUCTION TO Corporation Tax

CHAPTER 1 ADMINISTRATION of CORPORATION TAX

Corporation Tax

Total Taxable Profits (TTP) which are generated by UK limited companies are subject to Corporation Tax. Non-UK resident companies which trade in the UK through a permanent establishment are also liable for Corporation Tax on the profits, income, and gains realised by the company on a world-wide basis.

Later we will get back to the subject of establishing the Total Taxable Profits and calculating Corporation Tax in greater detail.

As for now, all we need to know is that TTP broadly includes income from trading, non-trading, property, investment profits and income from chargeable gains; therefore, the relevant laws applying will include the Corporation Tax Act 2009, Corporation Tax Act 2010 and the Taxation of Chargeable Gains Act 1992 amended by the Finance Acts. Changes in the law are announced by the Chancellor of the Exchequer and passed by Parliament.

Corporation Tax is administered by HMRC. Any issues arising are dealt with by taxpayer district offices, which also deal with more complex Income Tax issues.

Let us first look through the basic procedures relating to notices, penalties, and the administrative requirements of following the Corporation Tax Self-Assessment (CTSA) penalty regime.

Notification of Chargeability

Every company which falls within the scope of Corporation Tax must notify HMRC that it has started trading within 3 months of the beginning of the first accounting period, or when it re-enters within the scope of Corporation Tax or starts trading again after dormancy.

A company which is chargeable for tax and has not received a notice to file a tax return (CT603) must give notice of chargeability within 12 months of the end of the accounting period.

Failure to notify liability to tax, or new income source of tax:

The penalty for failure to notify liability is expressed as a percentage of the tax due, which - because of the failure to pay- remains unpaid and is connected to the company's pattern of behaviour. The possibility of a reduction arises when the notification is made within 12 months (12m).

Pattern	Maximum penalty	Minimum penalty with unprompted disclosure		Minimum penalty with prompted disclosure	
Deliberate and concealed	100%	30%		50%	
Deliberate and not concealed	70%	20%		35%	
		<12m	≥12m	<12 m	≥12 m
Careless	30%	0%	10%	10%	20%
Reasonable excuse	0	--	--	--	--

Careless: if the inaccuracy is due to taxpayer's failure to take reasonable care

Deliberate but not concealed: if the inaccuracy is deliberate on the taxpayer's part but the taxpayer did not try to conceal it e.g., the company gives HMRC a document that they know contains an inaccuracy. It is not necessary to demonstrate that the person knew what the accurate figure was, only that they knew that the figure they put on the document was not accurate.

Deliberate and concealed: is the most serious level of evasion. It occurs where a document containing a deliberate inaccuracy is given to HMRC and active steps have been taken to hide the inaccuracy either before or after the document has been sent to HMRC.

As well as deliberately recording an inaccuracy, the person must have taken active steps to cover his/her tracks by making arrangements to conceal the inaccuracy such as destroying books and receipts.

Prompted: When the taxpayer tries to correct a failure after HMRC discovered the error.

Unprompted: When the taxpayer has no reason to believe that HMRC has discovered or is about to discover the error.

A reasonable excuse: is normally something unexpected or outside one's control that has stopped the taxpayer meeting a tax obligation, in which case penalties can be avoided, for example:

- Partner or another close relative died shortly before the tax return or payment deadline
- Had an unexpected stay in hospital that prevented dealing with tax affairs
- Had a serious or life-threatening illness
- Computer or software failed just before or during preparation of an online return
- Service issues with HM Revenue and Customs (HMRC) online services
- A fire, flood or theft prevented completion of a tax return
- Postal delays which were not predicted

The following will not be accepted as a reasonable excuse:

- Taxpayer relied on someone else to send their return and they didn't
- Taxpayer's cheque bounced or payment failed because the company didn't have enough money
- Taxpayer found the HMRC online system too difficult to use
- Taxpayer didn't get a reminder from HMRC

Penalties are payable within 30 days of issue of the notification of the charge. Late payment of the penalty is surcharged by interest.

EXAMPLE

Bee Ltd's first accounting period started on 1 January 2022. The Director of the company carried the administrative burden for the company but was not aware of the fact he must notify HMRC of the chargeability for the company's year ending 31 December 2022. The Director knew that he had to pay the Corporation Tax by 1 October 2023 and hired an accountant to file the company return in June 2023. The accountant discovered the failure to notify and immediately informed HMRC. The total taxable profit after adjustments is calculated for the period as £20,000. Assume 19% corporation tax rate.

Task: Calculate the maximum and minimum penalties that the company might have to pay. Not knowing the deadlines and requirements is **never** a reasonable excuse. It seems, however, that the Director had no motive to fail to notify and therefore it comes down to carelessness. The accountant discovered the fact and acted immediately. There is no reason to suspect that HMRC was about to make that discovery themselves.

We can exclude the 'deliberate and concealed' motive also. HMRC will treat this as an unprompted disclosure within 12 months of the tax becoming due for payment.

The maximum penalty can still be 30% of the potential lost revenue; however based on HMRC's assessment of the timing, nature and extent of the failure this can be reduced to NIL.

The potential lost revenue is the 'missing' tax from HMRC's perspective e.g.

$20,000 \times 19\% = 3,800$ which means the penalty will be somewhere between £0 - £1,140

Company Tax Return

All UK companies bar dormant companies, must submit their Company Tax Return, as part of their Self-Assessment, to HMRC which consists of:

1. CT600 Corporation Tax Return and supplementary pages
2. Corporation Tax computation
3. Complete (Full) Accounts prepared for the accounting period

The Company Tax Return must be submitted no later than:

- 12 months from the end of the accounting period (**watch out: Payment of Corporation Tax is earlier than the filing deadline!**)
- 3 months from the date on which the CT603 'Notice to deliver a Company Tax Return' was made.

Dormant companies must deliver a set of dormant accounts to Companies House however they do not have any chargeable periods and they are not required to deliver a CT600 to HMRC.

Both the filing and the payment must be delivered electronically except for some very few exceptions, and under strict conditions, such as religious reasons.

Unlike individuals, companies cannot ask HMRC to calculate their Corporation Tax liability for them.

Just as for filing the Annual Accounts with Companies House, completed accounts and the tax computation must be tagged electronically using the correct taxonomy, and filed in iXBRL format. **It is essential to use a software product that allows such tagging.**

HMRC's free CT submission software was available until 31 December 2016 to file company tax returns for accounting periods ending on or before 31 December 2015, but not for later accounting periods. For these you must use a 3rd party software. Make sure you check HMRC's list of approved products for Corporation Tax purposes:

<https://www.gov.uk/government/publications/corporation-tax-commercial-software-suppliers/corporation-tax-commercial-software-suppliers>

If a company fails to submit the completed Company Tax Return, they will incur a penalty charge and possibly interest payments. HMRC may also, in the interim, issue what is known as a *tax determination*. This is an estimate of the tax that may be due and is often deliberately on the high side. The amount listed on the determination must be paid; there is no appeal against it. The only way this estimate can be overturned is by the completion of the actual tax return with a correct calculation of the tax due.

Late filing penalties are flat rate penalties up to 3 months then tax-gearred penalties after that as follows:

Time after the deadline*	Penalty
1 day	£100 flat rate
3 months	Another £100 flat rate
6 months	HMRC will estimate your Corporation Tax bill and add a penalty of 10% the unpaid tax
12 months	Another 10% of any unpaid tax

* This means you have to reach the time mark to be penalised e.g. 2 months would mean £100 penalty. If the tax return is late 3 times in a row, the £100 penalties are increased to £500 each.

Record Keeping

We have learned about record keeping in Drafting Financial Statements. Let's recap the deadlines:

Companies must keep records until the latest of:

- 6 years from the end of the accounting period
- The date any enquires opened are completed
- The date after such enquires cannot be made

You might have to keep certain records longer, especially when they contain a transaction that covers a longer period than the statutory record keeping period, or an asset with an expected economic life longer than 6 years.

Poor record keeping discovered by HMRC can result in penalties of up to £3,000 per accounting period. Aside from HMRC, records also must be available for auditors, or the Department of Work & Pensions, to give further examples. Failure to provide requested records will result in a £300 penalty and up to £60/day further penalty if records continue to be unavailable.

Amendments and Errors of the Company Tax Return

You must make amendments to the Company Tax return within 12 months of the due filing date (original deadline) if an error or omission has been discovered. HMRC also has the power to make an amendment within 9 months from the date of receipt of the return itself.

Penalties apply where a taxpayer submits an incorrect company tax return and:

- it leads to an understatement of the amount of tax due
- a false or increased loss
- or a false or increased repayment of tax

The percentages are based on the Potential Lost Revenue (PLR) which is effectively the unpaid tax the company is liable for.

Pattern	Maximum penalty	Minimum penalty with unprompted disclosure	Minimum penalty with prompted disclosure
Deliberate and concealed	100%	30%	50%
Deliberate and not concealed	70%	20%	35%
Careless	30%	0%	15%
Mistake	0	--	--

To recap: the legal implications regarding late returns also apply here.

Where the company takes reasonable care of potential inaccuracies, the company would not act carelessly if, for example, there would be a minor mistype of an income or cost item. Materiality is key in this matter therefore each case must be assessed on its own merit. However, any additional corporation tax will be due upon the rectification of the error.

EXAMPLE

Ceelia Ltd has reported £30,000 total taxable profit after adjustments. The Director panicked; he believed that the corporation tax was too high and modified the invoice date for a significant asset which cost £60,000, so that it could be included as annual investment allowance (AIA), thus reducing the tax bill. HMRC notified the company about opening an enquiry into the tax return but the Director is hoping that they won't notice the change of date on the invoice. Assume 19% corporation tax rate.

Task: Calculate the maximum and minimum penalties which the company might have to pay.

The modification of the invoice date is a deliberate action, and the Director has concealed the facts that would lead to a discovery of the error. However, on auditing the accounts and invoices HMRC agents would find the discrepancy. As a significant invoice it would be likely to be singled out. As the Director was *not* helping HMRC agents to see the records straight this failure would most probably lead to the maximum penalty being imposed.

The potential lost revenue for HMRC is the amount of the error itself therefore:

$$£60,000 \times 19\% = £11,400$$

The % applied for the promoted, deliberate and concealed error will range from 50% to 100%, maximum penalty: £5,700 to £11,400 on top of the corporation tax itself e.g., potential penalty of £11,400 + £11,400.

Enquires opened into the Company's Tax Return

HMRC may open an enquiry into the company's affairs without any specific reason other than general compliance, or to determine whether the company pays the correct amount of tax. Only one enquiry can be opened into each submitted Tax Return.

HMRC must give the company a written notice about the beginning of the enquiry no later than:

- 12 months after the filing date (in case of no late filing)
- 12 months from the 31 January, 30 April, 31 July or 31 October following the actual filing date (in case of amended returns or returns filed late)

If HMRC believe that not enough tax has been assessed for an accounting period, they can make a **discovery assessment** to collect the tax. Such a

discovery assessment can be made only if HMRC could not reasonably be expected to have been aware of a loss of tax and are supplied with information to draw their attention to a contentious matter. This could be the use of a valuation or an estimate. HMRC can raise an assessment within 4 years from the end of the accounting period; this is extended to 6 years if there is a careless error or 20 years if there is a deliberate error or failure to notify a chargeability to tax.

The company has the right to appeal to the Tax Tribunal within 30 days of the closure of the enquiry against any amendments HMRC has made.

As you can see there is a large administrative burden on a company for which mainly the Director is responsible. If you - as a professional - engage in dealings with a company, it is imperative to agree on the precise schedule of work. Any misunderstanding can result in penalties and interests charged.

SAMPLE

MTD for Business

In 2015 the Government decided to turn the UK taxation system digital. This was to enhance its effectiveness and efficiency, and to make the system simpler for taxpayers, whether they are unincorporated, incorporated, or other individual taxpayers (landlords).

Originally the entire program of **Making Tax Digital (MTD)** was to be implemented in a relative short term, but the technical difficulties and delayed trials, resulted in MTD for VAT being in force only since 1 April 2019.

At the time of writing, the MTD for ITSA (Income Tax Self Assessment) is as follows: Self-employed businesses and landlords with annual business or property income above £10,000 will need to follow the rules for MTD for Income Tax from their next accounting period starting on or after 6 April 2024.

For now, we are only aware of the fact that MTD for CT (Corporation Tax) won't be in effect earlier than April 2026.

As envisioned the quarterly updates will be integral part of the MTD for CT and there are already means to digitally link bookkeeping software products with accounts production and taxation software products. However, with non 12 months accounting periods (typically first period of accounts) the modern cloud based dynamic systems are not integrating with the accounts production and taxations systems as well as has been hoped.

Setting up as CT Agent

Let's assume that you have already set up as an agent with HMRC and are running your practice under the aegis of ICB. Let us recap the process. As HMRC is now developing a new system and the old system is being transitioned you might see a slightly different layout of the HMRC Online Services platform at some stages.

1. Register as Agent

In order to be able to act on behalf of your Client, you have to register as an Agent. You then add all the services for which you are qualified (in our case you will be a CT Agent)

But first let's set up as an Agent.

Go to <https://www.access.tax.service.gov.uk/login/signin/creds> and start the process by opening a Government Gateway account (Picture 1).

Follow the simple prompts and you will obtain a 12-digit numerical code this will be your GG Agent credential.

The screenshot displays the Government Gateway registration interface. On the left, the 'Sign in using Government Gateway' section includes a text box for the user ID (noted as up to 12 characters), a password field, a 'Sign in' button, and a 'Create sign in details' link. On the right, the 'Choose the type of account you need' section offers three radio button options: 'Individual' (personal tax, credits, etc.), 'Organisation' (companies, partnerships, etc.), and 'Agent' (accountants acting on behalf of clients, etc.). The 'Agent' option is selected, indicated by a black arrow. A 'Continue' button is located at the bottom of the right panel.

PICTURE 1 Government Gateway registration

2. Enrol for Services as Agent

CT as Agent

The procedure will be the same for most of the services.

- For every service which you will be adding, you will need to obtain a **SEPARATE** Agent Reference Number.

- Then you pair it with your postcode when entering a service from the Services Available
- An activation code will be issued by post. You must use this to complete the process.

The code has an expiry date so use it as soon as possible.

Agent Reference number request is different for Self-Assessment and Corporation Tax as you must do it in **WRITING** to HMRC. This is unlike other services such as VAT and PAYE/CIS which can be done electronically.

You must send a letter on your letterheaded paper with the following content to HMRC. **Please note that no detail is optional!** Please be warned that it takes about 2-6 weeks to receive the agent reference number. Also enclose a copy of your ICB membership certificate and practice licence.

Agent Compliance Team

HM Revenue and Customs

United Kingdom

BX9 1ZE

Application for a New Agent code - Corporation Tax Agent Reference Number

Date: XX/XX/XXXX

Dear Sir / Madam,

I have recently added a new service to my practice, and I would like to apply for a national agent code, in order that I can act for corporate clients in their dealings with HMRC.

The details of my practice are as follows:

Proprietor:

Trading Name:

Business Address:

Business Telephone Number:

E-mail:

Supervisor for the purposes of the Money Laundering Regulations 2017: The Institute of Certified Bookkeepers. Membership number: XXXXXX, Practice Licence Number: XXXXX

UTR:

Taxes: Corporation Tax (CT)

I trust this information is sufficient; however, if you require further information, please do not hesitate to contact me.

Yours faithfully,

Further information is available here: [How to get an agent code for Corporation Tax or Self Assessment - GOV.UK \(www.gov.uk\)](https://www.gov.uk/how-to-get-an-agent-code-for-corporation-tax-or-self-assessment)

Enter your Government Gateway with your Agent User ID and password (Picture 1 above) and you will land on your GG Agent Dashboard (Picture 2 below)


GOV.UK

Agent services

[Sign out](#)

BETA This is a trial service. Help us improve it - send your [feedback](#).

[Manage account](#)

Your services

[Corporation Tax](#)

[PAYE](#)

[Self Assessment](#)

[VAT](#)

[Construction Industry Scheme \(CIS\)](#)

[All your other services](#)

Messages

[Recent client messages](#)

Add services

[Enrol for more services](#)

Client registration

[Register a client for new taxes](#)

[Get authorised by a client](#)

PICTURE 2 Your Agent GG Dashboard

▲ Your HMRC services

Main menu

- ▼ Your HMRC services
 - ▶ View communications
 - ▶ Register for HMRC taxes
 - Services you can use**
 - ▶ Services you can add
- ▶ Your account
- ▶ Authorise client
- ▶ Tools & Calculators

Services you can use

The services you have signed up for are listed below.

To access a service that you are enrolled and activated for, follow the relevant 'Access service' link.

If you have enrolled for a service but haven't activated it, please follow the relevant 'Activate service' link to enter your Activation Code.

Corporation Tax (CT) for Agents Corporation Tax Agent Reference: XXXXXXXXXX	▶ Access service
Notification of Vehicle Arrivals For VAT registered businesses, non VAT registered businesses or private individuals to notify HMRC of vehicles brought into the UK from abroad.	▶ Access service
Construction Industry Scheme (CIS) for Agents CIS Agent ID: XXXXXXXXXX	▶ Access service
VAT Mini One Stop Shop for Agents VAT Agent Reference Number: XXXXXXXXXX	▶ Access service
Use this service to account for VAT due in other Member States on a single return on behalf of your EU and non EU business clients who provide telecommunications, broadcasting and e-services to EU customers.	▶ Access service
Employment Related Securities (ERS) for Agents For agents to view schemes and arrangements for their clients and notify and submit grants of options for Enterprise Management Incentives (EMI).	▶ Access service
PAYE for Agents PAYE Agent Reference: XXXXXXXXXX	▶ Access service
Self Assessment (SA) for Agents Self Assessment Agent Reference Number: XXXXXXXXXX	▶ Access service
VAT for Agents VAT Agent Reference Number: XXXXXXXXXX	▶ Access service
VAT EU Refunds for Agents VAT Agent Reference Number: XXXXXXXXXX	▶ Access service

PICTURE 3 HMRC Online Services available

By choosing "All your other services" - marked with pink on Picture 2 - you will be able to access all the services that you can enrol for (Services You Can Add) and all services you can use as shown on Picture 3.

When you have received (in writing) your agent reference number, it can be entered to access the service.

3. Request Authorisation

Requesting authorisation from a client through HMRC Online Services is really easy and quick. The primary access is through the Agent Services dashboard (Picture 2 orange box) which will take you to the HMRC online authorisation platform.

Go to Authorise Client → Request Authorisation → and follow the steps laid out for the different taxes. Your client will receive a code by post. When you receive the code enter it under Authorise Client → Enter authorisation code.

① Select service → ② Enter client details → ③ Submit request → ④ Authorisation code issued → ⑤ Enter authorisation code

Main menu

- ▶ Your HMRC services
- ▶ Your account
- ▼ Authorise client
 - ▶ Request authorisation
 - ▶ Un-submitted requests
 - ▶ Enter authorisation code
 - ▶ FAQs
- ▶ Tools & Calculators

Request authorisation

Please find below an explanation of the steps to request authorisation to act for your client. Please click 'Next' to proceed.

Step 1	Select service - you must be registered for this service.
Step 2	Enter client details.
Step 3	Submit request.
Step 4	When your authorisation request has been successfully validated the status of the request will change to 'code issued'. A letter containing details of your request and an authorisation code will be sent to your client within 7 working days. If your client agrees to authorise you to act on their behalf they should pass the code to you. The letter will also show the date by which the code must be entered, as it will expire approximately 30 days after the date of issue.
Step 5	Once you receive the code, return to this service and enter the code before the expiry date. This will complete the authorisation process, however it may take a short time before the client appears on your client list.

PICTURE 4 HMRC Online Authorisation platform

4. Use of Services

Once you have activated the Corporation Tax Service and have been authorised by a client, you can access the service from the main dashboard (Picture 1) to land on the CT service particulars for a specific client shown on Picture 5 below:

HM Revenue & Customs Home Cymraeg Contact HMRC Help Sign out

Information as at 02 Mar 2019

▲ Your HMRC services **Tax Agent** acting on behalf of **CLIENT LTD**
Tax Reference Number:

Your current client

Corporation Tax

- ▶ At a glance
- ▶ About your firm
- ▶ Clients
- ▼ Your current client
 - ▶ About your client
 - ▶ View account
 - ▶ File a return
 - ▶ Maintain client
 - ▶ Remove client
- ▶ FAQs

View account
 Select this service to view details of your client's [CT Liabilities & Payments](#).

File a return and accounts
 You can file returns and accounts for your client using commercial software.
[View a list of commercial software ▶](#)

Manage client
 You can add or change your client reference.
[Maintain client ▶](#)
 You can remove this client from your client list.
[Remove client ▶](#)

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PICTURE 5 HMRC (Online) Agent Services

While being an authorised CT Agent for a client is not needed to file a CT600 return, it will be vital in allowing you to access the correct accounting periods and payslip reference numbers for the client. One also gains the ability to contact HMRC Corporation Tax Helpline on behalf of the client to change accounting periods etc.

If you are no longer act for a client, you can simply remove them online by deleting it from your client list.

If an agent needs to update their business name, address or trading status, they should write to the Agent Compliance Team (formerly the Central Agent Compliance Team). More information is available here:

[Change or remove your authorisations as a tax agent - GOV.UK \(www.gov.uk\)](https://www.gov.uk/change-or-remove-your-authorisations-as-a-tax-agent)

All company name and address changes must be done through Companies House which subsequently updates HMRC.

Duties and Responsibilities of Bookkeepers and Tax Agents

As a bookkeeper or accountant, you are required to satisfy all expectations of your professional body (ICB, AAT etc) regarding professional conduct and ethics.

Regardless of the level of your membership, general rules are applicable to every member including students.

Employers, clients, and the public will expect that you adopt a high standard of conduct and behaviour in personal and professional life.

The fundamental principles laid down by the professional bodies generally require its members:

- to have sufficient competence and apply due care, including adherence to the requirements of Continued Professional Development (CPD);
- to have personal and professional integrity; carrying out honest and reputable activities and avoiding bringing disrepute to the body
- to preserve confidentiality of the client and prevent disclosure of information unless permitted or required by laws and regulations
- to comply with relevant laws and regulations
- to avoid bias, conflict of interest or undue influence

For more details, please check your professional body's Regulations (Ethics and Professional Conduct).

How to engage clients – Professional Clearance letter

If your new client already has a bookkeeper/accountant it is customary to write a **professional clearance letter**. The purpose of the letter is to provide continuity between the two professionals by providing necessary information, such as fixed asset register, or outstanding communication from HMRC. It also informally confirms that there is no reason why you shouldn't engage with the client.

Before you approach the other professional you must ask your client to give permission for the other bookkeeper/accountant to release all data and information you require.

Besides vital reference numbers such as the VAT number, PAYE Reference number or Corporation UTR number, from CTSA point of view you should ask for a Trial Balance that agrees with the last Tax Return, the Fixed Asset Register, and the Capital Allowances schedule (with written down values - WDV).

From a bookkeeping point of view, of course, you would need the bank reconciliation, and the detailed breakdown of creditors and debtors.

Have a good think about any client specific questions, as this might be your only chance for communicating with the other professional without incurring additional costs for your client. For example, you are aware of an unusual item, it is always best to ask for further information, if your clients cannot answer your questions.

How to engage clients – Letters of Engagement

An **engagement letter** defines the legal relationship (or engagement) between a professional (e.g. law, investment banking, consulting, advisory or accountancy business) and it's client. This letter states the terms and conditions of the engagement and principally addresses the scope of the engagement and the terms of compensation for the firm.

It is extremely important for both you and your client to provide sufficient information about your mutual obligations and responsibilities. It is always a good practice to build in safeguards in case of dispute. You should always detail the consequences of missing deadlines or acting against your advice.

From 25 May 2018 the LoE must comply with the new GDPR (General Data Protection Regulation). The following LoE is a basic version so that you have an idea about the format, please seek the downloadable and compliant format from your professional body!

LETTER OF ENGAGEMENT

To: [Mr] [Mrs] [Miss].....
To:Business / client name
Date
Dear.....

Letter of Engagement

Parties to the Agreement:

- a) ABC Bookkeeper of 1 High Street, Anytown AA1 AB1
- b) Client Ltd of 1 Market Street, Anytown AA1 AB1

The following terms and conditions of engagement constitute the entire agreed scope of services, responsibilities and associated fees.

1. Period of Engagement

This engagement will commence on 13th Oct 2022 and will be subject to signing.

- a) Annual review
- b) Cancellation by either party in accordance with the terms of this agreement
- c) Any conclusion date shown in this agreement

2. Services to be provided and their scope and costs

Accountancy / Bookkeeping

I will prepare the income and expenditure account, Profit and Balance Sheet of your business from your accounting records and other information and explanations given by you. This will include / exclude entering all receipts/invoices/cheques but will exclude the raising of sales invoices.

This service will commence from the date of this agreement with the first set of accounts being for the 2022 financial year.

The cost of this service is £xxx per annum.

Taxation

I will provide the following services in relation to your taxation matters:

- 1. Filing of your SA return / Company Accounts beginning tax year 2019/20
- 2. Filing of monthly / quarterly returns as necessary – tax year as above
- 3. Calculation of your Class 4 NIC / Corporation Tax liability – tax year as SA return / Company accounts.
- 4. Advice and reminders of due dates of payment of any PAYE/NIC/VAT/Corporation Tax – tax year as SA return / Company accounts.
- 5. Act as your agent with respect to HMRC and deal with any communication you pass to me/is sent to me directly by HMRC, which falls under the scope of this agreement and dates of service shown above and elsewhere in this document.

The cost of this service is included with the bookkeeping/accountancy fees shown above

Payroll

I will provide the following payroll services with effect from the date of this agreement or as described below if stated.

- 1. Calculation of employee's wages/PAYE/NIC/Pension, based on information provided by you

not later than 3 days preceding the payday defined by you.

NOTE: I will NOT be liable for any costs incurred due to the late provision of information by you.

2. Provision of and sending out of employee's wage slips.
3. Calculation of and provision of monthly P30 to enable you to fulfil your payment obligations to HMRC

The cost of this service is £x per employee per month.

Pensions / Auto-Enrolment

In respect of pensions and auto-enrolment I will provide the following services:

1. Act as your main point of contact in respect of your obligations under Auto-Enrolment with The Pensions Regulator.
2. Assist in the setting up of an appropriate pension scheme (NOTE the choice of scheme is ultimately your responsibility)
3. Calculate and pay over monthly pension contributions due under Auto-Enrolment
4. Assess any new employees under Auto-Enrolment and deal with their enrolment into your scheme
5. Administer the scheme on an on-going basis, including tri-annual re-assessment of the workforce, opting in and opting out

This service will commence from your staging date of 1st July 2020 (apart from assisting you in sourcing a suitable scheme, which commences upon the date of this agreement).

The fees for these services are:

- Assisting in sourcing scheme: £200 flat fee
- All other duties shown above: £x per employee per month

3. Your Responsibilities

3.1 Regardless of the scope of services shown above, you are ultimately responsible for ensuring that any returns are filed on time and that any due dates for payment of PAYE / VAT, etc are made on time. Any penalties incurred through late filing / payment will be your responsibility, unless agreed otherwise and you have provided me with all necessary information in plenty of time (details of what constitutes plenty of time is either stated above or if not can be supplied upon request).

3.2 You must disclose all information necessary to enable me to make the correct calculation of any / all of your liabilities. I cannot be held responsible for any penalties / fines incurred by reason of incorrect information, unless the error is proven to be mine and not yours.

3.3 You agree that any information / accounts / returns that I provide are based on the above responsibilities of yourself and that I have / haven't audited your accounts.

3.4 You agree that you will not withhold your permission for me to approach third parties (including your previous service provider) to enable me to carry out my duties.

3.5 You agree to forward me any information which you may receive directly, which may affect your accounts / tax position and will keep me informed of any circumstances (including personal circumstances), which may also affect your status / tax position.

4. Money Laundering Regulations

4.1 All bookkeepers / accountants must comply with the duties imposed upon them by the Proceeds of Crime Act 2002 and the Money Laundering Regulations of 2017.

4.2 Before I commence my engagement I need to obtain satisfactory proof of your identity (e.g. passport, driving licence, etc).

4.3 During the course of my engagement I may also need to obtain evidence of identity of third parties that you transact with. Your assistance in obtaining this evidence is also part of your duties under this agreement.

5. Fees

- 5.1 Fees will be charged as stated above for each type of service. Any services outside this scope will be charged at my hourly rate of £25
- 5.2 Invoices from me will be sent on a monthly/weekly basis and I expect payment on the same basis. For the avoidance of doubt this means either 7 days or 28 days payment terms.

6. Client Money

- 6.1 In order for me to provide you with the above services it may be necessary for me to have access to your bank accounts.
- 6.2 It will be down to you to provide all necessary security information with your bank to enable me to carry out my duties.
- 6.3 I will only make payments authorised by yourself in advance and in accordance with the security access granted by the bank.
- 6.4 I will not hold any monies of yours in my account, other than the payments to which I am entitled under this agreement.
- 6.5 You will be responsible for day to day banking of cash/cheques.

7. Ownership of Records

- 7.1 In so far as I am permitted; whilst in my possession I retain a lien on your records/accounts/information until such time as my services for that particular record/return, etc has been paid for in full.
- 7.2 By signing this agreement you agree to and understand this lien.

8. Holding of Records

- 8.1 Any documents held by me in relation to this agreement will be held by me until either:
- a) A period of 7 years has passed since the date of the document / tax year, etc
 - b) I deem that neither you nor I will have further need of the document / record
 - c) Our agreement is ended, in which case I will hand over all records / documents, but retain the right to make and retain copies in order for me to prove compliance of MLR, etc with my regulating body

9. Copyright

- 9.1 I retain intellectual copyright over all documents (including electronic ones of all types) that I compile and prepare for you in the course of my duties under this agreement.
- 9.2 You agree that in the event of this agreement coming to an end, or at my request (not to be given vexatiously), that you will either return or destroy all copies of those documents that I retain copyright in, unless they are needed under legislation.

10. Advice

If you wish to rely upon advice given verbally, you should ask for that advice to be confirmed in writing or via email.

11. Customer Service

I am committed to providing the highest standards of service at all times, however should you have any concerns at all please contact me immediately. I will do my utmost to satisfy your concerns as soon as possible. If however you feel that I have failed to alleviate your concerns you are free to contact my supervising body (The ICB) directly. Their contact details can be found at www.bookkeepers.org.uk

12. Regulation and Insurance

- 12.1 Note that I am fully regulated by my supervisory body (The ICB) and am licensed by them as a

practicing book-keeper.

12.2 I also carry Professional Indemnity insurance, details of which I can provide

12.3 By signing this agreement I agree that any information that I have about yourself and / or your company will be held securely and treated in confidence, save for when I need to disclose it to any relevant authority according to the GDPR, further details can be found in the Privacy Notice.

13. Third Parties

13.1 The parties to this agreement do not intend that any term of this agreement will be enforceable under the Contracts (Right of Third Parties) Act 1999 by any person other than the parties.

13.2 All accounts / statements, etc prepared by me for yourself are for your exclusive use only. Third parties should not rely on their content.

13.3 Should you wish to show any accounts/statements, etc to third parties then you should first seek my consent.

14. Cancellation

14.1 This agreement may be cancelled only by the following methods:

1. For a period of 14 days following the signing of this agreement (the cooling off period), you may give written notice of your intention to terminate without penalty.
2. Either you or I may give the other 14 days written notice of our intention to terminate after the cooling off period.
3. Any notice by you other than in accordance with the above timescales will incur a penalty charge to equal the amount of payment I would have received had the correct notice been given.
4. I may give less than 28 days notice to yourself without penalty on the following grounds:
 - a) Continued failure to make payment on time in accordance with this agreement
 - b) Your failure to comply with any reasonable request under MLR legislation
 - c) Your continued failure to provide information in the timescales stated in this agreement to enable me to file your statutory returns.

15. Notices

15.1 Any notice given under this agreement may be given only via email or post.

15.2 It will be conclusive evidence that an email delivery receipt or postal recorded delivery shall prove delivery.

15.3 Notices given via email shall be effective immediately upon the day sent up until 5pm, after that time they shall be effective from 8am the following day.

15.4 Notices sent via the post will be deemed to be effective 48 hours after posting.

16. Disclaimer

- ▶ Please note that I will not be held liable for any loss suffered by you or any third party as a result of my compliance with UK legislation.

17. Applicable Law

17.1 Should any term of this agreement be deemed unenforceable or misconstrued, then that term shall be removed from this agreement in isolation and the rest of the agreement shall stand.

17.2 This agreement will be governed by English Law.

17.3 The parties agree that the courts of England and Wales will have exclusive jurisdiction to determine any dispute arising out of or in conjunction with this agreement. The parties irrevocably

submit to the jurisdiction of those courts.

To confirm that you have read and understood the contents of this letter and agree that it accurately reflects your understanding of our disengagement, please sign and return the enclosed duplicate. If it is not returned to us within [21 days] of the date of this letter, I shall proceed as if you had provided such agreement

Yours sincerely

.....Firm name

Dated

Both parties have read, agreed, understood and been supplied with a complete copy hereby agree and submit to the terms and conditions contained therein.

Agreement signed by:

Party 1 ABC Bookkeeper

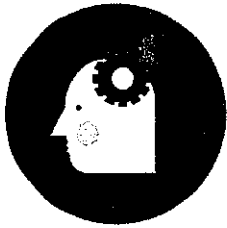
Signed By

Print Name

Party 2 Client

Signed By

Print Name



Progress test 1

ACTIVITY 1

Your new client is worried about penalties. There was a fire at her industrial estate office which was not her fault. All the paper-based documents were destroyed. She has been keeping records electronically for 7 years but she has no copies of the destroyed documents.

Advise the client about her situation.

ACTIVITY 2

Your new client presented you with the following information:

The company was incorporated on the 7 July 2022. The accounting reference date is 31 July 2023. Today is 28 September 2023. He has all registrations in place but has not filed any accounts or other submissions yet. He is worried about the deadlines. He does not think that he received a notice to file a corporation tax return, but it is possible that he might have misplaced it.

Advise him about his situation.

ACTIVITY 3

What is the final date HMRC can initiate an enquiry into a company's corporation tax return if the period end was 31/03/2022 and the filing date was:

- a) 31/01/2023
- b) 31/05/2023

ACTIVITY 4

What is the late filing penalty for the following submissions for the year ended 30/06/2022 if the corporation tax estimate by HMRC is £10,000

Filing date	Penalty
30/06/2023	
01/07/2023	
10/10/2023	
05/08/2024	