Botting & Co Ltd News

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TAX DEADLINES

1 September
Remote Gaming Duty at 15% applies to online gambling.

19 September
PAYE & NIC to reach HMRC for month to 5 September.

21 September
Electronic payments of PAYE & NIC to reach HMRC for month to 5 Sept.

30 September
Tax Returns completed on paper to be submitted to allow tax due up to £2,000 to be collected through 2008/09 PAYE coding.

1 October
National minimum wage rates increase; adult rate up to £5.52. Corporation tax due for small companies for year to 31 December 2006. Minimum statutory annual leave entitlement increases to 24 days. Relief from SDLT for certain zero-carbon homes. Excise duties on main road fuels to increase by 2p per litre.

5 October
Inform HMRC of new sources of income or gains if no Tax Return received for 2006/07.

17 October
Pre Budget report. Personal allowances for 2008/09 announced.

19 October
Income tax and class 1B NIC due under PAYE Settlement Agreements for 2006/07. PAYE & NIC due for month to 5 October and 2nd quarter 2007/08.

22 October
Electronic payments of PAYE&NIC to reach HMRC for periods to 5 Oct.

2 November
Submit forms P46 (car) for quarter ended 5 October.

19 November
PAYE & NIC to reach HMRC for month to 5 November.

22 November
Electronic payments of PAYE and NIC to reach HMRC for month to 5 Nov.

Planning for the new capital allowances

HMRC have released some details about the new £50,000 annual investment allowance (AIA), and other changes to capital allowances that are due to take effect from 1 April 2008, (from 6 April 2008 for unincorporated businesses).

Longer to get tax relief for the cost

The first year allowances currently available for purchases of equipment at 50% for small businesses, and 40% for medium sized businesses, will cease in April 2008. Instead all sizes of business will get an annual investment allowance for purchases of equipment of up to £50,000 per accounting period. Where your accounting year does not run to 31 March the first AIA will be proportionally reduced. If your company year runs to 31 December 2008 you will get 9 months of the AIA (£37,500) for purchases made on or after 1 April 2008, plus the first year allowance at 40% or 50% for purchases before that date.

The writing down allowances for plant and machinery are also being reduced from 25% to 20%, but with a transitional rate for accounting periods that straddle 1 April 2008. For the accounting year to 31 December 2008 you will get a transitional capital allowance rate of 21.25% on all your existing equipment, and on any new purchases that exceed the AIA. This means we need to work out whether you should purchase new equipment before or after 1 April 2008, or before your current year end, so please talk to us before you buy.

Another change will affect the tax deduction for the cost of equipment attached to buildings, called *integral fixtures*. Currently such fixtures qualify for a 25% writing down allowance, but for purchases on or after 1 April 2008 the rate of the allowance will only be 10%. We don't know exactly what assets will be classified as integral fixtures, but where the building contains items such as special lighting or cooling systems, it may be worthwhile sealing the deal before 1 April 2008. We can help you with the calculations.

Finally changes are expected to capital allowances for cars. Currently the allowance is 25% of the cost of the car, restricted to £3,000 per year for cars that cost £12,000 or more. From April 2008 the allowance is likely to be 20% of the cost for cars with a CO_2 emissions rating of 165g/k or less, but only 10% for more polluting cars. Cars with CO_2 emissions of 120g/k or less qualify for a 100% first year allowance and will continue to do so. These changes mean it will take longer to get full tax relief for the cost of cars with higher CO_2 ratings, making them more expensive for the business.

Tax Tip

If you have interest bearing bank account in another country or receive rent from a property overseas, this income should be shown on you UK Tax Return on the foreign income pages. This applies even if the money does not come into the UK, unless you have the special non-domicile status for UK tax purposes.

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Zara Fitzpatrick has changed her plans and has now left the office. We will shortly be interviewing for an AAT student and will keep you informed.

How to cope when your VAT registration is delayed

If you applied for a VAT number for your business some weeks or months ago you may still be waiting for it to be issued. This delay is due to a chronic mismanagement of resources within the HMRC VAT registration offices, and is affecting all sizes of businesses. Unfortunately there is little we can do speed up the process.

We appreciate that you need to invoice your customers, but you can't technically charge the VAT due until you have your VAT number. You can ask for payment by either:

- issuing an invoice for the net amount, then when you VAT number comes through send a VAT-only invoice to collect the VAT due; or
- sending a *request for payment* for the full amount due including VAT , but do not separate out the VAT and make it clear the *request for payment* is **not** a VAT invoice. When you VAT number arrives you will need to send a correct VAT invoice, showing any amounts paid.

We are also frustrated with VAT delays

In either case you need the co-operation of your customers to pay without a valid VAT invoice and you must go through the invoicing process twice.

You also cannot reclaim VAT paid on your purchases until your VAT number is issued and the VAT office send you a VAT return. If you need to buy goods or services from another EU member state you will be charged the local VAT if you can't provide a UK VAT number. The local VAT may be very difficult to recover.

If you feel your business is suffering a real loss due to the late issue of a VAT number we can help you submit a formal complaint, but that won't speed up the issue of your VAT number.

Altering a Will to save Inheritance Tax

Many people do not review their Will regularly, so when their assets are distributed on death some younger members of the family may not be provided for, or others do not wish to inherit as it would complicate their own inheritance tax position. This mess can often be sorted out by using a *deed of variation* drawn up within two years of the date of death.

Review your Will

A deed of variation can also be used where no Will has been made, perhaps to provide the widow with more than she would receive under the intestacy rules. But this does require the other relatives to agree to redirect their share of the estate. Distant family members who inherit unexpectedly are often reluctant to give up their perceived windfall.

A deed of variation can redirect gifts made under the original will, and even redirect a proportion of the estate to other recipients. However, the recipient of the gift under the original Will must agree to that gift being redirected to someone else. If the original recipient is aged under 18 they cannot agree to the deed of variation, so gifts made to directly to children cannot normally be altered.

Redirecting gifts using a deed of variation can save inheritance tax by ensuring the assets pass directly to a younger generation, but there can be complications for income tax purposes. The best policy is to review your Will regularly, to ensure your assets will be divided fairly and in tax efficient manner.

Could I use the flat rate VAT scheme?

HMRC are keen to encourage businesses with sales of less than £150,000 per year to use the flat rate VAT scheme, claiming it saves the hassle of keeping VAT records. What they don't mention is that some businesses pay more VAT under the scheme, and others pay less than they would outside the scheme.

Under flat rate scheme you simply multiply your gross sales (including VAT) by a percentage ranging from 2% to 13.5%, *depending on your trade sector*, to calculate the VAT you owe. This may be quicker than adding up VAT charged on your sales and deducting the VAT paid on purchases, which is the usual method.

If your trade sector has a high flat rate, or you have a high ratio of purchases to sales, you could pay more VAT under the flat rate scheme. Alternatively if your trade has a low flat rate, and you buy few items that carry VAT you may pay less VAT under the scheme. To check if you are a winner or loser you need to keep track of the VAT you pay on purchases, which is what the flat rate scheme was supposed to avoid!

As a further incentive to use the flat rate scheme, HMRC allow newly registered businesses to knock one percentage point off the flat rate used in the first 12 months after VAT registration. But many new businesses should hold off using the flat rate scheme for at least one quarter so they can reclaim the VAT incurred on all of the start-up costs.

Where your business covers two or more trade sectors, such as a pub with food sales, you must use the flat rate that relates to the majority of your turnover, and apply it to all of your gross sales. The mix of sales must be reviewed every year. If you have an unusual combination of trades within your business you could win under the flat rate scheme, but ask us to check the figures for you.