

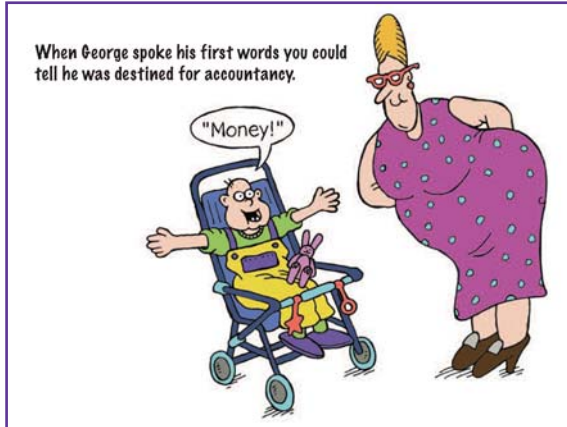
# ACCOUNTANTS ARE BORING NUMBER CRUNCHERS, RIGHT?

## In this month's issue:

- Personal Tax
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- VAT
- Fuel Charges
- Corporation Tax
- Home Offices
- Overseas Living
- Research & Dev
- Capital Expenditure

## Capital Gains Tax

We dealt with the main changes in a previous newsletter (contact us if you need a copy) but you can make a gain of £9,600 before you pay tax.



## VAT

The registration threshold has increased to £67,000 as of 1 April 2008. If your (potentially vatable) turnover goes over this amount in a 12 month rolling period then you have to register for VAT. If you think this could affect you, we recommend you get early advice.

## Fuel Charges

Don't forget that if you reclaim VAT on all of your fuel then you have to put through an adjustment to cover the private fuel element – the "fuel scale charge". These have changed slightly so talk to us for the details.

## Welcome to the next instalment...

Now that the dust has started to settle on all the implications of the 2008 Budget changes, we can give you the news that matters most. This newsletter is a run through of the most relevant changes – it's a highlight of the most important bits rather than an exhaustive list of rates and allowances (after all, we don't want you glazing over here!).

As always we've given you the key points in plain language but if you have any questions, just call our office. None of this information is secret; you should be getting this from your accountant so please forward it to friends and colleagues (and if you received it this way, just email us to be added to our distribution list).

These changes unless otherwise specified relate to the 2008/9 tax year. Here's to a successful one!

**Sue & Nick**

- your refreshingly different accountants.

## Personal Tax

Personal tax rates have changed... and it's good news.

Tax free personal allowance (under 65) £5,435

Tax rates: 20% on the first £36,000  
40% on the excess

So if you take the tax free allowance and the 20% band, the maximum gross income before you start paying 40% tax has increased to £41,435.

## National Insurance

We (of course) will pay more this year. The only big change is the point where the NIC rate drops.

Remember that you pay NIC at 11% (employees) or 8% (self employed) on income over the personal allowance level. The NIC rate drops to 1.6% once you reach a threshold and the threshold has increased from £34,840 to a huge £40,040 – ouch!

## Pensions

You can contribute up to £235,000 into a personal pension in any one tax year – BUT don't forget that you DON'T get tax relief for a personal pension contribution which exceeds your earnings (broadly salary or profits) so it ignores investment income and dividends for example. There is also a lifetime cap which is quite high - in excess of £1.6M.

There are different rules for a company contribution – check with us or your financial advisor.

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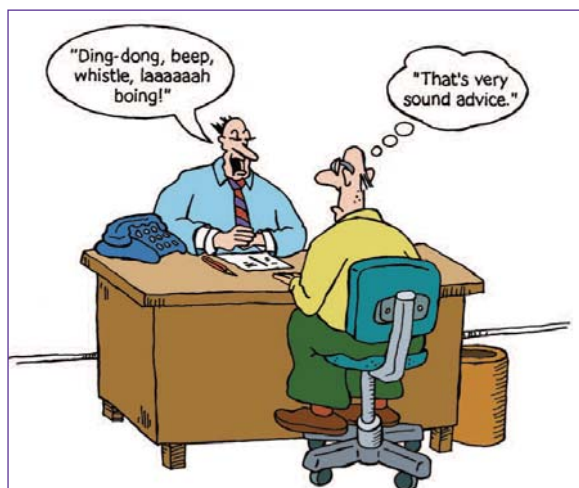
## Pay Increase

Yes, it's time for the annual increase of the NIC and tax thresholds.

The monthly tax free pay figure will increase from £435 to £450 a month from 6 April – so if you have been paying yourself £435 a month, next month is the time for a pay rise!!

## Corporation Tax

The small company (up to £300,000 profit) tax rate has increased from 20% to 21%. However, if you are a really big company you pay less tax – reducing from 30% to 28% (this relates to profits over £1.5M).



## Home Offices

If you use your home as an office and you are an employee or small limited company you could claim £2 per week without having to keep records to prove that you aren't getting more than your due! This has now increased to £3 per week (do we hear snorts of derision?).

## Overseas Living

If you have employees or you are a director, and you work overseas, there are benchmark rates covering the amounts you can claim for accommodation and subsistence. These rates cover most countries from Afghanistan to Zimbabwe and can be found on the Inland Revenue website here:

<http://www.hmrc.gov.uk/manuals/eimanual/eim05255.htm>

## Research & Dev

There is a tax relief for where a business researches and develops a new product or process to bring to market. The relief is hugely complicated and littered with failed claims but... if you succeed the tax relief is increased to 175% of the expenditure.

## Capital expenditure on cars and other car related changes

There are quite a few detailed changes to the tax rules for claiming tax relief on the cost of cars (including company cars) which will take up a whole newsletter in themselves... we'll cover it in detail in next month's newsletter but meantime contact us if you have any concerns.