ACCOUNTANTS ARE BORING NUMBER CRUNCHERS, RIGHT?

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Chartax refreshingly different accountants: **0845 658 0968** | Issue 02 | December 2007 |

In this month's issue:

Welcome to the next instalment...

We've had a brilliant response from our last newsletter - thanks to everyone who gave us feedback! On the whole, you seem to like the style of it (plain speak) and think it's giving you the sort of information you want (updates and things to watch). There's always room for improvement so please keep letting us know what you think!

We just wanted to say, that none of this information is secret... it's all information we think you should be getting from your accountant. Please forward it to friends and colleagues (and if you've received it this way and would like to receive it directly, just email us to be added to our distribution list).

Meantime, however you prefer to celebrate it – have a wonderful festive season! And see you in 2008!

Sue & Nick
- your refreshingly different accountants.

Pre Budget Report - Important Summary of Changes

The big news last month was of course the Chancellor's pre budget announcement including changes for the March 2008 budget. A quick overview of the most important changes is given below... let us know if we can help further.

Key areas for future change include:
- Inheritance Tax – Simplified
- VAT Relief on Property Renovations
- Capital Gains Tax for individuals
- New VAT Invoicing Rules

VAT Relief on Property Renovations

It's good news. Where you renovate a residential property that has been empty for at least two years, you can get your suppliers to charge you reduced VAT.

You will be entitled to ask for a VAT rate of 5% instead of the usual 17.5%.

You will of course need to be VAT registered, so have a chat with your accountant before you crack open the dust sheets.

'Tis the Season to be Merry...

And you thought the tax man was a Scrooge?!

Think again! Spending up to £150 per head on your Christmas Party or similar function is allowed - tax free...

The basic rules are:
- You must keep to the limit (i.e. not £150.01)
- The limit applies per head (not employee) so you can include partners / family etc...
- The party must be open generally to staff as defined
- You are allowed separate parties for each site, section or department
- You are allowed a Directors only (plus partners) event if you're a small employer

So have a Merry Christmas but remember...

Depending on your guest list, there may be VAT implications to consider
Check your plans with your accountant to make the most of the benefits

Inheritance Tax - Simplified

The big change is a simplification of the rules:

The Inheritance Tax threshold (the "nil rate band") increased to £300,000 for 2007/8. The rules have also been changed to make it easier for a surviving spouse (including the surviving partner from a civil partnership) to use up any spare and previously unused "nil rate band" of their dead spouse/civil partner

Those of you with good tax advice will already have achieved the same result by utilising each other's nil rate band in your wills. Quite rightly you'll recognise this as a tidying up of the existing rules.

But if this is news to you, now's a good time to look for additional advice on reducing tax liabilities in your estate planning (get some better advice).

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New VAT Rules for everyone

There are a couple of important recent changes. Invoices must now be sequentially numbered.

Where an invoice remains unpaid after 6 months the VAT entry (Sales or Purchase) needs to be reversed until the invoice is paid (this is a real pain!)

If you operate a tour operators or margin scheme or import/export there are some other detail changes – which we haven't reproduced here. If you want to know more, just email us for details.

Let's face it; VAT is one thing you want to get right so make sure you're on top of the changes early.

When George spoke his first words you could tell he was destined for accountancy.

Capital Gains Tax changes - Business Assets

We are all being caught by a capital gains tax "sledgehammer to crush a nut"! Tax on the sale of a business (shares in a trading company, partnership, sole trade or a property used by certain businesses) will increase from April 2008.

Existing position (assuming no complications)

A maximum tax rate of 10% on the gain made for most business owners, assuming that the asset had been owned for 2 years.

Probable position from April 2008

If you sell the same asset, you will be taxed at a flat rate of 18% regardless of your income tax rate.

Action

The calculations are complex, but if your business assets have a high value then it may be worth taking action before April 2008 to try to save tax. But beware - the government is yet to issue the detailed rules and they may well make changes to scupper any tax minimisation planning.

Don't forget that the rules for sales by companies have not changed.

Capital Gains Tax - Non Business Assets

A non-business asset is anything that isn't a business asset – but in general it's private rented property, private investments, shares etc...for example.

Existing position

Under the current rules you have to have held the asset for at least 10 years to get a low(ish) tax rate – and even then it is a minimum of 24% tax payable (for a higher rate taxpayer).

Probable position from April 2008

If you are lucky enough to be able to sell a non business asset at a profit then you will pay less tax after 6 April 2008 - the tax rate reduces to 18%.

So property magnates are the winners under the proposed changes.

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