

ACCOUNTANTS ARE BORING NUMBER CRUNCHERS, RIGHT?

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The highs and lows of the 2009 Budget

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Tax rates & personal allowances

Nothing significant to report on this front, just a small increase to the allowances and bands.

However, from 5 April 2010 the top tax rate will be increased from 40% to 50% for earnings over £150,000.

In addition, the personal allowance will be phased out for those earning over £100,000, which means that for a small batch of earnings the effective tax rate could be as much as 60% - ouch!



National Insurance

Only minor changes this year, but (unsurprisingly) an additional 0.5% has been added onto the main rate for employees NIC (EES), employers NIC (ERS) and also for the self employed (class 4 NIC) from April 2011.

Removal of higher rate relief on pension schemes

Pension contributions usually benefit from tax relief at both basic and higher rates (40%) of tax.

However, from 6 April 2011 tax relief for individuals earning £150,000 is set to be reduced with a tapered scale decreasing the effective tax relief to 20% for individuals earning £180,000 or more.

The story continues...

After a short sabbatical your dedicated newsletter is back with a vengeance!

There's a lot to cram in this month with all the joys of the 2009 budget and its implications for all you lovely people. So if you're sitting comfortably then we'll begin...

As has been the norm for the past few years the budget announced a raft of tax changes which have been staggered to come into force gradually over the next few years, which always brings a world of confusion trying to work out which changes apply now.

We have highlighted key areas of interest and broken it down into bite-size chunks, but for anything that is still not clear feel free to contact the office for further advice and we will be happy to help.

As always we encourage the gift of sharing, so please forward this to any friends or colleagues that you think might be affected.

Here's to a successful 2009/10 tax year!

Sue & Nick - your refreshingly different accountants.

Just in case you were thinking of trying to get around this by making bigger premiums before the change comes into force in April 2011, it is worth noting that the Government has stated that they will bring in strict anti-avoidance measures (the details of which are yet to be revealed) to restrict tax relief if the normal pattern of pension contributions changes or if total contributions exceed £20,000.

Individual savings accounts

From 6 October 2009 the current ISA limits will be increased to £10,200 for people aged 50 or over, with everyone else benefitting from the same increase from 6 April 2010.

Furnished holiday lettings

Holiday lets have previously received certain tax breaks as they have been seen as a business. However, from 2010 all tax breaks relating to this type of rental property will be withdrawn so be sure to make a record of the date if this applies to you.

Company & business taxes

Losses

If you make a loss in a set of accounts you can now set that loss against profits made in the three previous years, which could possibly lead to a refund of previously paid tax from earlier years.

The loss is set against income from the latest year first and then goes back to earlier years if necessary.

This is a temporary measure which will be withdrawn after two years.

Tax relief on equipment

The latest budget has (of course) changed allowances for equipment (capital allowances), but before we continue let us remind ourselves of the basics for this confusing beast with a dash of déjà vu from last year's budget newsletter...

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Company & business taxes

Equipment, Plant and Machinery

Historically on equipment, plant and machinery, tax relief was spread over a number of years... the Budget has changed that.

From then expenditure of up to £50,000 in each year gets 100% tax relief in the year of purchase (but not on cars - for cars see below).

Expenditure over £50,000 only receives a deduction of 20% of the cost each year (on a reducing balance). There is also a concept of "long life assets" (those with a useful life of over 20 years) where the annual tax relief is reduced to 10% of the cost (on a reducing balance).

OK, to bring you back to the present, the latest budget has also introduced a (temporary) 40% first year allowance (FYA), which means if you exceed the £50,000 threshold you will still be entitled to 40% of the cost in your first year and subsequent years will revert to the lower rate of 20%

Integral Equipment

Also tweaked are the rules on claiming relief on equipment integral to a building (air con, lifts etc). If the cost of these exceeds the £50,000 limit then tax relief is at the lower 10% rate rather than the higher rate of 20%. Note that the temporary FYA mentioned above does not apply here.

Enhanced relief is now available on energy saving equipment; which will always get 100% relief even if it exceeds the £50,000 threshold.

Cars – normal or low emission

These rules have changed significantly from last year.

Tax relief now depends on emissions:

- Low emission cars get tax relief of 100% on the cost - this is for cars emitting 110g/km or less - yet another incentive making great tax savings!
- Cars emitting between 110g/km and 160g/km get tax relief on 20% of the cost each year.
- Cars with emissions above 160g/km receive tax relief each year on only 10% of the cost.

Hopefully this goes some way to parting the clouds, but of course if you have any questions contact the office and we'll be happy to give you all the fine details.

VAT

As suspected, the Government has confirmed that VAT will revert to the previous rate of 17.5% from January 2010.

Other points of interest include:

- **Registration threshold:**
you must register for VAT once your turnover exceeds £68,000.

Finding it difficult to pay tax or VAT?

The revenue has set up a help line to deal with requests to pay tax or VAT over extended periods where you are struggling to pay on time. We have found them to be very helpful and routinely agree payment over periods up to 12 months.

Business taxes

Self assessment/personal tax

The usual interest and surcharges will still apply.

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A detailed summary of all tax rates and allowances applying to the tax year 2009/10 (starting on 6 April 2009) can be found on our website at www.chartax.biz.

And remember, we are always at the end of a phone-line ready and willing to share our tax expertise so don't hesitate to give us a call if any of this information reads like double-dutch to you.

"Chartax makes a positive contribution to our clients' businesses. We are happy to recommend them to anyone"

Bridget Jukes,
Partner and Head of Business Services,
Wards Solicitors

"I would like to thank you for being exactly what it says on the tin - an accountant who is refreshingly different and jargon free"

Cathy Penney, Reflexologist