

dmc newsletter

Autumn 2005

GREETINGS

Pre Budget report

The colder weather has set in and as we dig out our winter coats and hats, Gordon Brown has been looking forward to the spring with his pre budget report - given on the 5th December. The tax points arising in the statement appear to relate to anti avoidance issues and U-turns on previous tax measures. The main policy reversal is the announcement that pension funds will no longer receive the new tax breaks that they were due to receive in April 2006 as plans to allow investment in residential property have now been abandoned. A further about turn is the abolition of the 0% tax rate for limited companies with profits of less than £10,000. This announcement will simplify the position, giving an effective corporation tax rate of 19% on all profits less than £300,000. In practice this will have little impact for most companies as the chancellor effectively removed this advantage when he brought in measures to tax profits drawn as dividends at 19%.

Staff Changes

Meanwhile as Mr Brown backtracks on his policies we at dmc are moving forward. We have a few new faces to strengthen our existing team; in particular we welcome our new tax manager Barbara Cordner - she is a Chartered Tax Adviser with a wealth of experience both in practice and from within the Inland Revenue. Also joining the tax team is Steve Lee, who has many years experience in taxation. On the accounting side we have been joined by Rob Brown and Fiona Edwards both senior and experienced members of staff; Rob is also involved with our audits and Fiona looks after most of the payrolls.

On this page we highlight a couple of topical matters and over the page we have devoted the rest of the newsletter to some key tax issues surrounding property ownership and transactions.

Subcontractor rule changes

The Government has delayed the introduction of the revised CIS scheme until April 2007. This gives contractors more time to get used to the new regime. At present you are required to ensure that your subcontractors should be treated as self employed rather than employees. If you are happy that they are self employed you then need to check their cards to see whether they can be paid gross or should have 18% tax deducted. Under the new scheme you will be required to check the status of every subcontractor before you take them on, by contacting the revenue directly. You will also have to make a monthly declaration to the revenue - with penalties if you are late! We will be holding seminars next year to help you prepare for the new rules. In the meantime, the revenue have said they will use the delay in introducing the new scheme to look more closely at the employment status of subcontractors. It is even more important to make sure you have a suitable contract in place. Do contact us, if you have not already done so, for a copy of our suggested model contract.

Settlements provision/Limited Companies

On the 15th December the Court of Appeal dealt a bitter blow to the Revenue in its decision on the 'Arctic Systems' case. The unanimous verdict in favour of the taxpayer found that the wife's shares in the company did not constitute a settlement or gift made by her husband - this is good news as it means wives can receive dividends from their husband's companies (and vice versa). Of course there is no one correct way to set up a company as every case and circumstance is different. The Revenue may appeal so care still needs to be taken to ensure that the settlement legislation does not apply. We do review all our client companies to make sure they are structured in the most beneficial way without causing problems with the Revenue.