

dmc newsletter

AUTUMN 2008

WELCOME

dmc news

We are pleased to announce our new website is now up and running at www.dmcpartnership.com do take a look. You will notice there are some staff changes: - having finished her university studies Ali Garrido has now returned to us permanently; in addition we have been joined by Alison Mullins in the tax team and following Sheila's retirement after 20 years Siobhan Cass is the new face in reception. They look forward to meeting and helping you.

The economy and its impact on us all

We appear to be in a period of financial uncertainty. House prices continue to fall; the credit crunch has led to difficulties in borrowing money and the crisis in the banking world has left everyone wondering whether their savings should just be tucked under the mattress. In addition the chancellor's gloomy predictions that the economic downturn will be worse and longer than expected didn't do a lot for the value of the pound.

Mr Darling has performed more turns than a participant on 'Strictly Come Dancing'. His first move was a 'tango turn' on Capital Gains tax with the introduction of entrepreneurs relief after initially abolishing all Capital Gains Relief on business disposals. This was followed by a 'rapid quickstep' as it was pointed out that the removal of the 10% tax band hit the lowest paid (apparently to his surprise!). The measures to remedy this will benefit all those who are not 40% taxpayers; the first part of the adjustment (£60) coming through in September pay packets with the rest at £10 per month from October to March.

In this newsletter we focus on ways of minimising tax for businesses and individuals to help them waltz through turbulent times. Please do give us a call if you want to discuss anything in this issue or any other tax / business matters.

Small and Medium sized businesses are an absolutely vital part of this country's economy but sadly often unrecognised by the government. Those of you who run such companies work hard to ensure commercial success. Now more than ever you need to ensure that you reduce the tax burden as far as possible to enable your business to weather the economic storm.

Getting the structure of your business right is important and needs to be constantly reviewed to ensure income is extracted in the most tax efficient manner and that the tax payable on the eventual sale of the business or retirement is minimised. As part of our normal work we consider these matters for you and your business every year. If you are not already a client and think you would like a business tax health check and review - please do give us a call.

New measures for 2008/09 mean we will also be looking at: -

- Profit extraction - Use of dividends is still a very efficient way of doing this especially for higher rate taxpayers.
- The new Capital allowance regime introduces a generous annual allowance of £50,000 on which there is 100% relief, but if you do invest more than this in a particular year (which could be on plant, equipment or perhaps part of a building e.g. air conditioning or water heating systems) then it is essential to claim the correct treatment to maximise the relief.
- In order to make the most of the benefit of the 10% entrepreneurs relief on selling your business or retiring - the company structure must be properly planned to ensure the necessary conditions are satisfied.
- Ownership and treatment of business premises and indeed other investments that the company may wish to make need to be considered - if this is not done correctly valuable tax planning opportunities could be missed.

Credit Crunch Column

With the effects of the current credit crunch beginning to bite - we thought these ideas on ways to help minimise the tax might help.....

- **VAT** If you don't already use cash accounting consider whether it is worth changing over - then you won't need to pay the VAT on your sales invoices until you have collected the money from your customers. Alternatively if you account for VAT on an invoice basis make sure you claim relief on bad debts as soon as you can (you need to identify these as bad debts in your records). The earliest you can claim is 6 months after the payment is due and there is a maximum time limit on making claims of 3 years from that date - so check your records for any old debts.
- **Income Tax** Next January you will be paying the balance of self-assessment tax on last year's profits (2007/08) together with a payment on account for (2008/09). If you know this year's profits are not going to be as good let us know and we can help you reduce the on account payments due next January and July. If your profits/earnings are down it may also be worth looking at making claims for tax credits.
- **Corporation Tax** Cash flow problems may mean the company doesn't have enough money to pay all its tax on the due date. Pay what you can - interest only runs on the unpaid part.
- **Inheritance Tax** With house prices dropping executors may find that recent property sales have been made at less than the probate value. If the sale is within 4 years of death then it may be possible to reduce the IHT due and claim a refund.
- **Capital Gains Tax** If you have any shares that have become worthless it is a good idea to establish the capital loss in order to set against any capital gains you make now or in the future.

Bits and Pieces

- **Limited Companies** - As a rule of thumb once profits reach around £15,000 forming a limited company can still save tax.
- We are threatened with legislation on the income splitting issues raised through the 'Arctic Systems' case. New measures are promised for 2009/10. No doubt it will be harsh news but we continue to monitor these issues.
- Contractors who are potentially affected by IR35 may need to review their contracts again following the decision in the 'Dragonfly' case.
- From 1st April 2009 the minimum annual paid holiday entitlement for employees increases from 24 to 28 days but bank holidays do count towards the total.
- Be aware that employers face heavy civil and criminal penalties if they employ illegal workers. They are also required to annually check the ongoing entitlement for workers with 'time limited' immigration status.
- **Subsistence rates** - The Revenue have recently published scale rates that can be used for employees travelling abroad - these cover accommodation and subsistence and vary depending on where you travel. There are no set rates for the UK but if your employees travel frequently in this country you may be able to agree with the Revenue a reasonable average rate to apply in your particular case.
- If you hold meetings away from the office you can claim the room hire as a business expense. If the costs of meals provided are charged within the room rate this should also be tax allowable - especially if it can be shown to be important to hold the meeting in privacy.
- With the festive season approaching don't forget that the company can spend up to £150 per head per annum on staff outings and this will not be taxed on the employees.

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