

dmc newsletter

SPRING 2004



WELCOME

We sat here in trepidation listening to the **Chancellor's speech** - would it be a give or take away budget. In particular how would the pre announced attack on **limited companies** materialise. Despite speculation about National Insurance or some other nasty surcharges on dividends, he came up with a novel idea to try and restrict some of the tax savings gained through being incorporated. Legislation will be introduced to ensure that companies incur a minimum rate of 19% corporation tax on any profits used to pay dividends to shareholders. The details of how this works in practice have not yet been announced but it appears to be a face saving way of removing the 0% tax rate on the first £10,000 of profits - a measure that was introduced two years ago.

So how does this affect you? Well the answer depends on your profit levels. In broad terms - if your profits are around £15,000 then you are still marginally better off being a limited company. At £20,000 the net savings are approximately £1,000, at £30,000 they rise to £2,000, and at £50,000 the substantial tax savings already being achieved are not disturbed. The good news is that for nearly all our incorporated clients, it is still worthwhile operating through a limited company.

Dividends - Companies have until 31st March to vote and pay dividends under the old rules. Our recent exercise helping you to vote interim dividends pre-empted this, ensuring that you have already taken advantage of drawing your dividends free of the extra tax.

Tax schemes - The above is an example of simple and effective tax planning that works. There are however a number of costly and complicated tax saving schemes around and in the budget the chancellor announced that these are to be targeted.

Other News

Despite the excitement of the budget the tax year moves on, and now is a good time to thank you all for helping us to meet the 31st January deadline for filing your tax returns. The next key event is the filing of the end of year PAYE returns and if you haven't already heard from us you will shortly be receiving a package from the tax department with all the forms for you to sign. Sarah and Andy now have much needed help in dealing with the paperwork since we have been joined by Paul Bloe. Paul has decided to pursue a career in accountancy having been involved previously in IT. He is recently married, a keen rugby fan and a connoisseur of single malt whisky.....

Projects in hand

* Some of you will have received details from us of the Customs and Excise VAT Flat Rate scheme, which under certain circumstances can save you money. For those of you who are eligible we are currently reviewing whether it would be advantageous for you to join and Sarah will be contacting you with the details.

* We have also been looking at the issue of life cover to protect our families in the event that anything should happen to us and the income generated from our businesses. Ian has been doing a sweep of our clients to obtain a guide to the cost of putting this protection in place, we will be writing to you with details so that you can consider this.

As you can see we are busy - with the end of the financial year shortly upon us, but never too occupied to see our clients and to welcome new clients. In that respect we would like to thank you for keeping us busy with a supply of new clients through your referrals.

Turn over for further budget news.