
Alan Secker & Co

Registered to carry on audit work regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales

NEWSLETTER - 17 MARCH 2004

Our Worst Fears?

In his November 2003 pre-Budget statement, the Chancellor said that he wanted to ensure that owner-managed companies paid the correct amount of tax. Many analysts interpreted this to mean that so many people were taking advantage of the zero-rate band when paying dividends thereby avoiding National Insurance, that he might make Close Company dividends subject to National Insurance. (Close companies are those controlled by five or fewer persons). Others thought that he might establish a level of distributions below which National Insurance would have to be applied.

So what has he done?

Somewhat surprisingly, he has chosen to remove the benefit of the zero-rate corporation tax band for those distributions made to non-company shareholders. This means that distributions of profits to individuals, partnerships and possibly trusts (usually by dividend) will bear corporation tax at not less than 19%.

Where does that leave us?

Roughly where we were four years ago when there was no starting rate band and the lower rate

was 20%. Was it advantageous then to have a limited company? It was. There was as there is now, a benefit from not having to pay National Insurance on dividends and an individual whose overall income remains below the higher income tax rate band, has no more income tax to pay. What has changed for some though is the tax burden of running a company motor car.

Is there an alternative?

For those businesses that need the protection of limited liability and still want tax effective private use of a 'company' car, there is the Limited



Moss Lane Pinner June 2003

Liability Partnership (LLP). An LLP has to be registered with Companies House, has to prepare Accounts to a standard similar to those for a limited company but enjoys the tax regime of a partnership. The costs of formation are a bit higher as are the filing fees but not exorbitantly so. There will invariably

be positive and negative points involving a transfer of a business from one entity to another. If this appears to be something that might suit your circumstances, we can look further into the implications for you.

BUDGET 2004

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Fraud and Deception

Many of our client companies arrange to have their registered offices (their companies' official addresses) registered as our address at Parkville House. The primary aim is to enable official correspondence from the Inland Revenue and Companies House to be intercepted, examined and any necessary action taken immediately.

It also means that we become a target for the surface mail equivalent of the Internet's 'Spam'. Every week we receive a mass of letters from the likes of Dell, the Institute of Directors and others.

However, during the last few years this has been augmented by fraudulent requests to register with the Data Protection Agency. The requests, phrased in a coercive manner, come on a variety of letterheads all having somewhere upon them the words 'Data Protection Agency' and emanating from a variety of addresses.

Two that we have received, differ considerably but claim to be from The Enforcement Manager.

Addresses to watch out for include:

- 1) DPEA of Sparth House, 49 Heath Street, Rochdale, OL11 4HF.
- 2) Crown Data Collection, 193 Market Street, Hyde, Cheshire, SK14 1HF; and
- 3) Data Protection Agency Services, Summerseat House, 39 Summerseat, Liverpool, L3 6HB.

No doubt the people behind these deceptions are constantly changing addresses. One is led by the appearance of the documentation, to believe that the senders are the government's Data Protection Agency. They are not. It is an out and out scam. They request a 'service fee' of up to £135 and for the cheque to be made payable to 'D.P.A' or similar. **The correct fee is only £35** and the correct department is at **Information Commissioner, Data Protection, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF.**

Filtering items such as this, those from dubious 'charities' and organisations claiming to enable you to acquire either British Government or

European grants, *subject to a 'refundable' up-front fee*, is just part of the service.

It so happens that Alan Secker & Co is required to register under the Data Protection Act but most of our clients are not. If you are in any doubt, check with us. Note that registration applies not only to eligible companies. It can also apply to individuals and partnerships.

Audit Thresholds

Finally after much delay, the government announced the new thresholds above which an audit is required for companies registered under the Companies Acts. For financial years ending on or after 30 January 2004, the mandatory limits are

Any two of the following three items:	Small Companies Thresholds	Medium Sized Companies Thresholds
Turnover	£5.6 Million	£22.8 Million
Balance Sheet Total	£2.8 Million	£11.4 Million
Number of Staff	50	250

Bookkeepers and Crime

In the context of the Money Laundering Regulations and the Proceeds of Crime Act 2002, it appears to have escaped the notice of many that there are a vast number of bookkeepers in the UK who will not have been subjected to the same awareness process as those belonging to professional bodies or associations. For several years it has been commonplace for banks and solicitors to report reasonable suspicion of crimes to the National Crime Intelligence Service (NCIS). For accountants this became mandatory from 1 March 2004. So what is a crime? How big does it have to be?

A simple example would be of a trader not registered for VAT whose turnover for 12 months, had risen above the registration threshold. The self-employed bookkeeper notices this and points it out to the proprietor who makes it clear that nothing will be done about it. The bookkeeper, too, takes no action. When the matter comes to light and the records clearly reveal that the bookkeeper 'must have known', then they could become liable to a prison sentence.

VAT error, other implications

Suppose a mistake was made (in your favour) during the preparation of a VAT Return. Further suppose that you later discovered it but did nothing about it and that Customs & Excise became aware of this.

Had you not known about it, you would have had to bear a misdeclaration penalty of 15% of the VAT payable. Knowing about it but doing nothing about it makes it evasion giving rise to a penalty of 100% and if considered criminal to a jail sentence. To be deemed criminal, intent would have to be proven.

New Approach

Under their 'New Approach', Customs will reduce the 100% penalty by 40% for an early and truthful explanation of how the arrears arose and their extent and a further 40% for fully embracing and meeting responsibilities by for example; supplying information promptly, including full written disclosure, attending meetings and answering questions.

What goes on a VAT Invoice?

The requirements changed on 1 January 2004. The main changes appear to be: (1) The need to add a 'unit price' column to those invoices where this might be applicable but there are others. Obtain a copy of Customs & Excise business brief 23/2003 and detailed information sheet 16/03 for further details. Businesses have until 31 December 2004 to make the change. (2) That the limit for simplified retailers invoices is increased from £100 to £250. (3) Customs prior approval for self-billing will no longer be required if the self-billing conditions are met. (4) It will no longer be necessary to show the type of supply or the amount of VAT charged at each separate rate although businesses may continue to do so if they wish.

Flat Rate scheme

This may now have become attractive to a wider range of clients whose turnover is less than £150,000. The reason is the lowering of rates by an average of 1% plus an additional 1% for one year as an incentive to register. If you are registered or feel that you are likely to register

shortly, call us to discuss whether or not this might be advantageous for you.

Interest on VAT

From 6/12/2003 the rate of interest on under declared VAT rose from 5.5% to 6.5%.

Disallowable VAT Claims

To avoid falling foul of steps taken by Customs to combat fraud, particularly in the computer, mobile phone, alcohol and road fuel sectors, it is essential that traders check that another trader with whom they are planning to do business has a current valid registration otherwise they may find that a claim to input tax may be rejected, where the other party was in some way defective. Numbers to call for those sectors are: 01737 734 516, 01737 734 577, 01737 734 612 and 01737 734 761 respectively, otherwise call 0845 0109000, the National Advice Line.

Not enough Effort

Believe it or not, the Public Accounts Committee has informed the Inland Revenue that it is not putting enough effort into tackling tax fraud. The PAC believed that so few prosecutions had been carried out that potential fraudsters might feel that tax fraud was a risk worth running.

Tips and Troncs

As a result of a recent European Court case, tips cannot be taken into account in establishing the minimum wage. If tips are paid to a restaurant for example by credit card or cheque, the restaurant cannot pass it to the staff without accounting for the inclusive VAT element. In addition both employees and employers National Insurance must be applied to the tips.

If a customer wants his or her tip to go to the staff, they should not include it on their credit card slip nor in a cheque made payable to the restaurant. They should instead, pay it in cash. However: (a) the recipient must disclose it on his or her Tax Return; and (b) if the employees' contracts of employment contain any reference to tips, National Insurance will have to be levied even if the tip is paid directly to the staff by a customer or any other 3rd party

Employment History

From time to time it can be important for someone to have a detailed record of his or her employment history. The National Insurance Contributions Office (NICO) has, since October 2003, provided these free of charge.

Litigious World

We seem to have imported America's litigious culture, in our case with more widely scattered targets. One sector is in employment conflicts. Each year there are approximately 100,000 applications to employment tribunals. Of those, 14%, approximately 14,000 related to sex discrimination and equal pay issues. Disgruntled employees can make dangerous and costly adversaries. They can get legal aid to fight the most tenuous of cases. Make sure that your side of the employee arrangement is watertight:

- 1) Is a signed employment contract in place?
- 2) Does it cover all the details of the employment?
- 3) Is it up to date to cover promotion etc?
- 4) Where the employee is misbehaving, are the details documented and where possible independently verified.

On more than one occasion clients have been grateful for our foresight in these matters.

Striking a Company Off

Most people know that some form of liquidation can end a company's active life. They can also be terminated by making an application to the Registrar of Companies. But there are several conditions and consequences, including:

- 1) The application must be signed by all or a majority of the directors;
- 2) The company's name must not have been changed within the previous three months;
- 3) It must not have traded or otherwise neither carried on business, nor disposed of assets that were held for trade or disposal for gain. (There are other restrictions relating to arrangements with creditors etc).
- 4) Within 7 days of the application being made, a

copy must be sent to every creditor.

Sections 652E and 652F states that failure to meet the obligations set out in sections 652AB and C may be subjected to penalties comprising a mixture of fines and or imprisonment.

Revenue Interest Rates

From 16/2/04, on underpaid Corporation Tax instalments 5% (4.75%). Overpaid instalments and tax paid early 3.75% (3.5%). Official Rate (to tax interest on beneficial loans) for 2004/05 is 5%

Companies Accounts Filing Dates

Several clients have fallen foul of the filing date rules, mainly by leaving their Accounts until what they thought was the last moment. The law says that Accounts of private companies must be filed by the corresponding day in the tenth month after the year-end.

So if a company was formed in April 2003, the Accounts should have been filed by 30 January 2004 and not as most people thought, 31st. Perversely, if it was incorporated in August 2003, its filing date would be 30 June not 1st July.

Filing Penalties £60 Per Day

The Inland Revenue have established 400 new jobs for Daily Penalty Teams and are now poised to apply to the Commissioners to impose these levies. If you know anyone who is late with his or her Tax Returns, it might be a kindness to point this out.

This Document

This document attempts to combine a resum— of the more significant points of the Chancellor's Budget, together with other matters of interest and useful tabulations. We hope that you will find it a useful reference during the forthcoming year.

Alan Secker and Jack Pievsky

BUDGET 2004

Income Tax

Rates	2003/04 £	2004/05 £
Starting Rate 10% first	1,960	2,020
Basic Rate 22% next	28,540	29,380
Higher Rate 40% over	30,500	31,400

Savings income (except dividends) for Taxpayers below higher rate threshold	20%	20%
Dividends within Starting Rate Band	10%	10%
Dividends over Basic Rate Band	32.5%	32.5%

Certain trusts (e.g. discretionary):		
Dividends	25%	32.5%
Other Income	34%	40%

Personal Allowances

Individuals	4,615	4,745
Married Couples Allowance* See Note Below ¹		
Blind Persons	1,510	1,560

Personal Allowances (65 - 74)

(65 before 6/4/2000)

Individual	6,610	6,830
Married Couples Allowance	5,565	5,725
Income Limit	18,300	18,900

Personal Allowances (75 & over)

Individual	6,720	6,950
Married Couples Allowance	5,635	5,795
Income Limit	18,300	18,900

The Age Allowance is reduced by £1 for every £2 by which the income exceeds the income limit.

Minimum Married Couples Allowance (over 64)	2,150	2,210
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*Note: Married Couples Allowance. Only available if one of a couple was 65 by 5/4/2000

Mortgage Interest Relief

Withdrawn from 6/4/2000 for persons aged under 65 at that date. Otherwise 10% on first £30,000 of advance.

	2003/04 £	2004/05 £
Rent A Room Scheme		
Annual Exemption (unchanged)	4,250	4,250

	2003/04 £	2004/05 £
Pension Schemes Earnings Cap		
Limit	99,000	102,200

Inheritance Tax

	2003/04 £	2004/05 £
Threshold before tax starts	255,000	263,000
Thereafter	40%	40%

Corporation Tax

	2003 1/4/2003	2004 1/4/2004
Commencing		
Starting Rate	0%	0%
On profits up to	£10,000	£10,000
Marginal Relief on profits up to	£50,000	£50,000
Marginal relief fraction	19/400	19/400
Small Companies Rate	19%	19%
On profits up to	£300,000	£300,000
Marginal Relief on profits up to	£1,500,000	£1,500,000
Marginal relief fraction	11/400	11/400
And on profit over	£1,500,000	£1,500,000
Corporation Tax Rate	30%	30%
Neither the 0% nor the 19% apply to close Investment holding companies.		

Capital Gains Tax

	2003/04 £	2004/05 £
Annual Exemption		
Individual	7,900	8,200
Most Trusts	3,950	4,100
The Rate applicable		
is determined by the taxpayer's total taxable income inclusive of Capital Gains. The rates are:		
Lower Rate Band	10%	10%
Basic Rate Band	20%	20%
Higher Rate	40%	40%

Capital Gains Tax

Business Assets Taper Relief (unchanged)

For disposals on or after 6 April 2002, for assets held for complete years:	Percentage of Capital Gains chargeable	Effective tax rates for higher rate taxpayers
Under 1	100%	40%
1	50%	20%
2 or more	25%	10%

Personal Tax

Short Tax Return

From April 2004 a new short 4 page Income Tax Return will be issued to a selected band of taxpayers whose tax affairs during 2002/3 were relatively simple. "Customers" will be able to file electronically online or using the Revenue's voice recognition facility. The Revenue hopes to include all relevant taxpayers from April 2005.

Pensions

Over the past 35 years amendments have been made to the legislation in respect of:

- the earnings cap;
- maximum contributions allowed;
- Retirement Annuity (s.226 policies) contracts;
- personal pension schemes; and
- occupational pension schemes.

As a result, the proliferation of regulations has made the whole pensions arena convoluted and unnecessarily difficult to follow. Following consultations, a rationalisation of the rules is being introduced, as a result of which the numerous controls currently in place will from 6th April 2006 be replaced by 2 key controls, namely:

- 1) The lifetime allowance - £1.5m rising to £1.8m by 2010, thereafter to be reviewed quinquennially.
- 2) The annual allowance - £215k rising to £255k by 2010, thereafter to be reviewed quinquennially.

One of the fundamental changes is that individuals will be able to make pension contributions of up to 100% of their annual earnings (subject to the lifetime allowance). Another is that all schemes will be able to offer tax-free lump sum payments of 25% of the

pension rights. A simplified process requiring registration only, will replace the complex approval process for pension schemes.

Benefits in Kind

Motor Scale Charge

For the full table of percentages * emissions * year, check our website: www.asandco.co.uk

Vans

Vans provided for employees use by employers were, up to 5/4/2004 taxed at flat rates of £500 and £350 for under/over 4-year-old vans. This will continue until 5/4/2007 where the employees have unrestricted private use. However from 5/4/2005, no charge will apply to employees who have to take their vans home and there is no other private use.

From 6/4/207 however, the scale charge for the use of an employer's van with unrestricted private use will become £3,000. If in addition the employer pays for 'private fuel', there will be an additional fuel charge of £500.

It is believed that the government is targeting the double-cab trucks, which can seat four or five people comfortably.

Emergency Service Vehicles

From 6/4/04, an iniquity has been removed in respect of emergency service workers such as ambulance and fire personnel who are often required to take their vehicles home at night to enable a rapid response to emergencies. The tax and National Insurance otherwise payable on the home to work element will be removed.

The employer still pays Class 1a NIC on the benefits so arising. However there are to be consultations on proposals to reform this tax anomaly.

Motor Cars

The taxable benefit remains at £14400 but the appropriate percentages to be applied are by reference to the CO₂ emissions applicable to the motor vehicle concerned. See our website www.asandco.co.uk for details.

Although the base figure has remained constant, the percentages to apply relate to the emission level. The government has lowered these each year, effectively making motoring more expensive. They have now stated the emission levels that will qualify for the minimum petrol percentage charge for the next three years:

CO ₂ Emissions in gm/k	
2004/05	145
2005/06	140
2006/07	140

Authorised Mileage Rates

Tax Free payments to employees for the business use of their **private** cars remain unchanged.

Cars	Per Mile
All Engine Sizes	
First 10,000 miles	40p
Above 10,000 miles	25p

The 40p rate will also apply for NIC purposes.

Motor Cycles	24p
Bicycles	20p

Fuel Rates for company Cars

Tax Free levels for reimbursements of fuel provided by employees when using **company** cars also remain unchanged.

Petrol 1,400 cc or less	Per Mile 10p
1,401 - 2,000 cc	12p
Over 2,000 cc	14p

Diesel	Per Mile
up to 2,000 cc	9p
Over 2,000 cc	12p

Corporation Tax

Transfer Pricing

From 1st April 2004, the requirement for Companies to include profits in its taxable income arising from transactions with non UK companies based on arm's length considerations will now be extended to include transactions within the UK where this would increase the overall tax liability. However a connected UK business will be allowed to make a corresponding adjustment to its taxable profits. Exempt small and medium sized enterprises are excluded from this requirement

other than when the transactions are with a related business that is located in a territory that does not have a double taxation agreement with the UK. There are further technical issues involved and it is recommended that these be fully researched before embarking on large scale related business transactions with associated non-UK businesses.

Management Expense

From 1/4/2004 relief for the expenses of managing investments will become available to companies with investment business, whether or not they qualify as investment companies, under current legislation.

Inheritance Tax

Simplifying Inheritance Tax Administration

As from a date to be announced later this year measures will be introduced to simplify the IHT system by exempting estates where no IHT is payable from preparing and submitting an IHT account. This measure is expected to transfer a further 30000 estates a year into the simpler reporting regime.

The relevant current legislation is The Inheritance Tax (Delivery of Accounts) (Excepted Estates) Regulations 2002 (SI2002 No.1733) (as amended by SI2003 No1658)

Stamp Duty Land Tax

On Transfers of Property

(Consideration paid) from 1 December 2003

Rate %	All Land in the UK		Disadvantaged Areas	
	Residential £	Non-Res. £	Residential £	Non-Res. £
0	0 to 60,000	0 – 150,000		All at zero%
1	60K+ to 250K	150K+ to 250K		
3	250K+ to 500K	250K+ to 500K		
4	Over £500,000	Over £500,000		

Duty on Rent (New Leases)

from 1 December 2003

Rate %	All Land in the UK		Disadvantaged Areas	
	Residential £	Non-residential £	Residential £	Non-residential £
0	0 to 60,000	0 – 150,000		
1	Over 60,000	Over 150,000		

Capital Allowances

The 100% First Year Allowance on IT

This will no longer be available after 31 March 04.

Remaining First Year Allowance

The first year allowance of 40% is increased to 50% for expenditure on plant and machinery (which includes office equipment) from 1/4/04 for businesses coming under corporation tax and 6 April 2004 for those coming under income tax.

R & D Tax Credits

The definition of R & D in respect of credits available to small and medium sizes companies engaged in research and development is to be simplified and the range of qualifying costs extended.

Other incentives

For small business other than by way of capital allowances are envisaged.

Stamp Duty Land Tax (SDLT)

Clarifications

This was introduced on 1/12/2003. Areas of uncertainty that came to light are to be clarified and some amendments made. Examples include:

- 1) Where a lease comes to an end part way through a year, only the rent paid will be taken into account.
- 2) Where SDLT is charged on uncompleted contracts, 'substantially performed'.
- 3) Works carried out on land after purchase where the costs do not count as consideration.
- 4) Agreements for Lease, Missives of let (in Scotland).
- 5) Variations that extend a lease or increase a rent will be treated as the grant of a new lease.

Extensions of reliefs include:

- 1) Relief for six months will be granted, where house buyers in a chain, having purchased a new house are compelled to remain in their old house.
- 2) Relief for 'sale and leaseback' transactions are to be extended beyond commercial property to individuals to assist in 'home reversion plans' to raise capital from their homes.
- 3) The law will be clarified so when property passes to a beneficiary under or in satisfaction of an

entitlement under a will, or on intestacy, there is no charge to SDLT.

Reduced Compliance Burden

- 1) There will be no requirement to notify the Inland Revenue of a chargeable consideration of less than £1,000. These may be self-certified.
- 2) A grant of a short-lease (7 years or less) will only have to be notified to the Inland Revenue if there is tax to pay.
- 3) The Revenue will not charge two tax-geared penalties on the same amount of tax, bringing the SDLT treatment in line with Income Tax.
- 4) There will be comprehensive reliefs for all kinds of claim similar to those in Income Tax.
- 5) Acquisition of 'community interests in land' will not have to be notified to the Inland Revenue when those interests are created in Scotland later this year.

Stamp Duty

The rate of Stamp Duty on the transfer of shares and securities remains unchanged at 0.5%

Value Added Tax

Thresholds

	10/4/03 £	1/4/04 £
Annual Turnover Threshold	56,000	58,000
De-Registration Threshold	54,000	56,000
Standard Rate of VAT	17.5%	17.5%

Quarterly Fuel Scale Charges from (1/4/04)

Engine cc	Diesel		Petrol	
	£	£	£	£
1400 or less	216.00	32.17	232.00	34.55
< 2000	216.00	32.17	293.00	43.63
> 2000	273.00	40.65	432.00	64.34

VAT - Annual Accounting Scheme

Businesses with annual turnover of between £600K and £660K will be able to join this scheme and remain in it until annual turnover reaches £825K. Under the scheme VAT returns need only be completed once a year with interim quarterly payments on account.

It is normally a condition of the scheme that a business must have been registered for 12 months before joining the scheme but a new change means that businesses with a taxable turnover up to £150,000 may join immediately.

Up to 31 March 2004, where a business has left the scheme they have had to account for any VAT on outstanding supplies while using the scheme. From 1 April 2004, they have a further six months in which to do so. Any business aware or planning to leave the scheme would be well advised to examine the bookkeeping consequences before doing so, so that appropriate procedures are put in place.

VAT Cash Accounting Scheme

This scheme benefits businesses with slow paying customers as Output Tax is only accounted for on amounts received. Similar thresholds apply as for the Annual Accounting scheme.

VAT Abuse Of Valuation Provisions

Output Tax is payable on demonstrator motor vehicles used by employees of Motor Dealers however hitherto dealers have been applying Output Tax on an undervalue of such vehicles. With effect from the "appointed day" more realistic levels of Output Tax will be payable by such businesses at rates agreed with trade bodies. A typical annual VAT charge would amount to between £120 and £140.

Commercial Buildings: Anti Avoidance

From 18th March 2004 businesses in exempt sectors that utilise Special Purpose Vehicles ("SPVs") in order to create an artificial web/network of businesses the sole purpose of which is to reclaim input tax that would otherwise not be reclaimable but for the establishing of the SPV, will no longer be able to exploit this loophole.

The measure will involve amendments to Para 5 VAT (Special Provisions) Order 1995 and Sch 10 VAT act 1994.

The measure will also eliminate abuse of the rules on Transfer of a Going Concern by removing the de-supply of a "TOGC" in property in certain

circumstances, thereby causing the developer's supply of a freehold to be taxable, and disapply the option to tax for the Partly Exempt User's SPV, so causing the VAT on its purchase to "stick" with it.

The new legislation will also trap situations where avoidance arises through the Sale of a Company with a taxed lease and will impose on the transferee a requirement to tell the transferor whether or not the option they have made will be disappplied as a result of the new changes.

National Minimum Wage

(Youth means 18-21)	Main Rate £ / Hour	Youth rate £ / Hour
From 1/10/2001	4.10	3.50
From 1/10/2002	4.20	3.60
From 1/10/2003	4.50	3.80
From 1/10/2004	4.85	4.10
and £3 per hour for 16 & 17 year olds		

Social Security Contributions

Employed (Class I)

Employee's NIC Lower Earnings Limit

	2003/04 £	2004/05 £
Rates (weekly)		
Lower Earnings Limit	77	79
Earnings Threshold	89	91
Upper Earnings Limit	595	610

	2003/04 £	2004/05 £	Employ EEs %	Employ ERs %
Weekly				
Up to	89.00	91.00	0	0
From above to	595.00	610.00	11	12.8
On Earnings over	595.00	610.00	1	12.8

	2003/04 £	2004/05 £	Employ EEs %	Employ ERs %
Married Woman's Reduced Rate Monthly				
Up to	89.00	91.00	0	0
From above to	595.00	610.00	4.85	12.8
On Earnings over	595.00	610.00	1	12.8

Self-Employed (Class II)

	2003/04 £	2004/05 £
Rates		
Per Week	2.00	2.05
Share Fishermen	2.65	2.70
Volunteer Development Workers	3.85	3.95
Small Earnings Exemption p.a.	4,095	4,215

Voluntary (Class III)

	2003/04	2004/05
Rates	£	£
Per Week	6.95	7.15

Self-Employed (Class IV)

	2003/04	2004/05
	£	£
Principle Rate	8%	7%
Lower Profits Limit	4,615	4,745
Upper Profits Limit	30,940	31,720
Above Upper Profits Limit	1%	1%
Small Earnings Exemption p.a.	4,095	4,215

Social Security Benefits

	2003/04	2004/05
Weekly Statutory	£	
Maternity Pay	100.00	
Statutory Paternity Pay	100.00	

Weekly State Pension	2003/04	2004/05
	£	£
Single Person	75.50	
Married Couples	120.70	

Tax Credits

Working Tax Credit	2003/04	2004/05
	£	£
Basic Element	1,525	1,570
Couple & lone parent	1,500	1,545
30 hour element	620	640
Disabled worker element	2,040	2,100
Severe disability element	865	890
50+ return to work payment (16-29 hours)	1,045	1,075
50+ return to work payment (30+ hours)	1,565	1,610

Childcare Element of WTC	2003/04	2004/05
	£	£
Max. eligible cost for 1 child	135 pw	135 pw
Max. eligible cost for 2 children	200 pw	200 pw
% of eligible childcare costs covered	70	70

Child Tax Credit	2003/04	2004/05
	£	£
Family element	545	545
Family element baby addition	545	545
Child element	1,445	1,625
Disabled child element	2,155	2,215

Severely disabled child element	865	890
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Tax Credits Income thresholds and withdrawal rates	2003/04	2004/05
	£	£
First income threshold	5,060	5,060
First withdrawal rate (%)	37%	37%
Second income threshold	50,000	50,000
Second withdrawal rate (%)	6.67%	6.67%
First threshold for those entitled to Child Tax Credit	13,230	13,480
Income disregard	2,500	2,500

Child Benefit / Guardian's Allowance £ per week	2003/04	2004/05
	£	£
Eldest/only child	16.05	16.50
Other children	10.75	11.05
Eldest/only child (Lone parent rate)	17.55	17.55
Guardian's Allowance	11.55	11.85

Excise Duty

Fuel Duty	To 31/8/04	From 1/9/04
	Pence	Pence
Ultra-low sulphur petrol/diesel	47.10/lt	49.02/lt
Sulphur-free petrol/diesel	47.10/lt	48.52/lt
Biodiesel liquefied petroleum gas used as road fuel	27.10/lt	28.52/lt
Liquefied petroleum gas used as road fuel	=5.4p/lt	=7.82/lt
Natural gas used as road fuel	=6.10p/lt	=7.52p/lt
Rebated gas oil (red diesel)	4.22p/lt	6.64p/lt

Duty Incentive for Bioethanol

The duty payable on bioethanol produced for road fuel will be 20 pence below the rate of duty for sulphur-free petrol. Effective from 1/1/2005.

Alcohol Duty From 17/3/04	Effect of tax on typical item	
	Pence inc.	Unit
Beer	1	Pint of beer
Wine	1	glass
Wine	4	75cl bot
Sparkling wine	No change	75cl bot
Spirits	No change	70cl bot
Spirits-based RTDs	No change	275ml bot
Cider	No change	litre
Sparkling Cider	No change	70cl bot

Tobacco Duty	From 17/3/04	
	Pence inc.	Unit
Cigarettes	9.2	pk of 20
Cigars	3.3	Pk of 5
Hand-rolling tobacco	9.0	25g
Pipe tobacco	5.5	25g

Tax Avoidance Schemes

In future promoters of tax avoidance schemes (mostly banks lawyers and accountants) will have to disclose details of such schemes to the Inland Revenue. Clarification on these new initiatives is currently being sought and it is not yet clear if formal clearance procedures will operate. What is clear is that the Revenue will effectively be able to block such schemes if they are satisfied that the main purpose of any scheme is to reduce tax liabilities.

Compliance Enforcement

The Inland Revenue is being provided with further funds to target evasion, avoidance and non-compliance. It will affect those who fail to comply with their legal obligations such as by trying to stay hidden from the Inland Revenue, don't file accurate returns or who seek to avoid tax by exploiting loopholes in the law.

This reinforces the compliance and enforcement package announced in last year's (2003) Budget. That was targeted at:

- non-payment of tax and National Insurance contributions (NICs) debts, and failure to file tax returns on time;
- tackling fraud involving the concealment of undeclared income or profits offshore; and
- Countering avoidance of corporation tax, and of NICs and tax on employment income.

The new package takes that initiative into new areas and will also enable the Inland Revenue to use its resources for tackling non-compliance more effectively. It includes :

- better publicity to raise public awareness of tax obligations, the assistance the Inland Revenue can provide to help its customers meet their

obligations, and the implications of non-compliance;

- new data systems to improve analysis of tax compliance issues and support the better deployment of staff to areas of significant Exchequer risk;
- more specialist staff to deal with high risk issues involving large businesses and individuals whose tax affairs are substantial and complex; and
- measures to identify those working without being registered for tax. This will include identifying people working in the shadow economy and follow up work by Inland Revenue staff to ensure they remain compliant.

Trusts

New Rates	2003/04	2004/05
	%	%
Rate applicable to trusts (RAT)	34	40
Dividend Rate	25	32.5
New Basic Rate Band. Trusts receiving all of their income as taxed income up to this level will pay no further tax. Those trusts that receive their income gross will bear tax at the:		500
Lower rate; or		10
Basic Rate, depending on the nature of the income		22

People who receive income from trusts will still be able to reclaim any excess tax paid by the trustees on their behalf and those taxable at higher rates will still get credit for tax paid by the trustees.

Simplification (from 6 April 2005 but backdated to 6 April 2004)

Trusts receiving taxed or deemed taxed income up to £500 will have no further tax liability. Those receiving income gross will pay tax at the regular income tax basic or lower rate depending on the nature of the income.

Trustees will be able to use the individual beneficiary's personal allowance , starting and personal rate bands, rather than be taxed at the rate applicable to trusts.

There will be a relaxation in the requirement to file trust tax returns annually in respect of trusts created for "vulnerable" individuals. Returns will instead be required only every few years. Ministers have indicated that vulnerable individuals will include the disabled, and orphaned minor children.

New initiatives to help lay trustees deal with the complexities of their duties will be introduced and the rationalisation of the present complex treatment of trust management expenses will also receive attention.

Other Changes

Loans or other capital payments made by the trustees of a settlement to the settlor or their spouse are treated as the income of the settlor on which the trustees may have paid tax. A change to S.677 ICTA 1988 ensures that the settlor is not credited with more tax than the trustees have paid.

Enterprise Investment Schemes

The annual investment limit is increased from £150,000 to £200,000. Subject to certain conditions investors who have their loans repaid will from 17th March 2004 be eligible for income tax relief. Income Tax relief is 20% of the amount invested in new full-risk shares in qualifying companies.

Venture Capital Trusts (VCTs)

For shares issued by VCTs during 2004/05 and 2005/06, income tax relief is increased from 20% to 40%.

The annual investment limit is also increased from £150,000 to £200,000. CGT deferral relief will not be available for gains reinvested in VCT shares

issued on or after 6th April 2004. It is proposed that the 75% rule relating to ownership of the VC company be amended to an ownership requirement by its parent or fellow subsidiary of 51% (unless the subsidiaries hold and manage property - in which case the ownership requirement is 90%).

Payroll Giving

Small and Medium sized enterprises which encourage payroll giving are to receive a grant, as yet undetermined.

Tax and Accounting

At present most UK companies make up their Accounts in conformity with UK GAAP (Generally accepted accounting principles). However, there is a general movement towards international accounting standards (IAS). Measures are to be introduced to ensure that companies and others that adopt IAS will receive roughly the

same tax treatment to companies continuing to employ GAAP.

Final Opportunity

If you can and wish to take advantage of the current benign regime for taxing dividends, you only have a week to do so. I.e. until 31 March 2004.



Pantomime Night 27 November 2003

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