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NEWSLETTER - 12 MARCH 2008

Northern Rock and BSE

I see a corollary between the BSE epidemic of 2000/2001 and the Northern Rock disaster. Both were generated by greed. In both cases the monitoring authorities knew and ought to have taken action early to prevent huge costs that were ultimately borne by the taxpayer. There were devastating economic consequences to the individuals caught up by events out of their control and in some cases by death.

The governments' handling of both affairs was lamentable. During the former, Selwyn Gummer a Conservative minister reassured us with that hollow phrase '....there is no evidence that....' During the latter we had New Labour's Alistair Darling sounding completely out of his depth attempting to reassure a very sceptical public.



Capital Gains and Non-Doms

During the early days of the taxation of capital gains about 40 years ago, it became apparent that its application sometimes introduced very unfair anomalies.

We have just seen Alistair Darling fall right into a conservative trap. For years we had been led to believe that the UK had been an offshore haven for many who had taken advantage of our relaxed tax regime for those whose domicile was abroad. Visions of wealthy Arabs in the West End of London may have come to mind.

George Osborne the shadow chancellor indicated that his party, if elected would charge the non-domiciled exercising their right to being taxed on the remittance basis, to a flat £25,000.

New Labour's Alistair Darling promptly came back with a proposal to charge £30,000, his department (the Treasury) claiming that they had been planning this all along. They clearly had not because when the dust had cleared, far from the intended targets being a relatively few wealthy Middle Easterners or expatriate Russians,

they had managed to target some of the mainstays of City wealth creation.

His predecessor, our present Prime Minister, introduced more in the way of hefty Finance Bills and cumbersome convoluted legislation than anyone before him. His successor claims to have swept away a huge chunk of it by

simplifying Capital Gains Tax with a single flat rate of 18%, replacing the current basis, which is to first deduct the residue of indexation relief and taper relief and then to add the resultant gain to overall income to establish the rate to be applied.

The ink was barely dry before changes were announced. Today we may discover whether there have been further changes. More likely they will only come to light when the Finance Bill is published.

Is the government going to structure its new rules to promote and demonstrate fairness in the system? So far it looks as though: '..there is no evidence that..'

BUDGET 2008

SEE PAGE 6 FOR DETAILS

Here we are again!

As every year, we take the opportunity when publishing details of the Chancellor's budget, to outline details of other matters that we believe will be of interest to the majority of our clients.

Income Shifting

HM Revenue & Customs have for some time been selecting certain 'husband and wife' businesses where they can demonstrate that the split shareholding is just a cover for transferring some of the income from the 'husband' to the 'wife'. This was the substance of the Arctic Systems case that HMR&C lost. However they lost it on a technicality and to strengthen their hand are issuing new guidelines and may well introduce new legislation.

Our Advice

While you cannot avoid any interest by HMR&C in your business arrangements, you can at least be prepared. HMR&C will be looking at the commerciality of the arrangements. So:

- Ensure that individuals to whom they are being allotted meet the payments for shares subscribed for.
- Ensure that formal letters of engagement are completed for the director/employee participators that set out their duties and responsibilities in the running of the business.
- If directors are required to make loans to the business, make sure they are provided by all the participators, not just one!
- If dividends are to be paid, ensure that a directors' meeting is held to determine that fact and ensure that it is minuted.
- Ensure that dividend warrants are made out for every dividend payment to those entitled to receive them.
- Ensure the dividends are paid to the individuals entitled to them on the dates stated on the dividend certificates.

Flat Rate VAT Scheme

Several clients have taken advantage of this scheme. It is eligible to businesses with a turnover of not more than £150,000. The advantage is that they no longer need to separately record VAT information. Their sales though, have to be recorded gross (inclusive of VAT at the standard rate, 17.5% at the time of writing). When it comes to making their quarterly remittances to HM Revenue and Customs, they simply multiply the total of their gross sales for the quarter by the appropriate rate. No input tax can be claimed except on 'Capital Goods'. Broadly, this would include items that were most likely

to be classed as fixed assets, not items for resale and costing more than £2,000.

Those taking up the scheme usually check to see which published rate applies to their business. Rates range from 2% to 13.5%

There are Snags

Customs can challenge a rate. In the case of Calibre Tas Ltd, the company applied a rate of 11%, applicable to 'business services that are not listed elsewhere', HMR&C ruled that they were carrying on the business of 'management consultants' and therefore the rate should be 12.5%. The company appealed and won, having very sound grounds for their appeal. Clearly the business of selecting the appropriate rate must be undertaken carefully.

There is a second snag. Registration is granted not to the trade but to the individual or partnership (and companies). A married couple ran a business in their own name, e.g. Mr & Mrs A B Patel. They also owned property, which they let and managed also under the name Mr & Mrs A B Patel. HMR&C successfully contended that the rental income should be included with turnover upon which the flat rate should be applied.

VAT and Home Computers

Despite the withdrawal of the exemption for the provision of computers for home use from 6 April 2006, it can sometimes still be possible for an employer to provide a computer for an employee to use at home and claim the VAT and other reliefs, provided they can demonstrate that it is essential for the employee to have the machine in order to fulfil their functions. In such cases HMR&C will ignore any VAT element upon private use.

Claiming VAT on Pre-Registration Expenditure

VAT on pre-registration expenditure can be claimed but it SHOULD be done on the first VAT Return. If it is not and the total is less than £2,000, then it can be claimed on the next Return. If it is greater, then you will have to make a voluntary disclosure. This normally takes the form of a letter, making a polite request (preferably couched in grovelling terms)! However, the rules for goods are different from those for services.

Goods

Claims may be made for VAT incurred on goods. They must have been purchased within the preceding three years but the goods must still be on hand at the date of registration.

Services

VAT on services received must be on services received within the three months preceding registration (unless they had been absorbed into specific supplies made before registration).

The Numbering of VAT Invoice

The variety of bizarre ways that proprietors of new businesses choose to identify their invoices is often amazing. Often they are coded to identify customers or a contract without regard to the overall purpose of an invoice number. Well, the romantically titled Value Added Tax (Amendment)(No 5) Regulations 2007 are now here to help. This states that each invoice must have an identifying number that must be unique and sequential.

Anything else that must go on an Invoice?

Businesses that employ margin schemes for second-hand goods, works of art, antiques, collectors items, the Tour Operators Margin Schemes, involved in intra EC supplies of goods and services or make supplies where the customer accounts for the VAT are now subject to new rules. Each case is slightly different but put simply their invoices must contain a reference to the fact that they are employing the scheme concerned. If your business falls within any of the above and you are in any doubt as to what to do, please contact us for more information.

Transfer of a Going Concern

Where a business is transferred as a going concern, no VAT is physically payable by the purchaser but there can be pitfalls, depending on the type of business and its circumstances. If you are contemplating disposing of your business, take advice early rather than late. Mistakes can be costly.

Property Conversion

Convert an existing building to a number of new flats or increase the number in an existing residential building and the costs will only be subject to VAT at 5% by the contractor but a straight refurbishment without an increase in the number of habitable units will still be subject to the standard rate of 17.5%.

However, do the job yourself and it will be 17.5% regardless. If the amount is significant, a developer might consider setting up a separate business to undertake the work. The saving of 12.5% might well exceed the costs of operating a separate company!

Capital Gains Tax

From 6 April 2008, taper relief is abolished and indexation relief accumulated up to 1998 will be lost. In its place is a flat CGT rate of 18%. The only relief announced up to today is Entrepreneurs Relief.

Gains arising on the disposal of businesses, up to £1 million in total during the taxpayer's lifetime will be liable to only 10% tax on the capital gain. Employees and directors each holding 5% or more in their company's shares and able to exercise voting rights will be eligible.

Inheritance Tax Planning

Most people seem to concentrate on the big numbers, sometimes forgetting the small ones. For example, an individual can, in any year give any number of recipients, gifts of up to £250 each.

In addition an individual may make IHT exempt gifts of up to £3,000 per year per individual. What's more, if they miss a year, their £3,000 exemption may be carried forward but only for one year.

If a person makes gifts regularly every year, for example on birthdays, Christmas etc, these should be classed as Normal expenditure out of Income. They too are exempt but records should be kept to justify this claim.

Is there a marriage taking place in your immediate family? If so a parent can make exempt gifts to a child of £5,000. Grandparents can give exempt gifts of £2,500. Anyone else can make exempt gifts of £1,000.

Subcontractor classified as an employee

Where a worker, treated as self-employed is subsequently reclassified as an employee, the employer suddenly has an unexpected substantial bill for Income and National insurance, while the employee can make a claim for repayment of the self-employed tax that he has paid. That is currently the position and established in the Demibourne Ltd case. HMR&C recognise that this is unfair and are consulting with other government departments to try to establish a solution.

Parking space provision

Where an employer provides a car parking space for an employee near to his place of work, the Income Tax Earnings and Pensions Act 2003, S.237 (1),(3) confirms that no benefit in kind arises.

Even when an employee is reimbursed for the cost of a parking space near to their place of employment, the same section exempts it from being a returnable benefit in kind. No NIC arises in either case.

Community Infrastructure Levy

If it sounds unfamiliar, it is because the name was changed from Planning Gain Supplement. Regardless of the name it is just another way for the government to squeeze more tax out us or rather, property developers. The tax is computed upon an increase in value of a property arising from the approval of planning permission. At the time of writing, the rate had not been announced but some parties predicted 17%. Perhaps the Budget will reveal further information.

Status. Self-Employed or Employed?

During HMR&C PAYE and VAT examinations, investigators often make notes of the names seen on suppliers' invoices where their authenticity may be in doubt. When these are followed up by an enquiry upon such suppliers, they will be unaware of how their name was 'pulled out of the hat'.

By the time 'their' enquiry starts, the Investigator will have a pretty good idea of what their business is about. At this point the original enquiry will still be open. When the customer is informed that the person from whom they have been receiving services is in reality an employee, it may be too late to raise a substantive defence.

The decisions in various cases such as the 1993 case of *Hall v. Lorrimer and Parade Park Hotel & Anor v Revenue & Customs* (SpC 599), (both of which the Revenue lost) were accompanied by details of how the Court / Special Commissioners came to their decisions. If you believe that you might be vulnerable, it would be wise to compare your circumstances against the templates provided by those two cases.

Ask for our separate leaflet, which sets out the details.

Residence and Domicile

A whole raft of changes have been introduced changing such things as the 90 day rule and forcing certain non-domiciled individuals from treating the UK as a tax haven. From the time they are implemented the new rules will be as follows:

- For residency purposes, days of arrival and departure will count towards days of residence in the UK. (Although an overnight stay, apparently will not).

- Non-domiciled or not ordinarily resident Individuals who are resident in the UK will be required to make a claim in order to take advantage of the remittance basis of taxation for income and chargeable gains, unless their unremitted foreign gains are less than £1,000
- Those individuals who opt for the remittance basis will not be entitled to personal allowances or the capital gains tax annual exempt allowance.
- Non-domiciled or not ordinarily resident Individuals who remain in the UK for longer than seven out of the previous ten years will only be eligible for the remittance basis if they pay an annual charge of £30,000, unless their unremitted foreign income and/or gains are less than £1,000; and
- The current rules will be amended to remove flaws and anomalies that permit individuals using the remittance basis to avoid paying tax on income and gains where it is properly due.

Short Life Assets

The recent sea change in Capital Allowances as they affect 'plant & machinery' can seem harsh, despite the first £50,000 annual exemption. However, it may not be as bad as it seems. The Capital Allowances Act 2001 provides for accelerated depreciation on short life assets. There are some exclusions but they are not material. The main formality is to make an election in writing to HM Revenue & Customs. The remainder are procedural.

Dividends from REITs

Clients sometimes send us their own listings of dividends and tax credits rather than send the dividend certificates. This can sometimes lead to unforeseen problems, particularly with dividends from foreign sources, which are entered into a completely different section of a Tax Return. It is worth noting that dividends from a Real Estate Investment Trust (REIT) should not be treated as dividends at all but as Schedule A property income. REIT dividends received by non-basic rate taxpayers are treated as having been subject to withholding tax of 22% (20% from 6 April 2008).

Company Secretaries

Section 270 of the Companies Act 2006 states (that after 6 April 2008) a private company need no longer have a Company Secretary. Subject to special circumstances, all that is required is the passing of a Special Resolution, a copy of which must be delivered

to Companies House. A Special Resolution is one that is required to be passed at either an ordinary or extraordinary meeting after 21 days notice has been given to every member. The resolution can only be considered as passed provided at least 75% of the members approve it.

The special circumstances referred to above that might cause difficulties are those where the company's Articles of Association specifically require that the company must have a company secretary. To overcome this difficulty, another special Resolution would be required specifying changes to the Articles that would remove the obstacle. The amended Memorandum and Articles would then be required to be printed and a copy sent to Companies House together with the Special Resolution.

After a brief review of several of the Memoranda and Articles of client companies incorporated at different times over the last 25 years or more, we did not find any that required the company to have a Company Secretary.

You have only 9 months not 10

Private companies whose accounting years end after 6 April 2008 will have only 9 months to lodge their Accounts with Companies House if penalties are to be avoided.

New Late filing Penalties

Under the attractively titled 'The Companies (Late Filing Penalties) and Limited Liability Partnerships (Filing Periods and Late Filing Penalties) Regulations 2008, new penalties come into force from 1 February 2009, effective for accounting years ending after 6 April 2008.

Length of period after due date	Private Company	Public Company
Not over 1 month	£150	£750
Not over 3 months	£375	£1,500
Not over 6 months	£750	£3,000
Over 6 months	£1,500	£7,500

This Document

This newsletter, written for the general interest of our clients, attempts to combine a résumé of the more significant points of the Chancellor's Budget together with other matters of interest and of various tabulations. We hope that you will find it a useful reference during the forthcoming year. Please remember that legislation and legal decisions are constantly changing. We recommend that no decisions should be taken based on this newsletter unless further specific advice is taken.

Not long after the small print associated with the Budget have been published, we shall update our website to accommodate the details. If you have never checked it, log on to www.asandco.co.uk to see what we provide.

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BUDGET 2008

This section includes items published in the November 2007 Pre-Budget Report.

Income Tax Rates

	2008/09	2007/08
	£	£
Starting Rate band to	NIL	2,230
Tax Rate	-	10%
Savings rate If non-savings taxable income does not exceed £2,320, there is a starting rate of 10% up to £2,320	10%	-
	£	£
Basic Rate Band - next	36,000	32,370
Non-saving rate	20%	22%
Savings rate	20%	20%
UK dividend rate	10%	10%
	£	£
Higher Rate – income above	36,000	34,600
Tax rate – excluding UK dividends	40%	40%
UK dividend rate	32.5%	32.5%
	£	£
Trusts and Estates		
Basic Rate on first £500 of income		
Tax rate excluding UK dividends	40%	40%
UK dividend rate	32.5%	32.5%

Personal Allowances

	2008/09	2007/08
	£	£
Deducted from income before computing tax		
Age under 65	5,435	5,225
Age 65 to 74	9,030	7,550
75 and over	9,180	7,690
Allowances that reduce tax		
Married Couple's Allowance		
Elder spouse' age under 75 *	653.50	628.50
75 and over *	662.50	636.50
Minimum	254.00	244.00
One spouse must have been born before 6 April 1935		
The Age Allowance is reduced by £1 for every £2 by which the income exceeds the income limit:		
	21,800	20,900
Blind Persons Allowance	1,800	1,730

Mortgage Interest Relief (on principal private residence)

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

Ultimate Impact Of Tax, NIC And Working Tax Credit Changes

Interestingly the budget report only quotes examples of those families with varying circumstances that will benefit overall by budget changes. No types of family who will be worse off are quoted.

Rent A Room Scheme

	2008/09	2007/08
	£	£
Annual Exemption (unchanged)	4,250	4,250

Pension Schemes

	2008/09 £	2007/08 £
Annual Allowance	235,000	225,000
Lifetime Allowance	1,650,000	1,600,000

Inheritance Tax

	2008/09 £	2007/08 £
Threshold before tax starts	312,000	300,000
Thereafter	40%	40%
For 2009/10 the threshold becomes £325,000 and in 2010/11 £350,000.		
From 9 October 2007, if an individual's IHT nil rate band is not used up upon their death, any unused proportion can be transferred to their surviving spouse or civil partner. This also applies to all widows, widowers and bereaved civil partners alive on that date.		

Corporation Tax

Financial Year commencing	1/4/2009 Rate %	1/4/2008 Rate %	1/4/2007 Rate %
Profits £0 to £300,000 (but see below *)	22	21	20
Profits £300,000 to £1,500,000		32.75	32.75
Profits over £1,500,000		28	30
Small Companies Marginal Relief Fraction			
From £300,000 to £1,500,000		11/400	11/400
Neither 20%, 21% nor the 22% apply to close Investment holding companies.			

Capital Gains Tax

	2008/09 £	2007/08 £
Annual Exemption		
Individual	9,600	9,200
Most Trusts	4,800	4,600
The Rate applicable		
is determined by the taxpayer's total taxable income inclusive of Capital Gains. The rates are:		
Lower Rate Band		10%
Basic Rate Band	18%	20%
Higher Rate		40%

Entrepreneurs Relief

From 6 April 2008, gains arising from the disposal of all or part of a business or from the disposal of assets following the cessation of a business by certain individuals involved in the running of the business will be eligible for this relief.

Conditions

The relief will also be applicable to the disposal of shares and securities in a trading company or the holding company of a trading group, provided the individual making the disposal has been an officer or employee of the company or of a company in the same group of companies and owns at least 5% of the ordinary share capital of the company and the holding enables the individual to exercise at least 5% of the voting rights in that company. Property lettings businesses other than furnished holiday lettings will not qualify.

Relief

During the taxpayer's lifetime, a maximum of £1,000,000 of gains that qualify for this relief will be charged to Capital Gains Tax at an effective rate of 10%. Any qualifying gains exceeding £1,000,000 will be charged at 18%.

National Minimum Wage

	Main Rate (Age 22 or over) £ / Hour	Development (Age 18-21) rate £ / Hour	16-17 Year Olds £ / Hour
From 1/10/2005	5.05	4.25	
From 1/10/2006	5.35	4.45	3.30
From 1/10/2007	5.52	4.60	3.40

The development rate can also apply to workers aged 22 and above during their first six months in a new job with a new employer and who are receiving accredited training.

Accommodation offset

Employers who provide accommodation as part of the job are allowed to offset a maximum of £3.75 a day (£26.25 a week) against the NMW calculation.

Benefits in Kind

When an employee is provided with free fuel for a company car for private use, the fuel benefit charge is calculated by multiplying the car's CO2 emission rating by a fixed multiplier. From 6 April 2008, this multiplier will increase to £16,900 (from £14,400), effectively increasing the employee's tax charge and the employer's Class 1A NICs charge by over 17%.

Using a company car but paying for the petrol

It is possible to avoid completing a P11D where the employee is simply reimbursed in respect of the business miles while using a company car. The applicable rates from 1 January 2008 are:

Petrol	Per Mile
1,400 cc or less	11p
1,401 - 2,000 cc	13p
Over 2,000 cc	19p

Diesel	Per Mile
up to 2,000 cc	11p
Over 2,000 cc	14p

LPG	Per Mile
1,400 cc or less	7p
1,401 - 2,000 cc	8p
Over 2,000 cc	11p

Using your private car and claiming business mileage

The statutory rates unchanged since 2002/03 are:

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

Social Security Contributions

Small Earnings Exemption p.a.	4,825	4,635
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Employed (Class I)

Employee's NIC Lower Earnings Limit

	2008/09 £	2007/08 £
Rates (weekly)		
Lower Earnings Limit	90	87
Earnings Threshold	105	100
Upper Earnings Limit	770	670

	2008/09 £	2007/08 £	Employ EEs %	Employ ERs %
Weekly				
Up to	105	100	0	0
From above to	770	670	11	12.8
On Earnings over	770	670	1	12.8

	Employ EEs %	EmployE Rs %
Married Woman's Reduced Rate Monthly		
Up to	0	0
From above to	4.85	12.8
On Earnings over	1	12.8

Self-Employed (Class II)

	2008/09 £	2007/08 £
Rates		
Per Week	2.30	2.20
Share Fishermen	2.95	2.85
Volunteer Development Workers	4.50	4.35
Small Earnings Exemption p.a.	4,825	4,635

Voluntary (Class III)

	2008/09 £	2007/08 £
Rates		
Per Week	8.10	7.80

Self-Employed (Class IV)

	2008/09 £	2007/08 £
Principle Rate	8%	8%
Lower Profits Limit	5,435	5,225
Upper Profits Limit	40,040	34,840
Above Upper Profits Limit	1%	1%

Social Security Benefits

Tax Credits

Working Tax Credit	2008/09	2007/08
	£	£
Basic Element	1,800	1,730
Couple & lone parent	1,770	1,700
30 hour element	735	705
Disabled worker element	2,405	2,310
Severe disability element	1,020	980
50+ return to work payment (16-29 hours)	1,235	1,185
50+ return to work payment (30+ hours)	1,840	1,770

Childcare Element of WTC	2008/09	2007/08
	£	£
Max. eligible cost for 1 child	175 pw	175 pw
Max. eligible cost for 2 children	300 pw	300 pw
% of eligible childcare costs covered	80	80

Child Tax Credit	2008/09	2007/08
	£	£
Family element	545	545
Family element baby addition	545	545
Child element	2,085	1,845
Disabled child element	2,540	2,440
Severely disabled child element	1,020	980

Tax Credits Income thresholds and withdrawal rates	2008/09	2007/08
	£	£
First income threshold	6,420	5,220
First withdrawal rate (%)	39%	37%
Second income threshold	50,000	50,000
Second withdrawal rate (%)	6.67%	6.67%
First threshold for those entitled to Child Tax Credit	15,575	14,495
Income disregard	25,000	25,000
Child Benefit / Guardian's Allowance £ per week	2008/09	2007/08
	£	£
Eldest/only child *	18.80	18.10
* (£20 from 6/4/2009)		
Other children	12.55	12.10
Guardian's Allowance	13.45	12.95

State Pension / Pension Credit

	2008/09	2007/08
	£	£
Per week unless stated		
State Pension		
Category A or B basic pension	90.70	87.30
Category B basic pension (lower - husband's insurance)		
Category C & D - non-contributory	54.35	52.30
Pension Credit		
Standard minimum guarantee	124.05	119.05
Standard minimum guarantee	189.35	181.70

Excise Duty

Alcohol Duty	Effect of tax on typical item	
From 17 March 2008		Unit
Beer	4p	Pint of beer
Wine	3p	175l glass
Wine	14p	75cl bot
Sparkling wine	18p	75cl bot
Spirits	55p	70cl bot
Spirits-based RTDs	3p	275ml bot
Cider	3p	1litre
Sparkling Cider	14p	75cl bot

The above increases of 6% will be followed by annual increases of 2% in subsequent years.

Tobacco Duty	From 12/03/08	
	Pence inc.	Unit
Cigarettes	11p	pk of 20
Cigars	4p	pk of 5
Hand-rolling tobacco	11p	25g
Pipe tobacco	6p	25g

The above increases of 6% will be followed by annual increases of 2% in subsequent years.

Vehicle Excise Duty (for Private & Light Goods Vehicles registered before March 2001)

	Change	2008/09	2009/10
1549 cc and below	+£5	£120	120
Above 1549 cc	+£5	£185	200

Graduated Vehicle Excise Duty (for cars registered from March 2001)

VED band	CO₂(g/km)	Change	Alt Fuel Cars	Petrol	Diesel
		£	£	£	£
A	<= 100	0	0	0	0
B	101 - 120	-15	15	35	35
C	121 - 150	+5	100	120	120
D	151 - 165	+5	125	145	145
E	166 - 185	+5	150	170	170
F	186 - 225	+5	195	210	210
G *	> 225	+100	385	400	400

Vehicle Excise Duty - Motor Cycles/Tricycles

£ Per year (No change)	Motorised Tricycles	Motor Cycles
150 cc and below	15	£15
151 cc - 400 cc		£33
401 cc - 600 cc		£48
Above 600 cc	64	£66

Vehicle Excise Duty for Light Vehicles

(registered from March 2001)

£ per year (unchanged)	2008/09	2007/08
Euro IV incentive rate*	£120	£115
Standard Rate	£180	£175

- * For Euro IV compliant vans registered between 1 March 2003 and 31 December 2006

Fuel Duty

Fuel Duty (Pence per litre)	From 1/10/08	From 1/10/07
Ultra-low sulphur petrol/diesel	52.35p	50.35p
Sulphur-free petrol/diesel	52.35p	50.35p
Biodiesel liquefied petroleum gas used as road fuel	32.35p	30.35p
Bioethanol	32.35p	30.35p
Liquefied petroleum gas used as road fuel	20.77p per kg	16.49p per kg
Natural gas used as road fuel	16.80p kg	13.70p kg
Rebated gas oil (red diesel)	10.07p/l	9.69p/l
Fuel Oil	9.66p	0.29p

Value Added Tax

	1/4/2008	1/4/2007
• Thresholds		
	£	£
Annual Turnover Threshold	67,000	64,000
De-Registration Threshold	65,000	62,000
Standard Rate of VAT	17.5%	17.5%

HM Revenue & Customs : Review of powers

From 1 April 2009 HM Revenue and Customs will have hugely redefined and restated powers which will enable them to both identify and assess additional Tax, National Insurance and VAT revenues where they determine that accounting records have been sufficiently deficient to promote understatement of income or overstatement of expenses.

The new arrangements confer and confirm HM Revenue & Customs' powers as follows:

1. Inspection of records.
2. Require 3rd parties to prove relevant information
3. Require relevant supplementary information
4. power to visit premises and inspect records and assets
5. power to impose penalties for non-compliance with properly authorised request notices
6. criminal offence of concealing or destroying records properly requested.
7. The window of opportunity for HMR & C is set out below:

Tax	Mistake	Failure to take reasonable care	Deliberate understatement
VAT	3 years	3 years	20 years
Income & CG Tax	70 months	250 months	250 months
Corp. Tax	6 years	21 years	21 years
PAYE/NIC	70 months	250 months	250 months

VAT Return Errors

Until now the magnitude of errors beyond which HMR&C had to be notified is £2,000. This also applied to a number of other taxes too. With effect from (VAT etc) accounting periods from 1 July 2008 this de minimis is increased to the greater of £10,000 or 1% of turnover, subject to an upper limit of £50,000. The errors must be rectified on the next Return following discovery of the error.

VAT on Smoking Cessation Products

VAT on Over-the-counter products designed to help addicts 'kick the habit' will bear VAT at only 5% with effect from 1 July 2008

VAT Option to Tax

The default VAT status for rent charged by landlords is 'exempt' but landlords can 'opt to tax' and will usually do so where their tenants are predominantly commercial ones who can reclaim the VAT. However once an option was taken up it could not be revoked. This is to change from 1 June 2008 although the earliest date an option to tax will be revocable will be 1 August 2009. The new rules permit an option to be revoked after 20 years. There are a number of other changes including: 1) an early revocation of an option to tax within a 'cooling-off' period. 2) The automatic lapse of an option to tax six years after the taxpayer ceased to have any interest in a property that they had previously opted to tax. 3) The ability, in certain circumstances, to exclude a new building from a previous option to tax. 4) Late applications for permission to opt to tax; and other change

Three year time limit for VAT Claims

Legislation will be introduced to make clear that from 1/4/2009 all claims for over-declared or under-claimed VAT will be subject to a 3-year time limit.

Stamp Duties and Taxes

Removal of £5 Stamp Duty

From today, the stamp duty of £5 that has hitherto been charged on share transfers and marketable securities attracting minimum duty is abolished. In addition, where the consideration upon a transaction is not more than £1,000, the stamp duty will be NIL.

Share Transfer Forms

The certificates that currently appear on the reverse of share transfer forms will no longer be required. A new form of certificate will be added to the reverse of the form for transfers on sale where the consideration is no more than £1,000.

Transfers of Land and Buildings

Rate %	Residential in disadvantaged areas £	Residential outside Disadvantaged areas £	Non Residential £
Total value of consideration			
0	0 - 150,000	0 - 125,000	0-150,000
1%	>150,000-250,000	>125,000-250,000	>150,000 - 250,000
3%	>250,000-500,000	>250,000-500,000	> 250,000-500,000
4%	Over 500,000	Over 500,000	Over 500,000

New Leases (Lease Duty)

Rate %	Net Present Value of Rent (£)	
	Residential	Non-Residential
Zero	0 – 125,000	0 – 150,000
1%	Over 125,000	Over 150,000

Duty on any premium as the same as for transfers of land except where the rent is more than £600 p.a.

Landfill Tax

The standard rate is being increased from 1 April 2009 from £24 to £40 per tonne.

Capital Allowances

Plant & Machinery

From 1 April 2008 (companies) or 6th April 2008 (unincorporated businesses) a first year allowance of 100% of qualifying expenditure in a 12-month accounting period up to a maximum of £50,000 may be set against trading profits. Any excess of expenditure over £50,000 is eligible for 20% writing down allowance.

In addition the Main Rate of annual writing down allowances, previously 25%, are reduced to 20% with effect from 1/4/08 (companies) and 6/4/08 (unincorporated businesses). A hybrid rate produced on a time apportioned basis will apply where an accounting period spans the changeover date.

100% 1st year Capital Allowances on Natural Gas, Biogas and Hydrogen Refuelling Equipment. Also Cars with less than 110 g/km emissions.

From 1st April a 100% first year allowance applies to businesses that purchase equipment required to refuel natural gas and hydrogen powered vehicles. The intention is to retain this allowance for 5 years.

This also applies to new low emission cars purchased outright or leased. Interestingly the restriction of £12,000 for all other (“expensive”) motor cars does not apply. Transitional rules apply to ensure that leases for low emission cars, which were entered into prior to 1st April 2008, when the low emissions threshold was 120g/km

will not be penalised as a result of the low emission threshold reduction

Enhanced Capital Allowances (ECA's)

Loss making companies investing in plant and machinery which qualifies for ECA's for environmentally beneficial and energy saving technologies will be able to surrender losses for a cash payment of 19% of the expenditure, subject to a cap of the higher of £250,000 or a company's PAYE / NIC liabilities. This would be beneficial in cash flow terms, but the cash payment is discounted by 2% for companies, as the Corporation Tax rate for 2008/9 is 21%!

Motor Vehicle Capital Allowances Reform

In line with the government's commitment to encourage “cleaner” motoring, changes to Capital Allowances will be introduced from April 2009 in order to allow time for planning business car purchase strategy. Cars with CO2 emissions of over 160g/km will attract annual writing down allowances of 10%, whereas those below 160 will attract WDA's of 20% per annum.

Industrial Buildings Allowances (IBA's)

IBA's (other than Enterprise Zone Allowances (EZA's)) are to be phased by April 2011. Different arrangements for Enterprise Zone Allowances will be introduced in the Finance Bill 2008, later this year. The Phasing Out arrangements for IBA's will result in the annual writing down allowances being reduced as follows:

Tax Year 2007/8 and earlier years	100%
Tax Year 2008/9	75%
Tax Year 2009/10	50%
Tax Year 2010/11	25%
Tax Year 2011/12	0%

Time apportionment applies where the financial year end does not correspond with 31st March (companies) or 5th April (unincorporated businesses).

Anti avoidance measures will limit the amount of WDA where qualifying property is transferred to a connected person in order to obtain a tax advantage.

General Tax Issues

Avoidance and Evasion

Once again considerable attention has been paid to challenging tax avoidance and tax evasion by legislating loopholes out of the system and by introducing ever harsh compliance and penalty regimes. Time and space prevent us from detailing them here.

Income Shifting

The Chancellor conformed in his Budget that legislation would be introduced bringing into effect from 6 April 2008, measures to prevent tax advantages from income shifting. Following a period of further consultation, the measures are expected to appear in the 2009 Financed Bill.

Self-Assessment Payments on Account

Until 6 April 2009, the minimum tax liability below, which payments on Account require to be paid, was £500. From that date it will become £1,000.

Charities

Charities that would otherwise have suffered from the reduction in the basic rate from 22% to 20% by losing 10% of the tax that they could previously reclaim through Gift Aid, from 6 April 2008 are able to reclaim Gift Aid at a transitional rate consistent with a basic rate of income tax of 22%, for three years.

Aviation Duty

From 1 November 2009, Air passenger duty will be replaced by a per plane charge rather than per passenger.

Other Matters

Winter Fuel Allowance

The help given to the elderly in the form of cash for winter fuel is to be increased for 2008/09 from £300 to £400 for over 80s households £200 to £250 for over 60s households.

Individual Savings Accounts (ISAs)

The Annual limits for investing in cash (mini) and maxi ISAs are respectively:

	2008/09	2007/08
Cash ISAs	3,600	3,000
Full (share) ISAs	7,600	7,000

New VAT Motor Car Fuel Scale Charges

Where fuel supplied to proprietors and/or staff for use in cars other than fuel cars and the vehicle is used for private purposes, a supply is deemed to have been made for VAT purposes. The VAT to be added to the Return(s) to compensate for this is determined by a scale charge. From 1 May 2007, this is now geared to the vehicles' VAT emissions. To use the table below, where the vehicle's CO₂ emissions are not a multiple of 5, round the figure down to the nearest multiple of 5.

CO ₂ band	Annual Return		Quarterly Return		Monthly Return	
	Charge (Gross) £	VAT Included £	Charge (Gross) £	VAT Included £	Charge (Gross) £	VAT Included £
120 or below	555.00	82.66	138.00	20.55	46.00	39.15
125	830.00	123.62	207.00	30.83	69.00	58.72
130	830.00	123.62	207.00	30.83	69.00	58.72
135	830.00	123.62	207.00	30.83	69.00	58.72
140	885.00	131.81	221.00	32.91	73.00	62.13
145	940.00	140.00	234.00	34.85	78.00	66.38
150	995.00	148.19	248.00	36.94	82.00	69.79
155	1,050.00	156.38	262.00	39.02	87.00	74.04
160	1,105.00	164.57	276.00	41.11	92.00	78.30
165	1,160.00	172.77	290.00	43.19	96.00	81.70
170	1,215.00	180.96	303.00	45.13	101.00	85.96
175	1,270.00	189.15	317.00	47.21	105.00	89.36
180	1,325.00	197.34	331.00	49.30	110.00	93.62
185	1,380.00	205.53	345.00	51.38	115.00	97.87
190	1,435.00	213.72	359.00	53.47	119.00	17.72
195	1,490.00	221.91	373.00	55.55	124.00	18.47
200	1,545.00	230.11	386.00	57.49	128.00	19.06
205	1,605.00	239.04	400.00	59.57	133.00	19.81
210	1,660.00	247.23	414.00	61.66	138.00	20.55
215	1,715.00	255.43	428.00	63.74	142.00	21.15
220	1,770.00	263.62	442.00	65.83	147.00	21.89
225	1,825.00	271.81	455.00	67.77	151.00	22.49
230	1,880.00	280.00	469.00	69.85	156.00	23.23
235 or more	1,935.00	288.19	483.00	71.94	161.00	23.98