
Alan Secker & Co

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NEWSLETTER - 22 APRIL 2009

Recession? What recession?

Analyses of every recent recession show the same picture. The headlong plunges into property lest the race to 'be on the ladder' be lost. The same reckless acquisitions of property with mortgages obtained by ridiculous multiples of self-certified income, clearly unaffordable and sometimes with the deposits obtained with further unsecured loans.

Without verification of the income, it was inevitable that abuses would arise. It should have been clear that together with the exponential rises in stamp duty, these circumstances alone would generate rapid property inflation.

Journalists seem to relish the grim statistics about repossessions. It is as if they had just popped in from a distant planet. During the last 18 months or so, did they not have friends or relatives borrowing at up to eight times their earnings?

The motor car industry is collapsing through lack of sales yet this government has spent the last twelve years trying to undermine it by placing huge taxes on vehicle use claiming that it was to underpin Britain's global warming undertakings at Rio and Kyoto. As this could have been handled with greater finesse, one comes to the conclusion it was just a convenient ruse to extract money from us to underpin extravagant government spending.

There is something iniquitous about those that promote those costly government schemes that failed through poor management but who can look forward to luxurious pensions that the rest of us who ultimately pay for it all, can only dream about.

Can we put a brake on the ineptitude that lead to this situation?



Within two years an election will be called. Will we exact a price from the potential winners that these iniquities will be rectified? What we want is an even playing field.

Survival

We have survived several recessions. On each occasion the government in power was exhorted to 'do something'. They made noises but in hindsight can a single policy be recalled as having been a 'killer' solution? In most cases it was the slow recovery of confidence that gradually brought us out of it.

In the short term businesses went into liquidation. Those with money snapped up the remnants at knock down prices. When they started up, their cost base was much lower, their products competitive.

So surviving a recession means cutting overheads, buying clever and shopping around. Where empty commercial units were hard to find, they started to become available and at encouraging rents.

Advertisers tell us that a recession is the right time to increase advertising. Well they would wouldn't they? There is some truth in it though because if there is only a limited amount of business available, the applicant with the highest profile is more likely to get it. However simply throwing money randomly at a variety of media without professional advice could be like throwing it down a drain. Nowadays, browsing the web for one's requirements is often the first port of call. It therefore follows that a web site may be a good choice. However, without the right key words for the search engines to index may mean it is never selected.

BUDGET 2009

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Carpe Diem (seize the moment)

Nearly 60 years ago US General George S Patton expressed the opinion that there were no such things as obstacles, just opportunities. So how does one apply that to a recession? These are some suggestions:

Work to your strengths. Concentrate on what you are best at. Recessions are no time for experimental diversions.

Eliminate weaknesses. This can be the inefficient use of time or a member of the team not pulling their weight.

Don't waste any time that the downturn brings you. If you have time on your hands, use it to study, improve your know-how. If strides have been made in IT for your industry, now is the time to hone up your skills. Download 'Howtos' from the Web.

Boost your CV, not with gushing rubbish such as 'being a people person' or how you devote your spare time to saving the world.

Analyse previous years statistics to generate a new projection for the upturn. Keep it up to date.

Time to pay arrangements

Included in the pre-Budget Report in November was recognition by the government that businesses were likely to have cash flow problems in the current economic climate and help in the form of payment deferral would be made available. There will not be an automatic deferral of liabilities and no help where a business is not viable anyway.

Deferments are usually for three months or less but HMR&C have made it known that they are prepared to be flexible but again, only if the business is viable. Bear in mind that interest on the debt does roll up at the currently prevailing rate and is included in the repayment scheme agreed. For the current rate, check our website (**UK Taxes -> Miscellaneous -> Interest payable to Inland Revenue**).

A Payment and support team has been set up by HMR&C. Their telephone number is 0845 302 1435.

Nothing to fear from HMR&C?

It is generally assumed that honest taxpayers have nothing to fear. That is not true. Once a tax enquiry begins it becomes clear that every aspect of the year under review will be examined. Inevitably some innocent mistake will be uncovered and that can lead to a more detailed examination possibly covering a further year.

If it appears that there has been a deliberate attempt to defraud Treasury, then Inspectors have been instructed to go back as far as 20 years to recover unpaid tax, with the consequential interest and penalties.

Regardless of the outcome, there will inevitably be costs and because of the painstaking nature with which HMR&C questions have to be answered, together with the research that often accompanies them, the costs of the tax advisor will inevitably be high. There are several things that can be done to mitigate this:

- If you claim for business use of a vehicle also used for leisure, log your mileage and trips. If this appears daunting, at least do it for a representative month each year.
-
- Similarly for telephone, keep your itemised 'phone bills. Annotate at least one each year and analyse the result so that the total of business calls can be identified as against private calls.
- If you use your home for business, keep all your domestic bills in one or more files so that they can be used to support your claim and to defend any attack upon it.
- Last but not least. Take advantage of the fee protection insurance scheme that we offer you. The premiums are insignificant compared with the costs that they will meet. Several of our clients are now very grateful to have received the benefit.

HMR&C and IR35, new attacks?

In the 2007/08 Tax Return, a new requirement was introduced. This asked whether income included on the Return had come from a service company. Completion of this (which cannot be legally avoided) is almost certain to bring the taxpayer's Return into focus. Our tax consultants believe that this is a prelude to a concerted attack on taxpayer's falling within this category.

Income Shifting

Last year we reported upon the Revenue's attack on what they perceived as income shifting. They had intended to introduce legislation to enable them to reverse their defeat over the Arctic Systems case. We are now told that this is not regarded as a priority and that legislation, for now, is deferred.

Our Advice

- We still stand by our advice given last year. 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.

VAT Returns and Late Payment

If the filing of VAT Returns is deferred, HMRC will raise an estimated assessment. If VAT is not paid by the due date, surcharges may be made. The rates of surcharges based on the amount of VAT are as follows:

1 st default (in a period of 12 months)	0%
2 nd default	2%
3 rd default	5%
4 th default	10%
5 th and subsequent defaults	15%

Note: If surcharges of 2% and 5% are below £400, the surcharge will not be assessed.

Penalties for misdeclarations

The basis for assessing penalties for under declarations will for Returns due from 1 April 2009 be computed against the following subjective tests:

Understandable Errors	0%
Careless action or omission	30%
Deliberate but not concealed	70%
Deliberate and concealed	100%

In computing the penalty, the following will be taken into account:

- The amount of VAT under declared;
- The nature of the behaviour giving rise to the under declaration; and the extent of any disclosure by the taxpayer.

It therefore follows that genuine mistakes will result in a 0% penalty. Our guess is that Inspectors will be urged to challenge such claims and frame them (if you will excuse the expression) in to a 'penalty box'.

HMRC claim that the new regime should be:

- Visible and understandable
- Proportionate
- Efficient
- Effective
- Mitigable
- Consistent
- Subject to appeal
- Consistent with human rights legislation

New Companies 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 beginning 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

Loss Relief

In the pre-Budget report last November a temporary extension to the loss relief rules was announced.

Companies

At present, companies can only carry back losses against profits of the previous 12 months. This has been extended to three years, offsetting profits of the latest year first. However, the maximum that can be carried back is limited to £50,000. The losses can be offset against any profits and only applies to losses arising in accounting periods ending between 24 November 2008 and 23 November 2009.

Unincorporated Businesses

At present trading losses can be offset against general income of the same year and the previous year. For unrelieved trading losses of the tax year ending 5 April 2009, they can now be carried back and offset against profit of the same trade for tax years 2007/08, 2006/07 and 2005/06, the latter years being relieved first. As with companies the limit is £50,000 for losses carried back to 2006/07 and 2005/06. Contact us for further details.

Allowable Expenses

For the Self-employed and Companies

Broadly speaking, anything that is expended wholly and exclusively for the purposes of the business is allowable. So what about expenses that are not exclusive such as motor car expenses, use of home as office or home telephone?

In fact exclusive has effectively been accepted to mean that element of the expenditure that is exclusive to the business. So recording the business miles and the total annual miles will enable us to apportion the total running costs and any capital allowances in the ratio of business miles / total annual miles. For the telephone it could be based upon an analysis of the calls and for use of home by the space used. So for a four-roomed house (always exclude bathrooms, kitchen and toilets) where one is used for business, we would multiply the total costs by ¼.

At one time, it would have been undesirable to include council tax, as HMRC would deny principle private residence relief in regard to the proportion of the chargeable gain arising on the sale of the property applicable to the part of the property used for business. That has now been relaxed. So if you would like to make a claim for this, keep a record of:

Rent, Council Tax, (Electricity, Gas, Insurance, Maintenance agreements for appliances, Water Rates, Repairs, Decorations, Gardening, House, Carpet and Window Cleaning, Cleaning Materials, Pest Control. If the area concerned is used for business say, five days per week and for non-business use for the other two, then only 5/7 should be applied to the eligible total.

Where you cannot easily keep mileage records, at least do so for a representative month. For telephone, mark up the itemised bills.

It may seem pedantic but we have disappointed many a Tax Inspector by producing the correct evidence.

For the Employed

The barrier is raised for employed people. For them the criteria are that the expenditure has to have been both wholly and exclusively and also necessarily laid out for the purpose of their employment. One way to ensure the likelihood of success is to have the requirement to outlay the expense written into the contract of employment.

Allowable Medical Expenditure

HMR&C have confirmed that the Finance Bill 2009 will include legislation exempting contributions to annual health screening and medical checkups and the need for these to be available to all employees. This has been permissible under a concession since April 2007 but will become law effective from 6 April 2009. If clients operating through their own companies have private medical arrangements, it might be worthwhile ascertaining whether the element of the annual premium relating to the costs for annual screening and medical checkups could be invoiced to their company.

Website Costs

The costs of developing and maintaining a website fall into two categories. The initial build costs and the annual maintenance costs. The usual accounting practise is to capitalise the first, writing it off over the number of years during which it is anticipated it will continue to have value but writing off the maintenance costs during the years that they arise.

In practise it is not that simple. Suppose a site I built for £10,000. expected to last five years and it needs a complete makeover after two. The accounting treatment would suggest that the remaining £6,000 should be written off straight away and the rebuild capitalised.

That is fine but what about the tax treatment? Since 6 April 2008, that became easier. Because website development is 'plant and machinery' for tax purposes, if the initial cost is not more than £50,000 in the year concerned, the whole cost will be 100% deductible. In the example above, it would also be true when the rebuild was required.

Capital Allowance on Cars

From April 2009, the annual allowances for new cars will be based upon their carbon dioxide emissions. If they are up to 160g/km they will attract 20% pa, otherwise it will only be 10%.

Balance of Allowances

The balance of unrelieved expenditure sits in a general pool from which annual allowances are deducted each year. If by the beginning of the 2008/09 tax year, the balance is not more than £1,000, businesses may claim it all against the profits taxable in that year.

Inheritance Tax NIL Rate band

When it was announced in October 2007 that upon the death of a surviving spouse, any unused NIL rate band of their spouse would

be available to their own estate, there was great delight. It was therefore pleasant to find that there was no sting in the tail.

What passes is the percentage of unused NIL rate band. This is important because over time the size of this band increases. The rule applies where the second death arose after 8 October 2007 and also applies to civil partners although for the latter, the first death must have been after 4 December 2005.

Paper VAT Returns - History

Paper VAT Returns are to be phased out and replaced by filing online. At the same time settlement of VAT liabilities will have to be made electronically. All newly registered businesses and those with an annual turnover of £100,000 or more must move to the new basis from 1 April 2010. Existing businesses with turnovers below £100,000 may continue to use paper Returns but this will be reviewed during the run up to 2012. We recommend that clients embrace the new approach now. We will make the necessary arrangements for those clients whose bookkeeping we manage. For those handling their own arrangements, point your web browser at <http://www.hmrc.gov.uk/payinghmrc/vat.htm> or follow the instructions below:

Register for online filing

These instructions assume that you are already registered for VAT. The steps for on-line filing are as below but before you start, make sure the following items are to hand:

Your VAT Registration Number

The postcode of your principal place of business

The date of registration

The month of your last VAT Return period.

The figure on box 5 of your last VAT Return.

The steps for registration are:

- 1) Open your web browser and bring up your search engine (Google, Yahoo, MSN etc) and enter HMRC in the search dialog box.
- 2) Click on 'HM Revenue & Customs Home Page'
- 3) On the HMR&C home page is another search dialog box. Enter 'Online' (without the quotes).

HM Revenue & Customs Online Services
HMRC home | Contact us | Help

New user

Please select the type of account you want to create, Individual, Organisation, Pensions or Agent.

- Individual**
Please register as an 'Individual' if you are using our Online Services for personal transactions or if you are self-employed.
- Organisation**
Please register as an 'Organisation' if you are using our Online Services as an employer, a contractor, a Partnership, a Limited Company or Trust.
- Agent**
Please register as an 'Agent' if you are using our Online Services on behalf of your client(s), whether paid or acting in a voluntary capacity.
- Pensions**
Please register for 'Pensions' if you are using our Online Services as a Pension Scheme Administrator or a Pension Scheme Practitioner.

[Back](#)

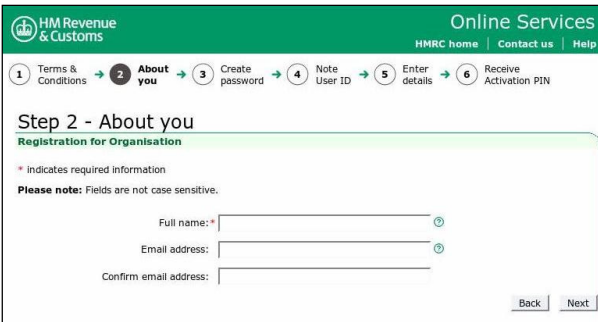
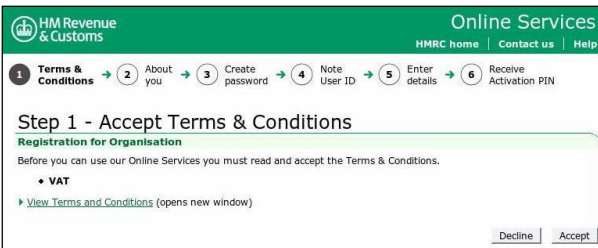
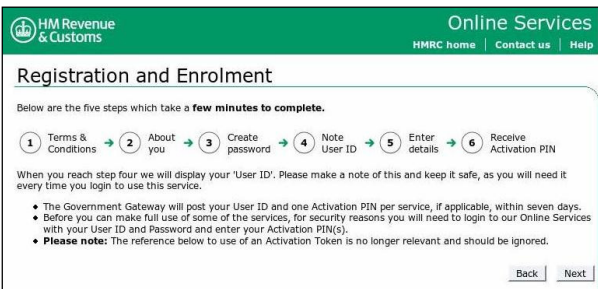
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- 4) The first search result will be 'Online Services'. Click on it.
- 5) Scroll down to the Table headed 'Online Service – options available'

The penultimate item in the table is 'VAT Online'.

Click on it.

- 6) This will bring up the Online Services Login page. Locate 'Registration process for new users. Click on **new users**.
- 7) The New Users page displays several options. The two significant ones are either 'Individual' for self-employed people or Organisation for partnership or companies. The others are not likely to be required by our clients. Select either 'Individual' or 'Organisation' as appropriate. The next screen is only slightly different in that there are more options on the 'Organisation' screen but in both cases, select the VAT checkbox.
- 8) Work through the next five screens – see screen shots below:



The next step can only be taken, once you have heard from the Government Gateway with your 'Activation PIN' (Personal identity number).



Cut the cost of Fuel!

To get the best value for money, make your purchase very early in the morning, preferably before the sun is up. Why? Because the fuel in the tanks and in the pump will still be cold whereas later in the day it will have heated up and therefore expanded. So the early bird will get more litres for his buck.

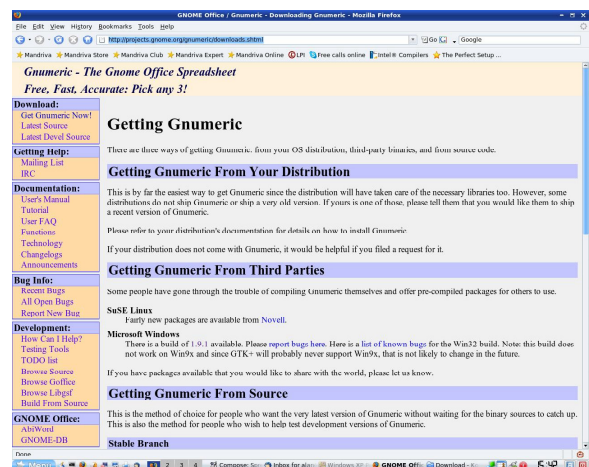
Saving money by helping us

Once upon a time, people sent their accountants a shoebox full of bills and vouchers as their contribution to their bookkeeping. When the cost of sorting and writing it up became prohibitive, they began to write it up themselves. The result though was decidedly 'iffy' and often required re-entering by us to ensure the arithmetic was accurate. We then started to persuade clients to use spreadsheets and still do.

The problem is, not everyone can afford Microsoft's Excel. However we recently found a free spreadsheet program that runs under Windows (with versions for Linux and the Mac OS/X) called gnumeric. We have tried it and it is astonishingly good. This is the URL (address for downloading).

<http://projects.gnome.org/gnumeric/downloads.shtml>.

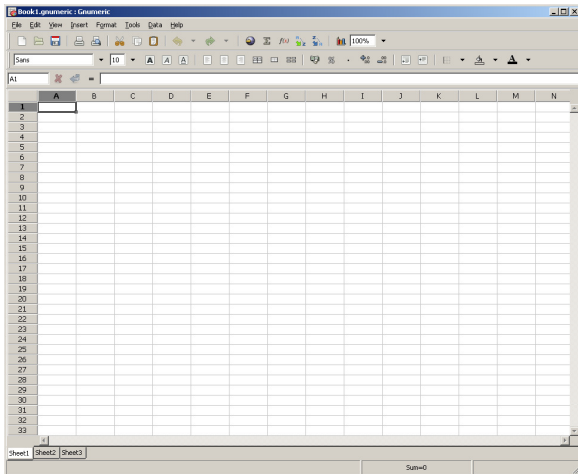
This is what you should see as it comes up:



If you look down to where it says **Microsoft Windows** There is a build of **1.9.1** available. Click on the **1.9.1** and download **gnumeric-1.9.1-win32-20080625.exe**.

Preferably save it to c:\temp. Otherwise make sure you know where you placed it. In windows Explorer double-click on it or alternatively go to Start / Run, locate it from there and execute it.

In Windows Explorer, Go to **c:\Program Files\gnumeric\1.9.1\bin** and right-click on **gnumeric.exe** select '**create shortcut here.**' That will create a shortcut that will appear at the foot of the directory. Right-click on it and drag it to the desktop. You could right click on the resultant icon, select '**rename**' and rename it as **gnumeric**.



Double-click it to give it test run. You will be surprised on how good it is. However, when you save files, remember to choose 'Save as' and choose an Excel file format.

Daft things Chancellors have done

Anthony Barber

In 1972 Anthony Barber encouraged the nation to spend its way out of recession. The intention was to return the Conservatives to power. It didn't work. Prime Minister Ted Heath called an election in January 1974 but a Labour minority government was returned and inflation rose from 7% to about 24% in 1975.

Denis Healey

Denis Healey presided over one of the most difficult periods in Britain's history. His budgets were all pretty austere. However at the end of one particularly depressing Budget (sadly I could not recall which one) he tried to raise Labour spirits with a new low rate of income Tax. It was 25%, except that it was for a band of £750. As we had no pre-Budget report in those days, the announcement came only days before the new tax year began causing confusion and the necessity to re-code millions of tax-payers. £750 is neither cleanly divisible by 52 nor 12, so not a brilliant choice. New tax tables needed to be printed and rushed out across the country. The reprinting cost was £8 million. It was estimated that implementation cost £100 million. A parliamentary committee sitting sometime later concluded that almost nobody had benefited. So much for grand party political gestures.

Nigel Lawson

Nigel Lawson was chancellor between June 1983 and October 1989. During his 1988 Budget, he cut income tax by 2%. Inflation

took off rising to 10% in 1990. An election was not imminent so why did he do it?

Gordon Brown

I tried to find out how many times our Prime Minister and former Chancellor used the term 'stability' in his speeches. Google gave me 101,000 hits but I didn't have time to check them all. Here is an example of 'stability'.

Stability

Up until 31 March 2000, the small companies corporation tax rate was 20%. From that date GB introduced a new low rate band of £10,000 at 10%. From 1 April 2002, he reduced the starting rate to 0%, NIL in other words and the small companies rate went to 19%. Immediately unincorporated businesses with only short term views and unscrupulous advisors formed limited companies in their thousands and ensured that at least £10,000 was available in profits from which to pay dividends. By 2004 the penny had dropped and the Treasury had lost millions of pounds in tax and some national insurance too. Did he scrap the daft idea? No. Instead from 1 April 2004, a complicated formula was introduced so that any part of dividends paid that went to individuals had to be taxed at 19%.

From 1 April 2006, the zero rate band (and the complicated calculations) was dropped and the small companies rate was hiked from 19% to 20%. A year later it went to 21% and will ultimately go to 22% unless the 2009 Budget adds further 'stability'.

Prudence

Another favourite GB word is 'prudence.' Remember these iconic examples.

In 1997 he raided pension funds of an estimated £100 billion. Few people immediately felt any impact but it didn't take long. It was those that had saved those funds that were prudent! One of the headlines the following day read 'Robert Maxwell only stole £400 million from the pension funds.'

In 2007 it was revealed that between 1999 and 2002, against Bank of England officials serious misgivings he sold 400 tons of gold bullion in a series of auctions when the price was at a 20 year low. The price has since more than tripled!

Alistair Darling

Chancellor Darling's foray into the Treasury has been not unlike a bull in a china shop. When capital gains tax was first introduced, it rapidly became apparent that it was unfair and people with possibly only their house to their name held jointly with a recently deceased relative were going to be heavily taxed on inflationary gains. Indexation of the prices index was introduced to overcome this and was both fair and largely successful. Fair unfortunately is something Gordon Brown doesn't do and so he introduced taper relief. This was heralded by some but certainly wasn't fair.

Mr Darling with a stroke of genius wiped this out with a single 18% tax that wiped out any 'credits' that taxpayers may have accrued by being cautious. Had he made allowance for this,

by simplifying an overcomplicated tax, it would probably be warmly welcomed for its simplicity.

However his greatest 'triumph' was the elimination of the 10% earnings rate band (it is still there for other forms of income). This led to so much hardship that he had to do a Volte Face and

increase personal allowances for everyone the following year. To repay the cost of this fiasco, in December 2008, he introduced new multi-levels of taxation, which are going to complicate our lives and haunt us for years to come.

Protect against Computer Attacks

"The conficker virus already infecting millions of computers world wide is expected to cause major disruption on April 1"
screamed the headlines only a few week ago. Were we concerned? Not a bit. Here is why.

Some of you will know that for several years we have been deploying the Linux operating system on our computers rather than Microsoft Windows. Yet we need Windows to run three or four programs that are not available to run under Linux. However, modern technology allows us to run Windows on top of Linux, as its guest, so to speak. So why the additional complexity? There were three reasons: **stability, security and cost.**

What is Linux?

Like Windows, Linux is a computer operating system. The difference is that it is open source. In fact it is an open source clone of Unix, a much older operating system.



Why is it good?

- It doesn't crash several times each day.
- Viruses cannot harm it.

That is not to say that it is impossible to create a computer virus that will attack Linux. It is just that it would be difficult and not worth the attacker's time. Unlike Windows, there are huge numbers of free programs available for it written to a high standard. If you only need Web browsers, email clients, word processors, spreadsheet programs, presentation managers, desktop publishing, CD and DVD burners, music publishing, audio and video manipulating programs, audio players, video players, pdf readers and writers and ... I could go on. They are all available free. They can often be downloaded as a complete package with installers built in. This is not to say that there are no commercial programs, there are and many of the companies selling them also support open source versions and projects too.

What is open source

By open source we mean that the originating computer code is available to everyone and it is free to examine and modify. It is available under a special licence that obliges the users to share any changes or improvements that they make. It is employed all over the world and in many countries it is the most popular operating system deployed.

Why is it more secure?

Linux has several levels of password protection. There are access levels such as user, group and all. Only someone with administrator privileges can change these. As a result,

assaults from other users or across the Internet are easily resisted.

How we became hooked on Linux

It all started several years ago when one of our computers suffered a virus attack that the virus checker failed to block. Our computer consultant pointed out that if we placed Linux on our server, it would be virtually immune from virus attacks. At that time all our work-stations were still running Windows 98. We decided to take the plunge. Once we felt confident with Linux, we started to experiment with different flavours. You see, although Microsoft owns Windows, no single company or individual owns Linux. The core of the system is developed and maintained by a foundation funded from several sources.

The Linux foundation maintains the core of the operating system called the kernel and makes it freely available. You can download it directly from www.linuxhq.com. As stated above, if you wish you could download the source code and if you are clever enough, modify it to suit your own purposes. In practise however, most of us would not do that. Instead we would obtain a package of programs modified to work with and including the kernel and install from that.

How did Linux start?

Linux was only launched in 1991 by Linus Torvalds as an open source clone of Unix. Since then its growth has been exponential.

Numerous groups have sprung to package the kernel, together with its applications and system programs under increasingly user-friendly and efficient installers. These package organisers are called 'Distributions' or more commonly 'Distros'.

The most common distros are Red Hat Linux, Fedora, Mandriva, Ubuntu, Debian, and Slackware. There are many others. Distros are often developed for specific purposes as varied as in secure server systems such as power the Large

Hadron Collider down to Puppy Linux or DSL (Damned Small Linux) to run very small computer system.

The Distro we chose is Mandriva. It has the most user-friendly installation system and, using the KDE desktop system (its default) can be made very Windows-like, easing the transition from Windows to Linux for the new user.

No internet use via Windows

With one exception, since installing it, none of our Internet operations go through Windows. For web browsing we use Mozilla Firefox (and sometimes Opera). Our email client is Mozilla Thunderbird. For Newsgroup access we use knode and for FTP (for uploading new data to our web-site for example) we use ftpgrabber.

Because our Accounts Production and Taxation packages are only available under Windows, we need Windows too. We manage this by executing a 'virtual machine' package and from within that start Windows as a guest.



Virtual Machines

The title sounds high-tech and it is very clever but to the user relatively simple to master. There are several VM packages to choose from. We mostly use VMware server for this, which is also freely available from the VMware company web site and we have also used Virtualbox. There are several others. VM software can host several guests, all running at the same time. Our Windows guests cannot only communicate with the files of their Linux host operating system but also with the files on our remote file-server.

It is easy just to try out

Days many of the distros make 'Live CD' versions of their products. What they do is to package them on to a bootable CD or DVD. All you have to do is to ensure that your machine will go first to the CD or DVD when attempting to boot up (most do). Live CDs only uses transient memory, not your hard drive., so that when you power down and remove the CD or DVD, your machine will be untouched and will perform as previously. When you find a distribution that is to your liking, facilities are usually provided to enable a permanent installation to your hard drive. If you want to keep Windows alongside Linux, that can sometimes be done so that you have 'dual-booting' options. That is what we did before we learned to trust the new environment.

Live CD operation is slow however, because everything has to be retrieved from the CD and be sometimes decompressed along the way. But you do get to compare different Linux versions without any significant cost or disruption.

For example, you can download complete distribution in the form of an .iso file and then burn it to a CD (or DVD). Alternatively most Linux magazines, notably Linux Format

include a DVD with every issue. You can build up a library of live and installable systems, for just the cost of a few, very informative magazines.

Interested?

Let us know if you are interested in learning more or trying it out. If enough people express interest in trying this technology, we may run a demonstration or seminar showing it in operation and explaining how to download all the bits that are needed without spending a penny!

<http://register.vmware.com/content/download.html>

<http://www.virtualbox.org/>

<http://www.mandriva.com/en/download>

<http://www.kubuntu.org/getkubuntu>



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.

Alan Secker & Co Chartered Accountants



4 Churchill Court, 58 Station Road,
North Harrow, HA2 7SA

Telephone: 020 8416 7254

Fax: 020 8427 7364

email: enq@asandco.co.uk

BUDGET 2009

This section includes items published in the November 2008 Pre-Budget Report.

Income Tax Rates

	2009/10	2008/09
	£	£
Starting Rate band (for savings income) to	2,440	2,320
Rate (only available where non-savings income does not exceed the starting rate limit.	10%	10%
	£	£
Basic Rate Band - next	37,400	36,000
Non-dividend rate	20%	20%
UK dividend rate	10%	10%
	£	£
Higher Rate – income above	37,400	36,000
Tax rate – excluding UK dividends	40%	40%
UK dividend rate	32.5%	32.5%
Trusts and Estates		
Tax rate excluding UK dividends	40%	40%
UK dividend rate.	32.5%	32.5%
	(from 2011/12 - 45%)	
	(from 2011/12 - 37.5%)	
Even Higher Rate		
From 2011/12 a new rate of Income Tax of 45% will be introduced for all income in excess of £150,000 . Dividend income falling in the income band above £150,000 will be taxed at 37.5%		

Personal Allowances

	2010/11	2009/10	2008/09
	£	£	£
Deducted from income before computing tax			
Age under 65		6,475	6,035
Age 65 to 74		9,490	9,030
75 and over		9,640	9,180
Income Limit	100,000		
Personal Allowances reduced by £1 for every £2 of gross income over the Income limit, up to the maximum of the full personal allowance			
2 nd Income Limit	140,000		
Those with a gross income over the second income limit, Personal Allowances are further reduced by £1 for every £2 of gross income over the second Income limit, up to the maximum of the full personal allowance			
Allowances that reduce tax			
Married Couple's Allowance	Elder spouse' age under 75 *	686.50	653.50
	75 and over *	696.50	662.50
	Minimum	267.00	254.00
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:		22,900	21,800
Blind Persons Allowance		1,890	1,800

Rent A Room Scheme

	2009/10 £	2008/09 £
Annual Exemption (unchanged)	4,250	4,250

Pension Schemes

	2010/11 £	2009/10 £	2008/09 £
Annual Allowance	Frozen until 2015/16 255,000	245,000	235,000
Lifetime Allowance	Frozen until 2015/16 1,800,000	1,750,000	1,650,000

Inheritance Tax

	2010/11 £	2009/10 £	2008/09 £
Threshold before tax starts	350,000	325,000	312,000
Thereafter	Death rate Lifetime rate 40%	40%	40%
	20%	20%	20%

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	1/4/2010 Rate %	1/4/2009 Rate %	1/4/2008 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

	2009/10 £	2008/09 £
Annual Exemption		
Individual	9,600	9,600
Most Trusts	4,800	4,800
The Rate applicable		
Basic Rate Band	18%	18%
Capital Gains Tax on disposal of a business (Entrepreneurs' Relief)		
From 6 April 2008, relief will be available in respect of:		
<ul style="list-style-type: none"> gains made on the disposal of all or part of a business gains made on disposals of assets following the cessation of a business gains made by certain individuals who were involved in running the business 		
The first £1 million of gains that qualify for relief will be charged to Capital Gains Tax at an effective rate of 10 per cent. Gains in excess of £1 million will be charged at 18 per cent rate.		
An individual will be able to make claims for relief on more than one occasion, up to a lifetime total of £1 million of gains qualifying for relief.		
In effect, eligible gains will be reduced by four ninths before being taxed at 18%, so arriving at the effective rate of 10%.		
Note: Conditions apply, so check with us to ensure a match with your circumstances.		

National Minimum Wage

	Main Rate (Age 22 or over) £ / Hour	Development (Age 18-21) rate £ / Hour	16-17 Year Olds £ / Hour
From 1/10/2007	5.52	4.60	3.40
From 1/10/2008	5.73	4.77	3.53

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 was increased 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 2009 are:

Petrol		Per Mile
1,400 cc or less		10p
1,401 - 2,000 cc		12p
Over 2,000 cc		17p
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		9p
Over 2,000 cc		12p

Using your private car and claiming business mileage

The statutory rates unchanged since 2002/03 are:

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

The 40p rate will also apply for NIC purposes.

	Per Mile
Motor Cycles	24p
Bicycles	20p

Social Security

Employed (Class I)

Employee's NIC Lower Earnings Limit

	2009/10	2008/09
Rates (weekly)	£	£
Lower Earnings Limit	95	90
Earnings Threshold	110	105
Upper Earnings Limit	844	770

Self-Employed (Class II)

	2009/10	2008/09
Rates	£	£
Per Week	2.40	2.30
Share Fishermen	3.05	2.95
Volunteer Development Workers	4.75	4.50

	2009/10	2008/09	Employ	Employ
Weekly	£	£	Ees	ERs
Up to	110	105	0	0
From above to	884	770	11	12.8
On Earnings over	884	770	1	12.8

	2009/10	2008/09
Voluntary (Class III)	£	£
Rates		
Per Week	2.40	2.30
Share Fishermen	3.05	2.95

	EmployEes	EmployERs
Married Woman's Reduced Rate		
Monthly	%	%
Up to	0	0
From above to	4.85	12.8
On Earnings over	1.00	12.8

	2009/10	2008/09
Self-Employed (Class IV)	£	£
Principle Rate	8%	8%
Lower Profits Limit	5,715	5,435
Upper Profits Limit	43,875	40,040
Above Upper Profits Limit	1.00%	1.00%
	2009/10	2008/09
Small Earnings Exemption p.a.	5,075	4,825

Social Security Benefits

Tax Credits

Working Tax Credit	2009/10	2008/09
	£	£
Basic Element	1,890	1,800
Couple & lone parent	1,860	1,770
30 hour element	775	735
Disabled worker element	2,530	2,405

	2009/10	2008/09
	£	£
Disabled worker element	2,530	2,405
Severe disability element	1,075	1,020
50+ return to work pmnt (16-29 hrs)	1,300	1,235
50+ return to work pmnt (30+ hrs)	1,935	1,840

Social Security Benefits (continued)

Tax Credits

Childcare Element of WTC	2009/10	2008/09
	£	£
Max. eligible cost for 1 child pw	175	175
Max. eligible cost for 2 children pw	300	300
% x eligible childcare costs covered	80	80
Child Tax Credit	2009/10	2008/09
	£	£
Family element	545	545
Family element baby addition	545	545
Child element	2,235	2,085
Disabled child element	2,670	2,540
Severely disabled child element	1,075	1,020

Child Benefit / Guardian's Allowance £ per week	2009/10	2008/09
	£	£
Eldest/only child	20.00	18.80£
Other children	13.20	12.55
Guardian's Allowance	14.10	13.45

Excise Duty

Alcohol Duty From 1 Dec 2008	Effect of tax on typical item (inc VAT at 15%) Unit	
Beer	3p	Pint of beer
Wine	13p	75cl bot
Sparkling wine	17p	75cl bot
Spirits	53p	70cl bot
Spirits-based RTDs	3p	275ml bot
Cider and perry	3p	1litre

Tobacco Duty	From 6 /11/08	
	Pence inc.	Unit
Cigarettes	17p	pk of 20
Cigars	5p	pk of 5
Hand-rolling tobacco	13p	25g
Pipe tobacco	8p	25g

Vehicle Excise Duty (for Private & Light Goods Vehicles registered before March 2001)			
	2010/11	2009/10	2008/09
1549 cc and below	£125	120	115
Above 1549 cc	£205	200	185

For Euro 4 compliant vans registered between 1 March 2003 and 31 December 2006
For Euro 5 compliant vans registered between 1 January 2009 2003 and 31 December 2010

Vehicle Excise Duty (for cars registered from 1 March 2001) standard rates				
VED band	CO₂(g/km)	2010/11	2009/10	2008/09
		£	£	£
A	< = 100	0	0	0
B	101 – 110	20	35	35
C	101 – 120	30	35	35
D	121 – 130	90	120	120
E	131 – 140	110	120	

Vehicle Excise Duty (for cars registered from 1 March 2001) standard rates (Continued)

Tax credits income thresholds and withdrawal rates	2009/10	2008/09
	£	£
First income threshold	6,420	6,420
First withdrawal rate (%)	39%	39%
Second income threshold	50,000	50,000
Second withdrawal rate (%)	6.67%	6.67%
First threshold for those entitled to		
Child Tax Credit	16,040	15,575
Income disregard	25,000	25,000
First income threshold	6,420	6,420

State Pension / Pension Credit

State Pension	2009/10	2008/09
	£	£
Per week unless stated		
Category A or B basic pension	95.25	90.70
Category B basic pension (lower - husband's insurance)	57.15	54.35
Category C & D – non- contributory	57.15	54.35
Pension Credit		
Standard minimum guarantee	130.00	124.05
Standard minimum guarantee	198.45	189.35

Vehicle Excise Duty (for cars registered from 1 March 2001) standard rates

VED band	C)2(g/km)	2010/11	2009/10	2008/09
		£	£	£
A	< = 100	0	0	0
B	101 – 110	20	35	35
C	101 – 120	30	35	35
D	121 – 130	90	120	120
E	131 – 140	110	120	120
F	141 – 150	125	125	120
G	151 – 165	155	150	145
H	166 – 175	180	175	170
I	176 – 185	200	175	170
J	186 – 200	235	215	210
K**	201 – 225	245	215	210
L	226 – 255	425	405	400
M	> 255	435	405	400

Vehicle Excise Duty for Light Vehicles (registered from March 2001)

	2010/11	2009/10	2008/09
Euro 4 & 5 incentive rate	125	125	120
Standard Rate	200	185	180

Vehicle Excise Duty (for brand new cars: 2-10-11 first year rates)

VED band	CO₂(g/km)	2010/11		
		£		
A	< = 100	0		
B	101 – 110	0		
C	101 – 120	0		
D	121 – 130	0		
E	131 – 140	0		

Vehicle Excise Duty (for brand new cars: 2-10-11 first year rates)(Continued)

VED band	CO ₂ (g/km)	2010/11 £	2009/10 £	2008/09 £
F	141 – 150	125	125	120
G	151 – 165	155	150	145
H	166 – 175	180	175	170
I	176 – 185	200	175	170
J	186 – 200	235	215	210
K**	201 – 225	245	215	210
L	226 – 255	425	405	400
M	> 255	435	405	400

2008-09 Alternative fuel discount A-I £20, J-M £15

2009-10 Alternative fuel discount A-I £20, J-M £15

2010-11 onwards, £10 all cars

** Includes cars emitting over 225g/km registered between 1 March 2001 and 23 March 2006

VED band	CO ₂ (g/km)	2010/11 £		
F	141 – 150	125		
G	151 – 165	155		
H	166 – 175	250		
I	176 – 185	300		
J	186 – 200	425		
K	201 – 225	550		
L	226 – 255	750		
M	> 255	950		

Vehicle Excise Duty - Motor Cycles

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

Value Added Tax

	1/12/2008 £	1/4/2008 £
• Thresholds		
Annual Turnover Threshold	67,000	67,000
De-Registration Threshold	65,000	65,000
Standard Rate of VAT *	15.0%	17.5%
The 15% standard rate will revert to 17.5% on 31 Dec 2009		

Fuel Duty

Fuel Duty (Pence per litre)	From 1/4/09 pence	From 1/12/08 pence
Ultra-low sulphur petrol/diesel	54.19	52.35
Sulphur-free petrol/diesel	54.19	52.35
Biodiesel liquefied petroleum gas used as road fuel	34.19	32.35
Bioethanol	34.19	32.35
Liquefied petroleum gas used as road fuel (per kg)	24.82	20.77
Natural gas used as road fuel (p/kg)	19.26	16.60
Rebated gas oil (red diesel) p/l	10.42	10.07
Fuel Oil	10.00	9.66

Air Passenger Duty

Band and Distance of capital city of destination country in miles from the UK	lowest class of travel (reduced rate)		Not the lowest class of travel (standard rate)	
	After 1/11/0	After 1/11/1	After 1/11/0	After 1/11/1
	9	0	9	0
Band A (0 – 2000)	11	12	22	24
Band (2001 – 4000)	45	60	90	120
Band (4001 – 6000)	50	75	100	150
Band (over 6000)	55	85	110	170

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Other Matters

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 2008, 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	6.85
125	830.00	123.62	207.00	30.83	69.00	10.28
130	830.00	123.62	207.00	30.83	69.00	10.28
135	830.00	123.62	207.00	30.83	69.00	10.28
140	885.00	131.81	221.00	32.91	73.00	10.87
145	940.00	140.00	234.00	34.85	78.00	11.62
150	995.00	148.19	248.00	36.94	82.00	12.21
155	1,050.00	156.38	262.00	39.02	87.00	12.96
160	1,105.00	164.57	276.00	41.11	92.00	13.70
165	1,160.00	172.77	290.00	43.19	96.00	14.30
170	1,215.00	180.96	303.00	45.13	101.00	15.04
175	1,270.00	189.15	317.00	47.21	105.00	15.64
180	1,325.00	197.34	331.00	49.30	110.00	16.38
185	1,380.00	205.53	345.00	51.38	115.00	17.13
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