

Season Greetings

Please note that both the Leeds and Southport offices will be closed during the festive period, from 24 December to 1 January inclusive.

Any urgent enquiries during this time should be directed to Paul Eaves who can be contacted on 07970 696479.

Remember:

The deadline for filing 07/08 tax returns online is 31 January 2009.

Eaves & Co are registered for online filing with HMRC.

Key Points:

Make sure you are accounting for the new VAT rate correctly.

Trading losses may now be carried back by up to 3 years.

From April 2009, tax relief for business expenditure on cars will be based on CO₂ emissions rather than the list price.

Extension of Trading Loss Carry Back for Business

Under the current rules, businesses may carry back trading losses for relief against profits in the previous year to give rise to a repayment of tax.

Alasdair Darling announced that this carry back relief will be extended to 3 years, with losses being offset first by profits in the preceding year and then against profits in the prior 2 years.

The amount of losses relievable against profits in the

preceding year remains unlimited. However, the amount of losses that can be carried back for more than 1 year is capped at £50,000. For accounting periods of less than 12 months, this cap will be reduced on a pro rata basis.

This measure also applies to losses from a Furnished Holiday Lettings business.

The extended carry back relief is only available for 1 year.



Companies may apply for carry back losses under the new rules for accounting periods in the period 24 November 2008 to 23 November 2009.

Sole traders and partnerships may carry losses of up to £50,000 from 2008/09 back three years.

Other Key Features

Payment Support

A new service to help businesses experiencing temporary financial difficulties was unveiled.

Under this new service, HMRC will review individual cases and agree options such as spreading payments out over a longer timescale.

Payments made under such an agreement will not be subject to late payment surcharges, although interest may be charged.

The key here is for businesses to apply as early as possible if they anticipate cash flow difficulties.



Small Companies Rate

The increase in the small companies rate of corporation tax from 21% to 22% has been deferred until April 2010.

VAT Rate Cut

Welcome news for many, particularly those who cannot recover VAT paid on supplies, is that the standard rate of VAT has been cut to 15%.

The way in which this change in the rate of VAT should be applied will depend on how you normally account for VAT.

Eaves & Co can advise you on how to correctly apply the

rate change to your business.

Income Tax Thresholds

From 2010/11 the basic personal allowance will be reduced in stages for those with gross incomes over £100,000 and £140,000.

Income Tax Rates

In order to fund the increase in public spending, the Chancellor of the Exchequer has proposed an increase in the rate of income tax for high earners.

Under these proposals, income over £150,000 will be taxed at 45%. This increase is set to come in 2011/12 after the next general election.

Our Thinking

On the whole, there are a range of measures designed to help struggling businesses.

However, it is also important to consider how tax planning or restructuring could shelter your business from poor economic conditions.

High earners look set to be hit with increased tax burdens in future years. For these individuals, tax planning will play a key role in minimising future tax liabilities.

For pro-active tax planning advice please contact our partners, Paul Eaves and Paul Davison.

Tax Relief for Business Expenditure on Cars

From April 2009 tax relief for business expenditure on cars will be based on CO₂ emissions rather than the list price of the car.

Leased Cars

Leased cars with emissions above 160g/km will be subject to a flat rate disallowance of 15% of the relevant payments.

This means that a company leasing an Audi A4 2.0 TDI will be able to deduct 100% of the

relevant payments as the vehicle emissions are only 139g/km.

If, on the other hand, a Ford Mondeo 1.8i were leased, only 85% of the relevant payments would be deductible as the emissions are above the 160g/km limit.

Purchased Cars

Purchased cars will be put into one of two plant and

machinery pools, depending on the level of CO₂ emissions. Cars with emissions over 160g/kg will attract writing down allowances at the reduced rate of 10%.



Pensions Contributions

The annual and lifetime allowances are to be held at 2010/11 levels for 5 years.

National Insurance

From 2009/10 the upper earnings limit for NIC contributions will be aligned with the level at which higher rate tax is paid (£37,400 for 09/10).

From 2011/12 the lower

earnings limit will be aligned with the basic rate band, reducing payments from low earners.

In addition to the threshold changes, the rate of NIC Class 1 and 4 contributions will increase by 0.5% in 2011/12.

Land Remediation

Currently tax relief is available for 150% of qualifying expenditure.

Furthermore companies have the option to submit a claim to surrender losses in return for tax credits through a refund of PAYE.

Proposed changes will give relief for expenditure incurred in the restoration of long term derelict land.

Relief may also be claimed for the costs of treating land contaminated by Japanese knotweed, radon and arsenic, provided that the contamination was the result of industrial activity.

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