



Coates and Partners Limited

Winter 2008

Newsletter

Enjoy A Wealthier New Year With These Seasonal Tax Tips

With Winter now upon us, why not take advantage of the various forms of tax relief to ensure a wealthier and more profitable New Year for both you and your business? Consider the following tips:

Festive parties: Reward employees' hard work with a festive party. Such annual functions are tax and national insurance free, so long as the cost per head is less than the £150 (including VAT) tax free limit per year.

A time for giving?: Thinking of passing on a serious slice of your personal or business wealth? Careful planning can mean it is possible to pass on substantial amounts of wealth with no immediate tax bill.

Charity donations: Considering making a donation to charity? Through the various forms of Gift Aid, gifts of cash, trading stock and investments can be made tax-efficiently – a bonus for you and for the good cause.

Staff gifts: Most gifts to staff are treated as a taxable benefit. There is, however, an exception for what are deemed as 'trivial' gifts. Small items (excluding food, drink, tobacco or vouchers) carrying some form of advertisement and of relatively small value should be eligible for a tax deduction. Good examples might be diaries and calendars with the firm's name embossed on the cover.

Keep out the cold: Winter weather means increased energy costs for business. Have you considered the enhanced capital allowances for energy-saving equipment? Contact us for more details of the allowances available to you.

And have you considered the energy-efficiency of your business? An energy-use audit can lead to a significant reduction in your business' energy costs.

Stamp Duty 'Holiday' Commences

The Government has suspended stamp duty on properties costing less than £175,000 in a bid to revive the UK's ailing housing market. Chancellor Alistair Darling has announced that the unpopular tax will not apply to residential property purchases for one year from 3 September 2008.

Following the reforms, stamp duty is now charged at 1% on properties sold for between £175,000 and £250,000, with the tax rising to 3% above this level. Homes worth more than £500,000 attract stamp duty at a rate of 4%.

Please note: special rules may apply for non-residential property, residential property in disadvantaged areas, and zero-carbon homes.

Self Assessment Reminder...

Don't forget, 31 January 2009 is the last day for filing your 2007/08 Tax Return online. We can help you prepare your Tax Return for submission to HMRC – please contact us for more information. Remember, Returns filed after 31 January may attract a penalty, so please collate all the relevant documentation as soon as possible to ensure you meet the deadline.

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Merry
Christmas!

When The Taxman Comes Knocking...

A very small percentage of Tax Returns are selected for full enquiry on a random basis. However, while being subject to an enquiry by HM Revenue and Customs (HMRC) can be unsettling, there is no need to panic! Here are some tips for surviving a tax enquiry.

'Suspect' activity

Sometimes an apparently unusual transaction or item in an account can trigger HMRC's computer risk assessment program to flag the Tax Return for an enquiry.

The program looks for patterns in income and expenses year on year, and also compares your business to a typical business in the same trade sector. So if your business has unusual aspects, perhaps because of its location, you may need to provide this information to the tax inspector to prevent him from opening a formal enquiry.

If you are selected ...

If you do get selected for an enquiry it is important to provide complete and accurate records, which agree

precisely with the figures reported on your Tax Return.

Every business transaction should ideally be supported by a third party document such as a receipt, contract or bank statement. For cash transactions you should make a record at the time, ensuring that you note the amount, date and nature of the cost (e.g. taxi fare to a business meeting).

It is important not to confuse personal expenses with business transactions, and to record accurately all the money you withdraw from your business. Recording an item as business-related when it was in fact a personal cost, may be viewed as a deliberate error. Under the new penalty system, deliberate errors may attract penalties of up to 70% of the tax avoided. The penalty may be charged in addition to the tax due and interest on the late paid tax.

Using a separate bank account to manage your business income and expenses will guarantee that business and personal costs remain separate. It will also ensure that any other personal payments you receive, such as family gifts, are not mistaken for undeclared business income.

Associated Companies: Calculating The Corporation Tax Bill

The rate of corporation tax your company pays depends not only on the level of profit it makes, but also on the number of companies that are associated with it.

For example, if Company A has profits of £200,000 it will pay corporation tax at 21% (i.e. £42,000) from 1 April 2008. Higher rates of corporation tax (29.75% and 28%) are imposed at profits of £300,000 and £1.5 million.

However, if Company A has two associated companies, then there are three companies in total. The profit thresholds of £300,000 and £1.5 million must therefore be divided by three. This means the higher rates of corporation tax are imposed at £100,000 and £500,000. Company A will now pay tax of £50,750 (21% x £100,000 + 29.75% x £100,000) for the year from 1 April 2008.

What is an 'associated company'?

The number of associated companies may not be obvious. Your company is associated with all the companies you control, and all of their controlled subsidiary companies. It is also associated with all of the companies controlled by your spouse or civil partner. Companies controlled by other relatives and certain trusts may also be included if those companies and your own company are commercially dependant on each other.

Until recently all the companies controlled by your business partners, including anyone who is a member of the same partnership, were also associated with your own company. This rule has been removed from 1 April 2008 (in most situations), but it may still affect the corporation tax due for periods before this date.

To correctly calculate the corporate tax payable by your company, we need to know whether your spouse or civil partner controls any companies, even if such businesses operate in a completely different trade sector. If your relatives control companies that your company does business with, or has lent money to, we need to check whether those businesses are closely tied in to your company.

If you run several trading companies you risk pushing up your own corporation tax bill by having lots of associated companies. However, you may be able to save tax by running the different businesses as divisions of one company.

Protect Your Business Against Soaring Utility Costs

In times of economic difficulty, it is more important than ever to avoid unnecessary costs, and rising utility bills can represent a significant proportion of a firm's overheads.

Conducting a utility audit might seem like a time consuming distraction but you could be pleasantly surprised by how much it adds to your bottom line. By understanding your utility services and implementing conservation habits, you can reduce energy waste and develop energy savings and solutions.

Don't get left in the cold! Use the checklist (below) to identify potential savings for your business.

Have a member of staff responsible for checking all utility bills – Make sure they know how the bills are calculated, what tariffs are available etc, and question any suspect charges.

Carry out your own readings of all energy and water meters each month – Use the information to plot patterns of use.

Annually review the tariffs you use – Not only do your usage patterns change, your suppliers also change the deals they offer.

Shop around for cheaper electricity and/or gas suppliers – Even as suppliers raise their prices, you could shave pounds off your bills.

Monitor overnight energy usage – Check if it is being

used by essential equipment and if so that you have the best overnight tariff.

Make the best use of cheap rate electricity – If you can arrange usage by water heaters etc so that 15% of total electricity usage occurs during off peak hours, you might benefit from switching to a day/night tariff.

If you are on a Maximum Demand tariff, review your supply capacity – If your declared supply capacity is more than 15% higher than your highest Maximum Demand, contact your supplier to have it lowered.

Find ways to reduce usage during peak hours – Try rescheduling non-essential activities.

If you are on a monthly tariff, check your power factor – Check that you are not being penalised for a poor power factor.

If your site has more than one gas meter, make sure they are aggregated for billing purposes – This can reduce both standing and unit charges and could lead to a better rate.

Make sure your water meter is the right size – Standing charges are calculated according to meter size – don't pay for an unnecessarily large one.

Invest in energy efficient appliances and equipment – Have you considered the enhanced capital allowances for energy-saving equipment? Contact us for more details of the allowances available to you.

Business Round-Up

Apprentices to receive pay boost

Apprentices are to receive a higher minimum wage under new plans unveiled by the Government. Skills Secretary John Denham has announced that the minimum rate of pay for apprentices in England will rise from £80 to £95 per week. Approximately 26,000 apprentices are expected to benefit from the £15 increase, which is likely to take effect from August 2009.

New consumer watchdog is launched

A new consumer watchdog has been launched following the amalgamation of the National Consumer Council, Energywatch and Postwatch. Consumer Focus, which went live on 1 October, will work on behalf of consumers in England, Wales, Scotland and, for postal customers, Northern Ireland.

The Government claims the group will have greater powers than the organisations it replaces, including the ability to investigate consumer complaints. However, the business community has voiced concerns over the new body, claiming that the demise of the former champion Energywatch will jeopardise consumer protection.

Changes to R&D Tax Credits come into force

Small and medium-sized enterprises (SMEs) can now benefit from important changes to Research and Development (R&D) tax credits, which came into effect on 1 August 2008.

As announced in the Budget, but subject to State Aid approval, the changes mean that SMEs can now claim R&D tax credits on 175% of their investment (up from 150%). This means qualifying companies are able to claim a share in a pot estimated at approximately £300 million.

The size of company that can qualify for tax relief has also been raised from 250 employees to up to 500 employees, with the associated limits on balance sheet value and turnover also doubling.

Ministers hope the new rules will encourage more small businesses to invest in developing new and improved products, as well as other innovative ventures. To discuss this scheme in more detail and for further advice on funding for your business, please contact us.

Is It Time To Review Your Pension Contributions?

With some reports suggesting that millions of pounds have been wiped off the value of the UK's pension pot, sound planning is essential to achieving the desired standard of living in later years. If you are making regular contributions into a personal pension scheme, you should review how much is actually ending up in the scheme to be invested for your future pension.

The reduction in the basic rate of income tax from 22% to 20% for 2008/09 results in a corresponding reduction in the amount reclaimable from HMRC by the pension trustees. This means that in order to maintain the same gross input to your pension scheme your net contribution would need to be increased accordingly.

For example, in order to maintain a gross input of £600 a month, net contribution would need to rise from £468 to £480. At the same time, for 40% taxpayers, higher rate tax relief will balance things up – the additional £12 going into your pension scheme will be matched by an additional £12 of higher rate tax relief through your PAYE code, or when we complete your self assessment Tax Return. If you are employed, rather than self-employed, it can be more tax efficient for your employer to make contributions directly into your pension scheme, instead of you making your own contributions.

	Employee contribution (£)			Employer contribution (£)	
	Pension Scheme	Individual income	Employer Cost	Pension scheme	Employer Cost
Gross Salary		695	695		
PAYE		(139)			
National Insurance		(76)	89		
Net Salary		480			
Pay into Pension Scheme	480	(480)		600	600
Income tax reclaim	120				
Gross cost			784		600
Corporation Tax relief (21%)			(165)		(126)
Net cost to employer			£619		£474
Total pension scheme input	£600			£600	

The total saving made when your employer pays into your pension fund directly is £145 (£619-£474), and that's just on a relatively small contribution of £600! However, salary sacrifice is not appropriate for all and there are strict rules to be observed. Please contact us for more information.

If you are already over the pensionable age set for your particular pension scheme, which may be only 50 years (55 from 6 April 2010), you can withdraw a tax-free lump sum of 25% of your pension fund. Technically you also need to withdraw a regular pension, which can be set at a minimal level, to be increased when you need a regular income.

You don't need to retire to start to draw on your pension fund. You can also carry on making tax efficient contributions to other pension schemes, possibly with the same company, until you reach age 75.

There are some tax rules to be aware of when you are both withdrawing from and paying into pension schemes in the same tax year, so please talk to us first.

Legislation Round-Up

Agency workers gain equal rights

From 27 October 2008, agency workers on contracts of less than three months' duration are entitled to statutory sick pay under the Fixed-term Employees (Prevention of Less Favourable Treatment) (Amendment) Regulations 2008.

Previously, employees under fixed-term contracts who were employed through an agency had a different entitlement to statutory sick pay in comparison to other workers.

Important changes to company accounts

Increase in late filing penalties

First introduced in 1992, late filing penalties were intended to encourage directors of limited companies to file their accounts on time for the purpose of public records.

However, from 1 February 2009 the penalties for filing accounts late at Companies House are to be greatly increased. Further penalties will also arise for companies who file more than one month late. The penalties are as follows:

How late are the accounts delivered?	Penalty Private Company	Penalty Public Company
Not more than 1 month	£150	£750
More than 1 month, but not more than 3 months	£375	£1,500
More than 3 months, but not more than 6 months	£750	£3,000
More than 6 months	£1,500	£7,500

Furthermore, where the previous financial year's accounts were filed late (and that previous financial year had begun on or after 6 April 2008), then the penalty will be double that shown in the table above.

Shortening of filing dates

Meanwhile, dates for filing accounts at Companies House have also been changed. In respect of accounting periods beginning on or after 6 April 2008:

For private limited companies, the date by which accounts have to be filed at Companies House is reduced from 10 months to 9 months following the accounting reference date.

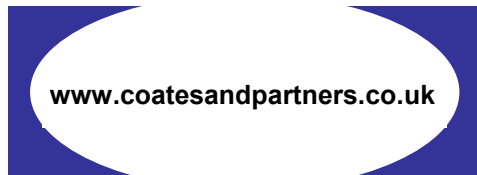
For public limited companies, the date by which accounts have to be filed at Companies House is reduced from 7 months to 6 months following the accounting reference date.

If you would like more information on any of these changes, please contact us.

Coates and Partners Limited

The Old Vicarage
51 St John Street
Ashbourne
Derbyshire

Phone: 01335 301850
Fax: 01335 300315
E-mail: enquiries@coatesandpartners.co.uk



"the forward looking accountants"

Coates and Partners Limited are based in Ashbourne. We are a four director firm with excellent staff support. We predominantly look after owner managed businesses and, as we have been established for over 55 years, many clients are second and third generation.

Although mainly based in Derbyshire, we have a nationwide client base, with some clients staying with us despite relocation. We have in excess of eight hundred clients made up of a wide range of businesses including a strong international section.

As you would expect from an established firm of Chartered Accountants, we provide a full range of compliance services, ensuring that all our clients, whether corporate or not, are carefully and efficiently looked after in all aspects relating to their annual accounts and resultant tax implications. However, in addition to these services, we offer an extensive range of business development services, including strategic management and development.

Please call us for a free initial consultation.

Web Watch - Essential Sites for Business Owners

www.personneltoday.com

Useful information and legal guides on a wide range of employment-related issues.

www.smallbusinessjourney.com

Information on responsible business practice developed specifically for SMEs.

www.consumerfocus.org.uk

Official site of the new consumer watchdog, offering help and advice for energy customers.

www.hse.gov.uk

Useful information for businesses on health and safety legislation.

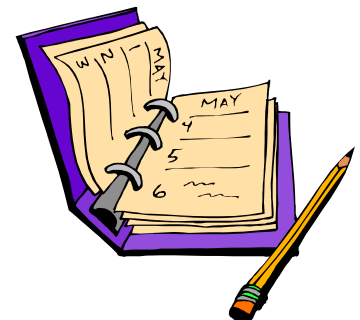
Reminders for your Winter Diary

December 2008

- 30 Last day to file your 2008 Tax Return electronically if you wish to have a 2007/08 balancing payment of less than £2,000 collected through your 2009/10 PAYE code.
- 31 Last day for non-EC traders to reclaim recoverable UK VAT suffered in the year to 30 June 2008.
End of relevant year for taxable distance supplies to UK for VAT registration purposes.
End of relevant year for cross-border acquisitions of taxable goods in the UK for VAT registration purposes.
End of CT61 quarterly period.
Filing date for Corporation Tax Return Form CT600 for period ended 31 December 2007.

January 2009

- 1 Due date for payment of Corporation Tax for period ended 31 March 2008.
- 14 Due date for income tax for the CT61 quarter to 31 December 2008.
- 19/22 Quarter 3 2008/09 PAYE remittance due.
- 31 First self assessment payment on account for 2008/09.
Capital gains tax payment for 2007/08.
Balancing payment – 2007/08 income tax/class 4 NICs.
Last day to renew 2008/09 tax credits.
Deadline for amending 2006/07 Tax Return.
Last day to file the 2008 Tax Return online.



February 2009

- 1 £100 penalty if 2008 Tax Return not yet filed. Additional penalties may apply for further delay. Interest starts to accrue on 2007/08 tax not yet paid.
- 2 Last day for notifying car changes in quarter to 5 January – P46 (Car).
- 14 Last date (for practical purposes) to request NIC deferral for 2008/09.
- 28 Last day to pay any balance of 2007/08 tax and Class 4 NIC to avoid an automatic 5% surcharge.

This newsletter deals with a number of topics which, it is hoped, will be of general interest to clients. However, in the space available it is impossible to mention all the points which may be relevant in individual cases. It is recommended you seek professional advice before taking any action. No liability can be accepted by Coates and Partners Limited for any action taken or not taken as a result of this information.