

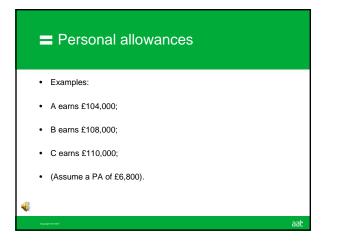
Income tax – personal allowances

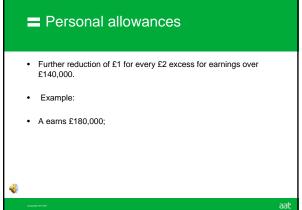
• PA 2008/09 £6,035;

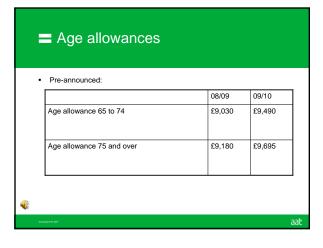
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- PA 2009/10 £6,475 (see PBRN01);
- PA not yet set for 2010/11, but expected to be around £6,800.

Personal allowances New allowances for 2010/11 for high earners: Gross income above £100,000: reduction in PA of £1 for every £2 excess above £100,000 (pegged at 50% of the full PA); Gross income above £140,000; a further reduction of £1 for each £2; Means?

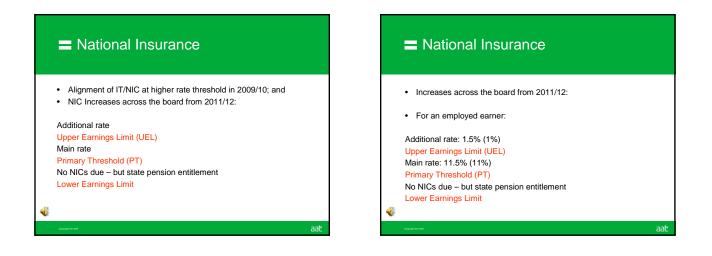




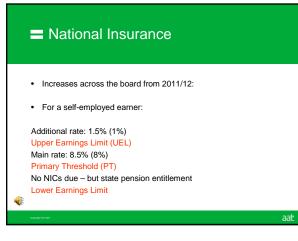


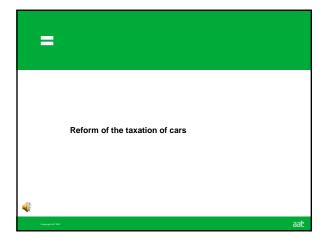
| Income tax | |
|---|-----|
| Basic two rate system kept: 20% and 40%; | |
| Income divided into: | |
| Non-savings;Savings; and | |
| Dividends. | |
| New rate of tax on non-savings and savings of 45% abov £150,000 of taxable income. | ve |
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National Insurance Increases across the board from 2011/12: For an employed earner: Employers' contributions (secondary Class 1 NICs) increase from 12.8% to 13.3%;

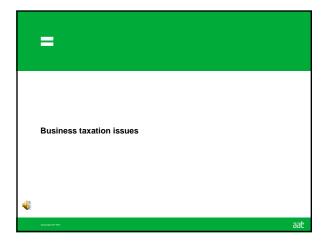




Reform of taxation on cars New rules on expensive cars from April 2009; Expensive means cars costing more than £12,000; Current restriction on WDA to £3,000.



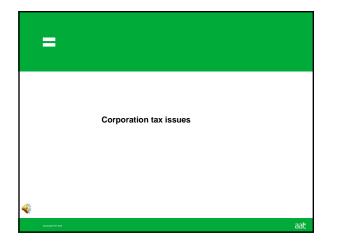
| Business mileage rates – car provided | | | | | | | | |
|--|---------------|--------|--------|--------|--------|--------|--|--|
| Engine size | Petrol Diesel | | sel | LPG | | | | |
| | Jan 09 | Jul 08 | Jan 09 | Jul 08 | Jan 09 | Jul 08 | | |
| 1,400cc or less | 10p | 12p | 11p | 13p | 7р | 7р | | |
| 1,401-2,000cc | 12p | 15p | 11p | 13p | 9p | 9p | | |
| Over 2,000 cc | 17p | 21p | 14p | 17p | 12p | 13p | | |
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Business tax measures

- Losses in unincorporated businesses:
- 1 year carry-back extended to 3 years (new);
- New start-up businesses can carry back trading losses in early years of new trade to pre-business income (3 years back) (existing);
- Carry forward of losses against profits of the same trade (existing).

| Business tax measures | Business taxation |
|---|--|
| Losses in unincorporated businesses (cont): This 3 year carry back is for one year only and will apply to trading losses incurred in the 2009/09 tax year; Unlimited losses carried back for first year; Max £50,000 for the next 2 years (later years first). | Help for people struggling to pay their tax: New Business Payment Support Service; New telephone support line; Quick decisions; Interest still charged – but not surcharges. |
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Corporation Tax Small companies rate (SCR) Proposed rise from 21% to 22% in April 2009 now postponed (from 2008 PBR). Worth £500 for a company with profits (and PCTCT) of £50,000.

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Corporation Tax

- Companies with losses can now carry the loss back 3 years instead of 1 year;
- For company accounting periods ending between 24 November 2008 and 23 November 2009.
- Unlimited losses can be carried back 1 year;
- Max £50,000 carried back for the next 2 years (later years first).

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Tax comparisons 2008/09

- So, is it worth incorporating?
- Profits of £10,000 incorporation saves £449;
- Profits of £50,000 incorporation saves £3,437.

Tax comparisons 2009/10 (CT rise postponed) Profits of £10,000 - incorporation saves £449; Profits of £50,000 - incorporation saves £3,437.

Case Comparisons 2009/10 So is incorporation still desirable? Unquestionably yes for the right clients and unquestionably no for the wrong clients; Note that the CA 2006 implementation timetable (which will be the subject of another podcast) is running through 2009 to final implementation in September 2009.

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Incorporation issues - taxation

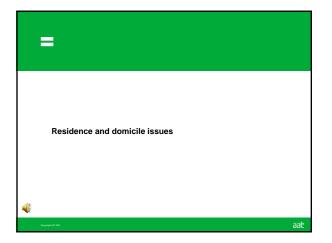
- Income tax cessation;
- Capital Allowances balancing events, but can elect to transfer at TWDV;
- CGT disposals but reliefs available;
- Stamp Duty Land Tax possible impact;
- VAT probably a TOGC.

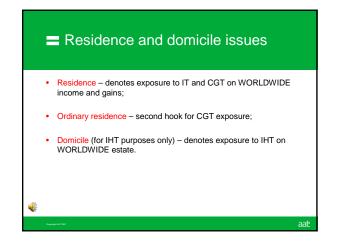
<section-header> Actic Systems Ing-running saga! Budget 2008 announced a one year postponement of the antiaxoidance rule; PBR 2008 announced......

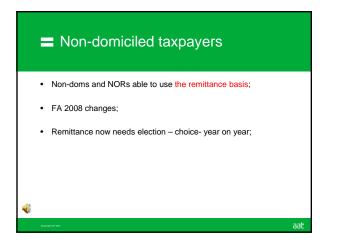
Arctic Systems

- A further postponement of one year till April 2009! (this could be extended in the current climate)
- So, make hay while the sun shines!
- Use personal allowance salaries and basic rate dividend extraction;
- Use spouses and civil partners (could use anyone!)

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Non doms ALL non-doms, who choose the remittance basis lose their personal allowance and CGT annual exemption; Non-doms >7/10 years in the UK, in addition, pay £30k for each year of choosing remittance basis (known as the Remittance Basis Charge (RBC)); Who will be affected?

Example

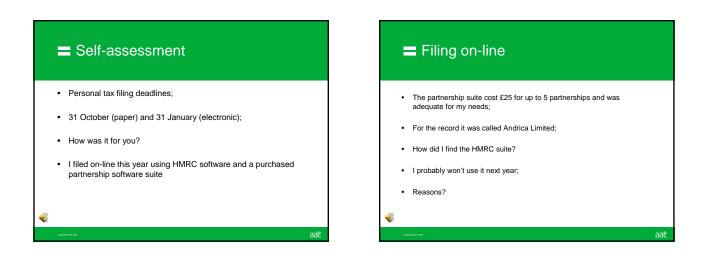
- Peter, Greek, in UK for last five years;
- UK profits £25,000 per annum;
- Greek profits £4,000 per annum;
- Peter must choose lose UK PA or be taxed on Greek profits in UK.

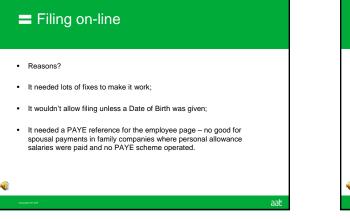
Residence tests

- Two basic tests:
- Any 183 days in a tax year; or
- 91 days on average over 4 years;
- IR20 The Bible!
- Historically, don't count days of arrival or departure;

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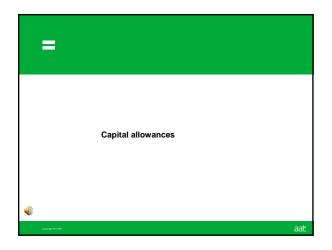




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| | The new penalty regime | | | | | | | | | |
|---|------------------------------|---------------|---------------------|-----------------------|-----|--|--|--|--|--|
| | Behaviour: | No disclosure | Prompted disclosure | Unprompted disclosure |] | | | | | |
| | Careless | 30% | 15% | nil | | | | | | |
| | Deliberate- Not concealed | 70% | 35% | 20% | | | | | | |
| | Deliberate- Concealed | 100% | 50% | 30% | | | | | | |
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E Capital allowances

- New regime from April 2008;
- Main impact is :
- Less complex calculations;
- Some buildings expenditure now eligible for CAs.

Capital allowances

- Plant and machinery in buildings?
- Not for residential property;
- CAA 2001: Lists A, B and C.

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E Capital allowances

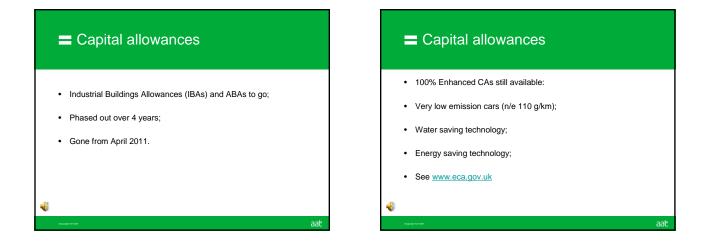
- WDAs reduced from 25% to 20% for P&M CAs;
- Apportionment for APs straddling April 2008;
- Expensive cars?

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• The new 10% pool.

Capital allowances

- The new Annual Investment Allowance (AIA);
- £50,000 per annum per business or group;
- On plant and machinery eg vans, but not cars!
- Apportionment for APs on the straddle;
- Example.
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Capital Gains Tax - summary Straight 18% flat rate; Goodbye Taper Relief and Indexation Allowance; Losses and major reliefs unaffected; Annual exemption still in place; New Entrepreneurs' relief.

Example

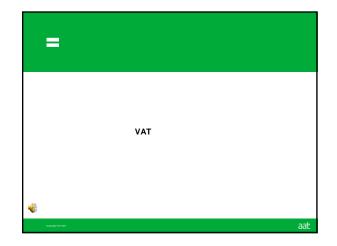
- Buy a buy-to-let for £200,000 in July 1990;
- Sell for £350,000;
- · Loss of IA and Taper relief;
- · Assume hr taxpayer and annual exemption used;
- Increase in tax of approx. £4,500!

Entrepreneurs' relief Extreme reaction to the PBR proposals! Chancellor introduces Entrepreneurs' relief; In effect the old retirement relief!

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Capital Gains Tax – other issues Pre 1982 assets; Share pooling – effectively redundant; Inter-spouse transfers – still there and worth using – could be used to transfer assets to say wife if she's at home on maternity leave.



VAT

- Reduced rate of 15% from 1 December 2008;
- For 13 months;
- 17.5% rate to be re-introduced from 1 January 2010;
- Take care with transitional rules on deposits etc.
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VAT

- Correction of errors;
- Raised from £2,000 (from 1 May 2008);
- Now greater of:
- £10,000 and 1% of turnover;
- Subject to an upper limit of £50,000.

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