



dauidnewton

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I hope you have all been enjoying the Summer weather, let's hope it continues. From a personal perspective I took some friends from Derbyshire fly fishing last Saturday, the weather was gorgeous and I had my best angling day ever with at least 36 trout of 2lb to 5lb. Let us hope that this is a good omen for all our businesses and that if we all work hard then success will come!

David Ink



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CHANCELLOR'S LATE TAX CHANGE

On 13th May, the Chancellor of the Exchequer, Alistair Darling, announced changes to the personal tax system in order to help low income workers who have been adversely affected by the abolition of the 10% income tax starting rate.

He announced that the personal allowance for the 2008/09 tax year will be increased by £600 from £5,435 to £6,035 while the threshold at which someone starts to pay higher rate tax will be reduced by £1,200.

For people with income less than £34,800 this will lead to a reduction in tax of £120 per year.

The point at which workers will start to pay higher rate income tax is the total of the personal allowance and the basic rate limit and is sometimes called the "higher rate threshold". In order to reduce the higher rate threshold as has been announced, the basic rate limit will be reduced by £1,200 from £36,000 to £34,800. Higher rate taxpayers will see no difference in the amount of tax they pay. These changes for PAYE Tax Payers will take effect in September 2008.





dauidnewton

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"Working alongside clients to help build a better tomorrow for their businesses."

TOTAL BUSINESS SOLUTIONS



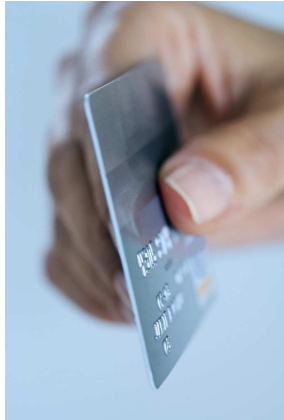
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Authorised and regulated to conduct investment business by the Financial Services Authority

INTRODUCING OUR CREDIT CHECK & MONITORING SERVICE

We are pleased to be able to inform you that we have recently, with the assistance of Barclays Bank, added an additional service for our clients.



We can now undertake credit checks, on behalf of our clients, on their customers and potential customers.

This will help clients by assisting them in deciding whether to do business with their new or existing customers and also help them to consider how much credit that they should be offering each of their customers.

We can also undertake Automatic Credit Monitoring and will be able to notify clients, who have asked for the service, if the credit rating of any of their customers changes, therefore helping our clients to make informed decisions so they have a better understanding of which customers they could extend further credit to and encourage additional sales.

If you would like us to attain credit checks on your behalf, please do contact us to find out more information.

CAPITAL ALLOWANCE CHANGES

Another of the major changes in this year's budget, which will affect nearly all businesses, is the changes to the allowances that are available on the purchase of everyday items such as vans and trucks, factory plant and machinery and office equipment (such as computers, desks and storage units). This again represents a radically different approach following a number of years of broadly the same system.

Up until the beginning of April, businesses purchasing capital equipment (excluding cars) could claim 25% of the value of the equipment on an annual "writing down" basis against their profits and reduce their tax bill. If the business fell within the definition of being small or medium sized, then an additional benefit was given in that 50% or 40% of the value was available against profits in the year of purchase. A 'small' business was defined as any entity with a turnover of up to £5.6 million, assets of under £2.8 million and less than 50 employees and so this was therefore available to a wide range of traders, partnerships and companies.

Since the beginning of last month, a new system has come into place. A new 'Annual Investment Allowance' has been created which basically means that any business spending up to £50,000 per annum on plant, machinery and most items of business "capital equipment" will receive the full cost against taxable income in that year. This effectively accelerates the tax benefit, rather than taking the allowance gradually at 25% reducing balance, anyone purchasing a new piece of manufacturing equipment will see the tax benefit immediately.

One thing to be careful of with the introduction of this system is that the first date of the relief being available is April 2008. Therefore, if a business has an accounting and tax period for the year to 30th April 2008, and waits until the last month of it's accounting year to purchase a significant amount of machinery, or a new lorry, for example, of the annual £50,000 only one twelfth of this (£4,167) will be available in this way. It will pay to look at your financial year and judge when the best time for expenditure should be to take maximum benefit.

As with all these changes there are winners and losers. Although the introduction of the new allowance will no doubt benefit a majority of businesses, some traders and companies will suffer from another change. The allowances available on factories, farm buildings and hotels are being reduced and eventually phased out.

For traders that typically spend a considerable amount on plant and equipment (i.e. above the £50,000), the amount they can claim on an annual basis is being reduced from 25% to 20%. For electrical and cold water systems (again, an area where hotels tend to spend money) the reduction is even harsher, to 10%.



IF YOU WOULD LIKE TO KNOW MORE:

If you would like any more specific information, more relevant to your own situation we would be delighted to assist you. Please do not hesitate to contact us for advice.

TAX TABLE REVISIONS

Given Alistair Darling's unexpected announcement regarding changes to income tax following on from pressure from unhappy lower income tax payers and the media, we have changed our Tax Table Booklet in order to reflect these updates. We will be happy to supply new booklets for any readers who require one. Please kindly let us know how many you require.

INCOME TAX RATES 2008/09

		<u>May 08</u> <u>change</u>	<u>Mar 08</u> <u>Budget</u>
Basic Rate Band	to	£34,800	£36,000
Higher Rate Band	from	£34,801	£36,001
Basic Rate			
on dividend income		10.00%	10.00%
on interest received		20.00%	20.00%
on all other income		20.00%	20.00%
Higher Rate			
on dividend income		32.50%	32.50%
on other		40.00%	40.00%
Discretionary Trusts for the none vulnerable			
on dividend income		32.50%	32.50%
on other		40.00%	40.00%
Standard Rate Band		£1,000	£1,000

PERSONAL ALLOWANCES

	<u>May 08</u> <u>change</u>	<u>Mar 08</u> <u>Budget</u>
Personal Allowance		
under 65	£6,035	£5,435
aged 65 to 74	£9,030	£9,030
75 and over	£9,180	£9,180
Blind Person's Allowance	£1,800	£1,800
Legal Couple's Allowance		
over 65 (minimum)	£2,540	£2,540
65 to 74	£6,535	£6,535
75 and over	£6,625	£6,625
Age Allowance Ceiling	£21,800	£21,800
Age Allowance Reduction	50.00%	50.00%
The tax relief on married couple's allowance is at 10%.		
Legal couple's allowance - 1 of them born pre 6/4/1935.		

CHANGES TO VEHICLE TAX



The new tax year 2008/09 has seen more changes to personal and business tax than has been seen for a good few years and we would like to take this opportunity to discuss one change which affects both business traders and employees, namely the tax system on business and company vehicles.

The system relating to allowances available on vehicles operated through a business has remained the same for a considerable period of time, however the system is now changing in line with the government's general policy in this area of encouraging greener motoring.

The emissions based system of taxing cars has been established for a couple of years; this is now being extended to cars run by traders and partnerships. The method of a straight 25% tax allowance on the written down value of the car (to a maximum of £3,000) has now gone, to be replaced by a 20% allowance on cars with emissions up to 165 g/km and only a 10% allowance on "gas guzzlers". As you can see, the tax allowances on most cars will be reduced. The one exception will be low emission "green cars" where the full cost can be recovered in the year of purchase.

Another big area which will also hit traders and partners will be the abolishing of the balancing allowance. Previously, where you sold a car for less than it's written down value, you got a tax break. This has now gone, resulting in most cases in a lower tax advantage.

With regards to company cars, tax is also increasing, both on the vehicle itself and any fuel provided for it by an employer. The tax rules follow an emissions based system, whereby the greater the emissions,

the higher the percentage of the car's list price is taxed. So, for a more fuel efficient car, you could get taxed on 15% of the list price, for less efficient cars, this could be up to 35%. Diesel cars get an additional 3% hit. Don't forget, the tax is based on the list price of the car when new; even if a 10 year old car cost you £2,000 to buy, it is the £10,000 price tag when new that you will be taxed on.

In addition, the tax cost of private fuel is increasing, again based on the efficiency of the car. This can add anything between £1,690 and £5,915 to your income for tax. Plus there is an additional company national insurance liability of 12.8% on both cars and fuel provided for private use.

One of the possibilities of dealing with this in a tax efficient manner is to let the employee pay for and run their own car, provided this is undertaken within the Inland Revenue's official guidelines of 40p for the first 10,000 miles then 25p per mile after that, there is no tax liability on the employee or the company.

Please do contact us for further information.

WHICH TYPE OF SIPP?

Over the last three years, the share of single premium pension business enjoyed by Self-Investment Personal Pensions (SIPPs) has greatly increased from 6% to a substantial 25% of the market. SIPPs are being preferred by many investors over standard Personal Pension Plans and Stakeholder Pensions: but are SIPPs really a better option?

With a SIPP the investor is able, with or without advice to select his or her own investments. In addition, they provide the ideal platform for flexible retirement planning, which may include Unsecured or Alternatively Secured Pensions. These arrangements permit pension funds to be left in place after retirement and used as a source of income, instead of being applied to purchase an annuity.

There are several different types of SIPP. The lowest cost version is the internet-based SIPP with a restricted range of fund options. The next lowest cost version is the Personal Pension with a self-investment option which is usually subject to a minimum investment value or to investment being confined to in-house funds.

The most flexible SIPPs can either be insurance-based or trust-based, and are sometimes called "full SIPPs". Trust based SIPPs are suitable for investors with larger funds and provide bespoke administration and trustee services, permitting investment in unlisted shares or overseas or unusual property. The trustees may also have power to borrow to fund property investment.

Basically, the higher cost options provide more and the lower cost less. But if cost is the overriding concern, the starting point should be a basic stakeholder pension, with charges capped at 1.5% per year for the first 10 years and 1% thereafter. This will favour investors making lower levels of contribution and is ideal for people with no earnings, who can invest £2,808 p.a. and still receive tax relief to take the total contribution to £3,600 p.a.. The main disadvantage is that the range of available funds is usually limited to a selection of the provider's own funds and possibly a few external funds.

As always, please do consult us for any pension advice and information.

davidnewton news

WELCOME BACK...

Welcome back to Karen Blackburn who has now returned to work following her maternity leave

BUSINESS DEVELOPMENT SEMINARS

Following on from the success of our latest Business Development Seminar which took place in March at our new venue - the Riverside Farm (on the A19 just off the ring road), we are now inviting Practice Talk Readers to our next FREE seminar which will be on Thursday 12th June from 9am to 1pm and includes lunch. Attendees also have the opportunity to talk with staff from davidnewton and ask questions.

Our enclosed flyer will give more details and encloses an application form if you would like a place on the workshop. Please do contact us if you would like to find out more. Part of this seminar will be themed around what you will need to consider when thinking about selling on your business.

Previous attendees say that have gained a lot of information from seminars which has been relevant to them and their business so we do hope you will take the opportunity to come along.

Further 2008 Seminars are likely to take place in:

September and November – Dates, times and venues to be confirmed.



Other News? We would love to hear from you, if you have any news which you think may interest our other clients, then please do let us know!