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It is becoming apparent that the Credit Crunch is more serious than hoped and some people are already labelling it a Global Recession. Rest assured that the vast majority of our clients business is not being affected. If you are feeling a slowdown in trade, now is the time to look at different ways of doing business. Please do contact us for any help and advice you need, we can help you to ensure your business survives!

David Ink



PRE-BUDGET REPORT ISSUE:

- Income Tax Changes
- Benefits & Tax Credits
- Green Measures
- Info for VAT Registered Business
- Slowdown in Trade
- Business SafeGuard Offer
- davidnewton News

Pre-Budget Report

On Monday 24 November 2008 the Chancellor of the Exchequer, Alistair Darling, delivered his Pre-Budget Report to the House of Commons. This year's Report proved to be radically different from those of previous years as it concentrated to a large degree on measures to help kick-start the economy and to assist both individuals and businesses in the present economic climate. This special issue of our newsletter will summarise the main points of the report.

Business Tax Changes:

- The planned increase in the Small Company Rate from 21% to 22% has been deferred until 1st April 2010
- The loss carry back rules are to be extended, for accounts for limited companies ending between 24/11/08 to 23/11/09 and sole trader etc. accounts ending in 2008/09, by allowing the loss carry back to three years. The amount to be carried back under the new provision is capped at £50,000.
- A new Business Payment Support initiative to help businesses who have difficulty in paying their taxes on time – The Helpline number is 0845 302 1435. **Please talk to us for advice.**



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INCOME TAX CHANGES



In May this year the Chancellor announced an increase in the income tax personal allowance, for the tax year 2008/09.

This was intended to benefit basic rate taxpayers by £120 a year and assist those affected by the abolition of the 10p tax rate.

The Chancellor announced that he was making this temporary tax cut permanent and would make a further increase of £130 above indexation for the tax year 2009/10.

The Chancellor pointed out that those with the highest incomes have doubled their earnings since 1996 and announced two measures which would affect those on higher incomes.

- From April 2010, those earning between £100,000 and £140,000 will have reduced personal allowances. If earning above the £100,000 income limit, the allowance will be reduced by £1 for every £2 above the income limit, up to 50% of the basic personal allowance. For gross income of £140,000 plus, the allowance will be further reduced by £1 for every £2 above the income limit, up to 100% of the basic personal allowance.
- From April 2011 those earning over £150,000 will pay a new rate of income tax of 45%. They will also be taxed at a higher rate of 37.5% on dividends. The dividend trust rate will be increased from 32.5% to 37.5% and the trust rate of tax will be increased from 40% to 45%.

	<u>2008/09</u>	<u>2009/10</u>	<u>Change</u>
Personal allowance (age under 65)	£6,035	£6,475	+£440
Personal allowance (age 65-74) ⁽¹⁾	£9,030	£9,490	+£460
Personal allowance (age 75 and over) ⁽¹⁾	£9,180	£9,640	+£460
Married couple's allowance (age less than 75 and born before 6 April 1935) ^{(1) (2)}	£6,535	£6,865	+£330
Married couple's allowance (age 75 and over) ^{(1) (2)}	£6,625	£6,965	+£340
Married couple's allowance – minimum amount ⁽²⁾	£2,540	£2,670	+£130
Income limit for age-related allowances	£21,800	£22,900	+£1,100
Blind person's allowance	£1,800	£1,890	+£90

- (1) These allowances reduce where the income is above the income limit by £1 for every £2 of income above the limit. They will never be less than the basic personal allowance or minimum amount of married couple's allowance.
 (2) Tax relief for the married couple's allowance is given at the rate of 10%.

BENEFITS & TAX CREDITS

To provide additional support for low and middle income tax payers, the Government have introduced the following measures:

April's increase in Child Benefit will be brought forward to January. This is worth an additional £22 on average to families. The commitment to increase the child element of the Child Tax Credit by £25 above indexation in April 2010 will also be brought forward to April 2009.

All pensioners will be paid £60 in the New Year, the equivalent of bringing forward the April increase in the Basic State Pension for a single pensioner to January.

The Prime Minister's announcement to legislate on the commitment to eradicate child poverty by 2020 will be taken forward through a child poverty bill in 2009.

The Government is committed to updating the basic State Pension by RPI or 2.5%, whichever is greater. In April 2009 the level of a full State Pension will rise in line with prices to £95.25 a week.

An above-indexation increase in Pension Credit's minimum income guarantee to £130.00 for single pensioners and £198.45 for couples in 2009-10.

GREEN MEASURES IN THE REPORT

- ✂ Accelerating £535 million of capital spending on energy efficiency, rail transport, and adaptation measures
- ✂ Including aviation in the EU Emissions Trading Scheme from 2012
- ✂ The 2p per litre fuel increase will go ahead on 1st December 2008
- ✂ Installing 600,000 insulation measures this winter, up 70% on last winter
- ✂ Reforming air passenger duty from 1st November 2009



What VAT Registered Businesses need to know about the change in VAT rate

For any sales of standard rated goods or services that take place on or after 1st December 2008 you should charge VAT at the new rate of 15%. This means that retail businesses which currently calculate their VAT using the VAT fraction of 7/47^{ths} should, from 1st December, use the new VAT fraction of 3/23^{ds}.

Only standard rate sales are affected. There are no changes to sales that are zero-rated or reduced-rated (5%) for VAT. Similarly, there are no changes to the VAT exemptions.

If you are a retail business making mainly cash sales to customers not registered for VAT

You should use the new rate for all takings that you receive on or after 1st December 2008 ...

... **except** for where your customer pays for something they took away (or you delivered) **before 1st December** (e.g. where customers have an account with you). In this case, your sale took place before 1st December and you must use the old rate of 17.5% for that sale.

If you are a business selling mainly to other VAT-registered businesses

You should use the new rate for all VAT invoices that you issue on or after 1st December 2008 ...

... **except** for where your sale took place before 1st December

- you provided goods / services **more than 14 days before you issued the VAT invoice**, e.g. if you issue a VAT invoice on 1st December for goods or services provided before 18th November 2008, or
- you were paid **before 1st December**.

In these cases, and you must use the old rate of 17.5%.



What about continuous supplies of services, for example ongoing construction work? You account for the VAT due whenever you issue a VAT invoice or receive payment, whichever is earlier - invoices / payments dated on or after 1st December will be subject to 15% VAT.

Special rules for sales spanning the change of rate? If you have received a payment or issued an invoice before 1st December 2008 for goods that will be provided (or services delivered) after 1st December, you can choose to account for VAT at the new rate of 15% on the amounts already received or invoiced. You don't need to tell HMRC if you do this. Any payments received or invoices issued after 1st December will always be subject to the new rate of 15%. You will need to issue a credit note to your customer if you already issued a VAT invoice showing the old rate.

What VAT can I claim back on my business purchases? The general rule is that you claim back the VAT you have been charged by your supplier in the normal way. You will still be receiving invoices after 1st December 2008 showing 17.5% VAT – that will be expected – as these will be invoices relating to purchases you have made before the rate change. In these cases you can claim back the 17.5% VAT.

What do I do about my VAT return? You will continue to receive or file VAT returns in the normal way and the deadlines for submitting them and making payments are unchanged. For return periods that cover both before and after 1st December 2008, you will need to add together the VAT on sales charged at 17.5% and the VAT on sales charged at 15% to work out the total VAT on sales.

What if I use a computer, VAT software or an electronic till? If you have a software package that calculates VAT, you will need to ensure that the rate is changed from 1st December. You may be able to adjust your till yourself but if not you need to contact your till supplier for assistance. If your till has not been amended in time you will need to calculate the VAT manually. You simply take the standard-rated gross takings calculated by your till and multiply that sum by the new VAT fraction of 3/23^{ds}.

What if I make an error associated with this change? If you discover that you have made an error you can correct it in the normal way by making a voluntary disclosure or correcting it on your next return. HMRC recognises that this is a change that businesses will have to implement in a short timescale. Therefore they will adopt a "light touch" in relation to errors or mistakes made in the first VAT return after the change. They will take into account the difficulties a business has faced in adjusting to the change.

What about Special VAT schemes for small businesses?

The Cash Accounting and Annual Accounting Schemes remain unchanged. However, the Flat Rate Scheme percentages are changing to reflect the new rate. If you are on the Flat Rate Scheme, contact us. You will need to use the new rates for your sector from 1st December 2008.

OUR ADVICE:

This is a significant change happening with very little notice.

If you are in any doubt at all about how you should react, please contact us immediately, so we can ensure you are acting appropriately.

SLOW DOWN IN TRADE?

If your business isn't efficient and making the profit required it is time to do something new as keeping doing the same old thing will not bring rewards:

If the amount of work that your business has been doing is declining, then it's vital that you look at other ways of generating new business.

This doesn't mean we are suggesting you start throwing money at advertising left, right and centre. Quite the opposite. We are strongly advising that you take the time to examine your business and explore new ways of promoting interest in your services. You can do this in so many ways. Take the example of a mythical restaurant owner below.

Business
SafeGUARD
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In response to the growing number of failing businesses, and our desire to make sure that our clients are not among them, we have launched "Business SafeGuard". This is a **low cost way** that you can have a one to one session with our business coach and expert that will enable you to examine ways in which you can save both money and generate new business.

We are so sure that we will be able to identify ways to help your business to survive these difficult times that if you are not satisfied with the session, we offer a **100% money back guarantee!** Please don't be one of those who fall along the wayside - help your business and contact us today to book your session.

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Mr A, has run his restaurant very successfully for over 15 years. His excellent food, location and reputation have always been the draw that has kept filling his tables night after night. Suddenly, their takings are falling drastically. What should he do? How he has always done things is clearly is not working for him anymore. After 12 months of trade declining in this way, there may not be a business left to save, so he can't bury his head in the sand waiting for the recession to be over.

It's time to start thinking about special offers that are easy to produce and that offer great value. How about a "buy one get one free" selection on the menu? He will need to simplify the "a la carte" menu too, so he can still cater for these customers but make sure there wont be much waste. The food on offer can be cooked quicker and Mr A can sell more of it. And how about getting people to come back again? How about a loyalty card where they get a free bottle of wine when they have dined at Mr A's restaurant 4 times? Great!

But, and there is always a "but" – if he doesn't market his new, exciting ideas properly, no one is going to buy! He needs an effective marketing plan – flyers, posters, appropriate advertising and of course a strong web site. A web site needs to work for you and can be a good way of keeping your customers updated about what is going on and special offers. For Mr A, he could include information on the specials of the week and the menu choices in the deal. Promising additional online exclusive offers can make sure people check his

davidnewton news

FREE BREAKFAST WORKSHOP After successfully running several full morning workshops, we are trialling a new mini workshop here at our offices. This workshop is for those people who are interested in finding out more about using the internet and how web sites can help you during this difficult time. Places are limited, so do contact us urgently to secure your free place.

We will be running business workshops and workshops for new businesses in 2009, details to follow.

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!

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