



TAX DEADLINES

2 November

Forms P46 (car) for quarter to 5 October must be with HMRC.

19 November

PAYE & NIC due for month to 5 November.

22 November

Electronically paid PAYE & NIC must be with HMRC for month to 5 Nov.

19 December

PAYE & NIC due for month to 5 Dec.

22 December

Electronically paid PAYE & NIC must be with HMRC for month to 5 Dec.

30 December

File personal tax return for 2006/07 by Internet to have tax due of up to £2,000 included in your 2008/09 PAYE code.

2008

1 January

Corporation tax due for small companies with accounts to 31 March 2007.

18 January

PAYE & NIC due for month to 5 January, and for 3rd quarter 2007/08.

22 January

Electronically paid PAYE & NIC must be with HMRC for month to 5 Jan.

31 January

Submit personal tax return for 2006/07, or receive automatic fine of £100. Final income tax and CGT due for 2006/07 year and first 'on account' tax payment due for 2007/08.

When to sell your investments

Many entrepreneurs are unhappy about the proposed withdrawal of capital gains tax (CGT) taper relief and its replacement with a flat 18% rate of CGT from 6 April 2008. Currently taper relief can result in an effective 10% rate of CGT where business assets are sold after two years or more, and an effective 24% rate of CGT where non-business assets sold after nine years or more. These rates are halved for basic rate taxpayers.

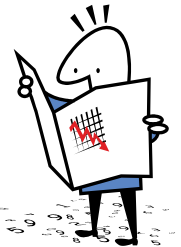
If you are selling a business, or an asset that has been used in a business, you may well see your tax bill jump by 80% or more if the deal is delayed beyond 5 April 2008. However, there may be further changes to be introduced to the capital gains rules in the Spring 2008 Budget. We understand that the Chancellor is listening carefully to those who say the flat rate of 18% is unfair on people who are retiring and selling their businesses.

Where you are planning to sell a non-business asset, such as an investment property or quoted shares, your tax will rate reduce to 18% from perhaps 40% if the sale is made on or after 6 April 2008. However, the tax rate does not tell the full story as indexation allowance, which compensates for the effect of inflation between 1982 and 1998, is also being withdrawn for individuals from 6 April 2008.

Where an asset has been held for many years the indexation allowance can significantly reduce the chargeable gain, and this applies to both business and non-business assets. For example, the cost of an asset purchased in April 1982 is doubled by indexation, and it is this higher figure that is deducted from the sale proceeds to calculate the gain. However, these indexation and taper relief deductions need to be balanced against the lower 18% CGT payable on the resultant taxable gain from 6 April 2008 rather than CGT at 40% which is payable now.

Every gains calculation will be different. If the original cost of the asset is quite low, indexation allowance will have only a marginal effect on the final gain. There are also special rules that apply if you have bought and replaced several business assets in succession, investing the proceeds each time.

If you are planning to make a significant sale in the next six months ask us to calculate the estimated gain first to see if you should wait until 6 April 2008 or not.



Compare the tax payable on the gain under old and new rules

Savings Limits

Any savings you have in a Bank or Building Society are 100% guaranteed up to £35,000, per institution. So if you have more than this amount saved with one bank it may make sense to move some of your savings to another bank or into a different form such as Government bonds. Ask us to advise.

2008/09 Personal Allowances

Income tax:

Under 65	£5,435
65– 74	£9,030
Over 74	£9,180
Income limit for age allowances:	£21,800

Pension Contributions:

With no earnings:	£3,600
Otherwise:	100% of earnings
Tax relief cap	£235,000
Pension fund cap	£1.65 million

Common VAT errors to avoid

Registration limits

The most expensive VAT errors occur around VAT registration. You do not have to become VAT registered if your taxable turnover (sales that would be subject to VAT) is less than £64,000 for any 12-month period. It is vital that you regularly check your sales are within this limit. Do this by keeping a rolling 12-month total of your sales, add on your sales turnover for each month and delete the oldest month. As soon as this total tops £60,000 you need to think about registering for VAT, so ask us for advice.

If your sales spike above the £64,000 limit, but your normal trading pattern would keep you below the VAT threshold, you must still tell HMRC. However you can apply for exception from VAT registration if you can show that your normal sales level would be below £64,000.

Selling a business

When you sell a business, or even part of a business that could operated separately, and the buyer is to use the assets in a similar business, VAT should not be added to the price of anything transferred in the same deal. Sometimes it is not clear that you

Higher fuel charges

We are all aware that the price of petrol and diesel has been climbing for the last four years, but this increase has apparently not been reflected in the fuel benefit charged to those who take free fuel for their company cars.

Since April 2003 the fuel benefit has been calculated by multiplying a set figure: £14,400 by the percentage of list price obtained from the table of CO₂ emissions of the vehicle. However, as the table of CO₂ emissions has been adjusted nearly every year to give a higher percentage for each car, the benefit calculated for the car fuel has also increased.

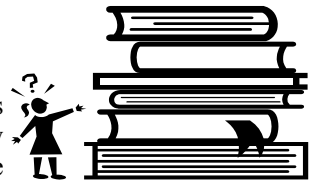
For example a car with a list price of £20,000 and CO₂ emissions of 170g/km was taxed on 16% of its list price in 2002/3, which produced benefit in kind of £3,200 and a fuel benefit of £2,304. In 2007/8 the percentage of list price was 21%, making the value of the benefit for using the same car £4,200 and £3,024 for fuel.

Entertaining—what's tax deductible?

The cost of entertaining clients or potential clients is not tax deductible, so you need to separate out any hospitality such as the provision of food or drink, or the value of significant gifts, from your other marketing expenditure. This amount will be added back to your profits when we calculate the tax due.

Free samples of the products or services you normally sell are permitted, as long as you are not in the food business yourself. Small promotional gifts of any item are also acceptable if they are cost less than £50 each and carry a clear advertisement for your business. Again food, drink, tobacco and gift tokens of any value do not fall into this exemption. Small gifts worth more than £50 in total should not be made to the same person in one year.

are transferring a business when you only sell a few assets, so ask for advice before you finalise the contract. **VAT rules are confusing** Special rules apply if you are transferring a commercial property that may be subject to VAT, so great care is needed with all property sales.



Evidence for export

Where goods are shipped to a customer who is outside the EU, the goods will carry VAT at the zero-rate. But if you want to take advantage of this zero-rate you must take responsibility for exporting the goods and retain evidence that the goods were in fact exported within three months of the sale to the customer. If the customer takes responsibility for the physical exportation of the goods, you must obtain evidence of the export from that customer, otherwise you become liable for VAT on the goods at the standard rate.

These are just a few of the things that can go wrong with VAT, so if you have any doubts, please ask us first.

From 6 April 2008 the fuel multiplier will increase to £16,900, but the list price percentage also increases by one percentage point for most cars. For the £20,000 car above the car benefit in 2008/09 will be £4,400 and the fuel benefit: £3,718. That's a 23% increase in the fuel benefit alone!

If you pay for your own fuel for your company car, your employer can pay you a fuel only mileage rate for business journeys based on the fuel and size of the engine. These rates were also increased from 1 August 2007 and are now:

	Petrol	Diesel	LPG
To 1400cc	10p	10p	6p
To 2000cc	13p	10p	8p
2000cc +	18p	13p	10p

Entertaining staff is tax deductible, but where the total cost exceeds £150 per head per year the employee will be taxed on the total expense as a benefit in kind. The staff entertainment should also be an annual event or number of events to which all staff are invited.



Staff party OK

You may not reclaim VAT on the costs of entertaining clients or potential clients. Where staff attend an event to act as hosts for potential customers, all of the VAT cost is blocked. Otherwise VAT on staff entertaining can be reclaimed. You can also reclaim the VAT on small gifts that cost up to £50 each, including tobacco and alcohol.