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Budget Highlights

Due to the timing of the budget this year, The Finance Bill timetable will be very tight and it may be that not all of the proposals will actually be enacted this side of the election. Here is a summary of the key budget changes.

Stamp Duty

For 2 years from 25 March 2010 there will be an exemption from Stamp duty (SDLT) in respect of the acquisition of properties costing £250,000 and below, where the purchaser or all the purchasers are first time buyers.

Purchasers of residential property costing over £1 million where the effective date (usually the date of completion) is after 6 April 2011 will be taxable at 5% rather than the current 4%.

Corporation tax

The proposed increase in the small companies' rate to 22% from April 2010 has been deferred until April 2011. This means that the first £300,000 of taxable profits (divided by the number of associated companies if applicable) will be taxed at 21% again for 2010/11.

The main rate of corporation tax will continue at 28%.

Annual Investment Allowance

Where a business currently incurs expenditure on plant and machinery, the first £50,000 of the expenditure qualifies for 100% tax relief in the year in which it is incurred. From April 2010 100% tax relief will apply to total expenditure up to £100,000.

Entrepreneur's relief

Disposals of qualifying businesses, shares or assets used in a business, can enjoy an effective capital gains tax rate of 10%, on the first £1 million of taxable gains. This is a lifetime limit and from 6 April 2010, this lifetime limit is to be doubled to £2 million.

Any vendor who has previously used this relief will have available the additional £1 million relief but only on qualifying gains from 6 April 2010.

ISA limits

The chancellor has advised that these will go up in line with inflation. The annual limit from 6 April will be £10,200 of which a maximum of £5,100 can be held as a cash ISA.

Tax rates from 6 April 2010

Personal allowance (basic)	£6,475
Personal allowance (65-74)	£9,490
Personal allowance (75+)	£9,640
Note—the personal allowance will be gradually reduced on incomes over £100,000	
Basic rate tax	20%
Higher rate tax on taxable income over £37,400	40%
Top rate tax on incomes over £150,000	50%
Dividends for:	
Basic rate taxpayers	10%
Higher rate taxpayers	32.5%
Top rate taxpayers	42.5%
Capital gains tax rate	18%
Inheritance tax on estates over £325,000	40%
NIC rates—	
Employee	11%
Employer	12.8%

Who we are:

Providing a friendly yet professional service catering for all your accounting and tax requirements.

Finding solutions and providing cost effective, on-going proactive support for your business.

Accountancy

Tax – Corporation tax, income tax, PAYE, VAT, IHT

Payroll

Bookkeeping

Interim Financial management

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Make sure you keep the right accounting records

The Taxman is very keen for all businesses and individuals who need to submit a tax return, to maintain complete and accurate records. He has recently issued a new leaflet that summarises all the records different types of businesses should keep, and those they are required to keep by law. See:

<http://www.hmrc.gov.uk/factsheet/record-keeping.pdf>

If you do not keep complete and accurate records of all your income, sales, gains, expenses, and business costs, you will not be able to prove that the figures reported on your tax return are correct. If the Taxman challenges the entries on your tax return and you cannot produce the evidence to back up those figures, he may assume they are incorrect. The Taxman will then think up a more reasonable figure (in his eyes), and look to tax you on that. You may then have to pay the additional tax, interest for late paid tax, and a penalty of up to 100% of the underpaid tax.

You can avoid such a nightmare if you keep accurate and complete records— which we can help you with. We can ensure that your records will be tax-man ready at all times. If you would like to learn more about the services we can offer including all your bookkeeping, please get in touch.

Tax coding notices

HMRC are now issuing tax coding notices for 2010/11 to employed individuals and those receiving occupational and personal pensions. It is important that these are checked carefully to ensure that the correct amount of tax is deducted from your monthly income for the coming tax year.

As HMRC do not always send copies to agents, please let us have a copy of your PAYE coding notices so that we can make sure it is correct.

There has been much talk in the press about the number of wrong coding notices that have been issued so it is definitely worth checking that yours is correct to avoid any problems.

Time limits

In the past, if you made an error or mistake on your tax return, you had a 6 year time limit in which to revise or correct it. This however has now changed and a new 4 year time limit has been introduced for taxpayers who have overpaid tax as a result of a mistake.

Confusingly there are some exceptions, for example where you have recently become self employed.

The same time limits have also been introduced for limited companies.

Business rates—good news for small businesses

From October 2010, small businesses occupying properties with a rateable value of £6,000 or less will pay no business rates for one year. Small businesses occupying rateable properties of up to £12,000 will receive significant reductions in their rateable values.

VAT online

Businesses with turnovers of more than £100,000 must, from 1 April 2010, file their VAT returns on-line. You should have received notification about this from HMRC. The government have already announced that from April 2011 it will require all VAT registered businesses to file their returns on-line. If you register your business for VAT on or after 1 April 2010 for the first time, you will also be required to file your returns on-line. From 1 April 2010, the VAT registration threshold will be increased to £70,000.



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