



Spring Newsletter

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Business records

HMRC is concerned that many small businesses are not keeping adequate records to support entries on their tax returns. The taxman has issued a number of new leaflets and online tools designed to help small businesses decide what records they must keep. These tools and leaflets contain quite a lot of jargon words and phrases, so we would recommend discussing the requirements with us if you are unsure.

To ensure compliance, HMRC is about to send a letter to 50,000 small businesses, advising that they may be subject to a detailed records check.

Only a minority of these businesses will actually receive a visit from HMRC and those visits will normally be arranged in advance. However if your business is visited and your records are found to be inadequate you may receive a penalty of up to £3,000.

A reminder... You should now have received from us details of the annual renewal for our fee protection scheme. If you have any queries regarding this, please let us know. We recommend that all our clients have cover in place.

Budget Highlights

Approved mileage rate

Where an employee uses their own car for business journeys their employer can pay them an approved mileage allowance payment, free of tax and NI.

From 6 April 2011 this will go up to 45 p. per mile (currently 40p) for the first 10,000 miles, any additional miles can be reimbursed at 25 p. per mile.

Where an employee carries fellow employees as a passenger on a business journey, an additional 5p per mile tax free can be paid.

Inheritance tax

A reduced rate of IHT will apply where 10% or more of a deceased's net estate (after deducting IHT exemptions, reliefs and the nil rate band) is left to charity. In those cases the current 40% rate will be reduced to 36%. The new rate will apply where death occurs on or after 6 April 2012.

National Insurance

The increase in National Insurance of 1% for employees, employers and the self-employed will come into force on 6 April 2011.

The thresholds and new rates at which employers and employees start to pay Class 1 NI on employees' earnings and Class 4 on self-employment profits are:

Employee threshold	£139 p.w.	12 %
Employer threshold	£136 p.w.	13.8%
Self employed Class 4	(between £7,225 & £42,475)	9%
Rate above upper earnings limit & upper profit limit		2%

From April 2011, payment of your self employment Class 2 National Insurance contributions will become due on 31 January and 31 July, the same as a Self Assessment tax bill (this was previously due on a quarterly basis).

Income tax

The basic personal allowance will increase by £1,000 to £7,475 from 6 April 2011. This will benefit basic rate taxpayers by up to £200. However, the 40% tax threshold will reduce to £35,000. This means that higher and additional rate tax payers do not benefit from the increased personal allowance in this year.

The phased withdrawal of the personal allowance for individuals with income over £100,000 and the 50% tax rate for income exceeding £150,000 remain.

The 2011/12 personal allowances are...

Under 65	£7,475
65—74	£9,940
75 and over	£10,090

The 2011/12 rates and band are...

Savings rate* - (10%)	0 to £2,560
Basic rate (20%)	0 to £35,000
Higher Rate (40%)	£35,001—£150,000
Additional rate (50%)	over £150,000

*Only applies if non savings income is below this amount.

Corporation tax

From 1 April 2011, corporation tax rates are set to fall. The small companies rate will reduce by 1 % from 21% to 20%.

Tax credits

The main change to Tax Credits is the income disregard which changes from £25,000 to £10,000 in 2011/12.

The income disregard provides a buffer for changes in income, so overpayment of tax credits do not arise where income varies within this threshold year on year. The reduction in this threshold is likely to adversely affect families with fluctuating income, such as the self employed. In the future, in order to avoid claw-back of tax credits, the claimant will need to finalise their self employed profit figures as close to the tax year end as possible.

Individual savings accounts (ISAs)

The ISA savings limits applicable in 2011/12 for those over 18 are:

Overall limit—	£10,680
Cash up to—	£5,340

Red Tape

Businesses are promised that regulation will be eased to the tune of £350 million. Micro businesses and start-ups will be exempt from new domestic regulations for 3 years from 1 April.

Bad debts

In the current business climate debtors and credit control are particularly important when everyone is tightening their belts.


Always keep accurate accounting records which show who has and hasn't paid and how old their debts have become. If a debtor is querying one of your invoices, answer the query as soon as you can.

Send out chasing letters to all debtors whose debt has exceeded your terms of business, and telephone any debtors who have not paid and maybe offer them an alternative method of payment.

If all your efforts fail you may need the assistance of a professional to encourage payment by your debtors. Perhaps you will need to take court action to recover the debt? Litigation should always be the last resort and negotiation with your creditors should be made a priority but as we all know sometimes there is no alternative. Many lawyers now offer to send out initial legal letters for a very minimal cost.

PAYE tax codings

Please note that HMRC no longer send copies of these to agents. We do therefore ask you to send any new coding notices that you receive to us to check.



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This document has been prepared as a general guide. It is not a substitute for professional advice. We cannot accept any responsibility for any loss incurred by any person as a result of acting or refraining from acting upon anything contained in or omitted from this newsletter.

Financial services compensation

The financial services compensation scheme has been increased from £50,000 to £85,000 with effect from 31 December 2010. This means £85,000 per institution is protected under the scheme.

PAYE online filing

This will become compulsory for all employers with effect from 6 April for all in year forms (eg P45s). Looking forward, HMRC are planning to introduce real time information from April 2012.

Paying your corporation tax

It will be compulsory to pay corporation tax electronically from 1 April 2011, and to pay all VAT due electronically from 2012. However there are no plans to make all PAYE or CIS payments electronic as yet.