



**Tax Deadlines  
2009**

**1 January**

Advisory fuel rates for company cars decrease. Corporation tax due for small companies with year end 31 March 2008.

**19 January**

PAYE & NIC due for month to 5 January, and for 3<sup>rd</sup> quarter 2008/09.

**31 January**

Final instalment of income tax and CGT due for 2007/08, plus first instalment of income tax for 2008/09. Submit personal tax return for 2007/08 or receive £100 fine (capped by tax outstanding). Confirm estimated figures for Tax Credits claim.

**1 February**

Increased penalties for accounts filed late at Companies House.

**2 February**

Forms P46 (car) for quarter ended 5 January must reach HMRC.

**19 February**

PAYE & NIC due for month to 5 February.

**28 February**

Any unpaid tax due for 2007/08 attracts automatic 5% surcharge.

**19 March**

PAYE & NIC due for month to 5 March.

**20 March**

Electronic payments of PAYE & NIC for month to 5 March must reach HMRC.

**31 March**

Corporation Tax return due for year end 31 March 2008.

**1 April**

Capital allowances for cars based on emissions. New HMRC penalty regime for all tax returns submitted from this date.

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## Pre Budget Report announcements

On 24 November 2008 Alistair Darling announced four changes to the tax system designed to help small businesses.

### Reduction in the standard rate of VAT

The cut from 17.5% to 15% in the standard rate of VAT for just 13 months from 1 December 2008 could be a pain rather than a boon for some businesses. You are not obliged to change your VAT inclusive prices to pass on the rate cut, but you do need to change accounting procedures to ensure the correct amount of VAT is paid over to HMRC.

If you use a cash accounting scheme you need to precisely record when the sale was made and the invoice was issued. This is because you need to pay over VAT of 17.5% for sales made before 1 December 2008 even if you receive the payment on or after 1 December 2008.

Where you use the flat rate scheme, check you are applying the right flat rate for your trade sector, as most of these rates changed on 1 December 2008. We can help you calculate whether you should stay in the flat rate scheme using your new rate.

### Extended loss relief

Normally trading losses can only be set against the previous year's profits. If that profit doesn't cover all the loss the excess amount is carried forward until the business makes a profit or ceases to trade completely. This carry-back of losses to the previous year has now been extended to a further two earlier years, but only in limited circumstances.

For a company the loss making period must end in the 12 months to 23 November 2009. However, the loss carried back further than one year is limited to £50,000. To benefit from the same loss extension a partnership or sole-trader must make a loss in the accounting period that ends in the year to 5 April 2009. If your business is making a significant loss this year, we may need to change your accounting year end to accelerate the loss relief available.

### Postponed corporate tax increase

The planned increase in the small companies' corporation tax rate from 21% to 22% on 1 April 2009 has been postponed to 1 April 2010.

### HMRC Business Payment Service

This is a new service set up by HMRC to provide advice to businesses that are having difficulties in paying their tax bills. If you think you won't be able to pay all of your PAYE, VAT, corporation tax, or income tax liability when it comes due, contact this new service on **0845 302 1435**, (open everyday from 8am). If you already have a payment plan agreed with a local tax debt recovery office you should contact that office to make further adjustments to your future payments.



### Tax Tip

Check you are not paying more business rates than you have to. Properties with rateable value of less than £15,000 (£21,500 in London) qualify for discounts under the Small Business Rate Relief Scheme.

Where such a property is empty it will be exempt from business rates for the year from 1 April 2009.

### Dickinsons News

Dickinsons wish to congratulate **Stuart Brown** and **Paul Overall** who have passed their final Chartered Accountancy exams.

**Peter Tucker** will be running the London Marathon on 26 April 2009 for the Prostate Cancer Charity and will be pleased to receive sponsorship for this good cause.

Dickinsons Newsletter is written for the general interest of our clients and is not a substitute for professional advice. Please contact Dickinsons before taking any action.

## Employing a family member

Paying for labour is a reasonable business expense, and should be fully tax deductible, but some Tax Inspectors can be suspicious where wages are paid to the business proprietor's spouse or children. They tend to assume that the payments are made to move profits to those who pay little or no tax. If challenged by HMRC you will need to show any relatives' wages have a business purpose, which is easily done if you follow these guidelines:

### Pay a commercial rate for the work done.

This may not be easy to determine, but start with the relevant national minimum wage (NMW) rate. If your relative lives at home, and the business is not run as a company, you are not required to pay the NMW rate, but this is a good guide to the minimum you should pay.

### Record the work done and the hours worked.

Only with solid evidence of the time spent, or units of stock processed by your assistant will you be able to prove that sufficient work was completed to justify the wages paid.

### Pay the wages due into the worker's bank account

The money must be seen to leave the business bank account, and be paid to the worker, not for the benefit of the business proprietor.

### Payroll it

Where your worker's wage exceeds the PAYE threshold of £90 per week (for 2008/09), process the wages through the payroll and deduct tax and national insurance where necessary. If your worker has no form P45 from a previous job you will need to complete a form P46 to obtain a PAYE coding.

### Employment contract

Draw up some simple conditions of employment to form the basis of the worker's employment contract. An example can be downloaded from the Business Link website.

Without some evidence of the work done, and actual payments made, the Tax Inspector is likely to refuse to let the business deduct the wage costs from its profits.

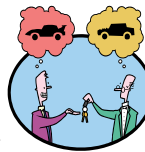
## Changes to tax relief on business cars

### Buying cars

For cars purchased from 1 April 2009 (6 April 2009 for unincorporated businesses) the annual tax relief will be given according to the vehicle's CO<sub>2</sub> emissions:

- Up to 160g/km - 20% of the remaining cost per year
- Over 160g/km - 10% of the remaining cost per year

Under this system it will take longer to achieve full tax relief for the cost of a car, particularly for the higher polluting vehicles. These restricted levels of tax relief will also apply to taxis and hire cars, so please ask us for further details if you run a taxi firm.



### Selling cars

Currently when a company sells a car that originally cost over £12,000, the balance of the cost that hasn't already had tax relief is given to the business in one lump, called a balancing allowance. Cars acquired by a company before 1 April 2009 will continue to attract a balancing allowance when they are sold before 1 April 2014. At that point all old cars will be added to the pool of business

assets, and will not receive a balancing allowance on sale.

When the company sells a post-March 2009 car the balance of the unclaimed cost will remain in the pool of business equipment and will gradually be given tax relief at 10% or 20% per year, depending on the CO<sub>2</sub> emissions. Companies that buy and sell a lot of expensive cars may lose out under this new system, so you should consider leasing instead of purchasing outright.

Cars owned by partnerships and sole-traders will continue to get a balancing allowance on sale, where the business proprietor uses the vehicle for private journeys.

### Leasing cars

For most car leases that start from 1 April 2009 (6 April 2009 for unincorporated businesses), the costs will be deductible from profits in full. However, where the leased car has CO<sub>2</sub> emissions that exceed 160g/km, only 85% of the leasing costs will be deductible for tax purposes.

## Tips for coping with the downturn

Many businesses feel their cash resources are squeezed in the current downturn, but there are ways to make your funds stretch further:

- Encourage your customers to pay quickly, by giving small discounts or by chasing them promptly.
- Send out invoices for completed work as soon as possible, and ask for stage payments on account for long-term projects.
- Analyse your stock. Can old stuff be sold off at a discount to generate cash?
- Review your supplier agreements for on-going services such as: web-support, security, energy, or cleaning. Can you renegotiate these contracts to get a better deal?
- Talk to your neighbouring businesses. Is there a common landlord you could collectively approach to change the payment terms of all your leases from quarterly in advance to monthly?
- Ask your staff to reduce their working hours or to accept tax free benefits in place of a proportion of their salary.

- Link incentives for your sales force to the profit per unit sold, or to the speed with which the customer pays for the order, rather than to the volume of units sold.
- If you need new equipment, look for second-hand kit. Alternatively, investigate leasing or HP agreements. These may be more expensive in the long term, but are a practical solution where you can't fund the full outlay in one go.
- Review your VAT position. If you are using the flat rate scheme, is this still providing a bonus for your business now that the flat rates have changed? Where you run several companies, including them all in one VAT group can help you manage VAT payments.
- Paying VAT and PAYE liabilities online can give you a few more days to pay the amount due.



We can help you draw up a realistic cashflow forecast for your business, which could show you the future is not as grim as you fear.