

Tax and Your Company



This newsletter is to help you and your business.

2009/10

Tax and your company: the year ahead

Managing a company always presents challenges, but the year ahead will be unique for many directors. Financing and cash flow are already proving difficult for many businesses, even some of those benefitting from a growing market share.

Don't let tax become another problem this year

Stay ahead of developments, and make sure you seek our professional advice. Over the page are some of the issues directors and company owners should know about.

Corporation Tax rates and bands

Financial Year to	31.3.2010	31.3.2009
Taxable profits		
First £300,000	21%	21%
Next £1,200,000	29.75%	29.75%
Over £1,500,000	28%	28%
Due dates for paying Corporation Tax		
Small and medium companies	Nine months and one day after the end of accounting period	
Large companies	Four quarterly instalments commencing 6.5 months into the accounting period	



Don't miss out on deferred tax opportunities. Planning for the year ahead could benefit your company.

A more active, more empowered HMRC

In April 2009 the separate rules for PAYE, VAT, Income Tax, Capital Gains Tax, and Corporation Tax were consolidated into one set of powers and safeguards. Previously, HMRC was only allowed to access a firm's premises and paperwork for VAT purposes. Now the authority can demand inspection entry for any of these taxes, and possibly without prior notification. The penalty system has also changed, and there are flat rates for any taxpayer who has been careless or deliberate in their returns (although full unprompted disclosure reduces the penalty). It is the last thing many businesses need in today's economy, but it is important that your company is able to satisfy the taxman if he does turn up on your doorstep. So, please ensure the last six years' of your firm's documentation can be correctly and promptly produced, so that any HMRC visit is not aggravated by incomplete information.

Research and development – cash in hand?

The SME research and development rules offer tax opportunities for SMEs, provided your expenditure is over £10,000. Research and development expenditure carries a substantial 175% deduction against profits. Furthermore, if your business is not making a profit, there is a tax credit system which allows the relief as an up front cash sum, as long as you surrender the corresponding trading losses. There is a great deal of flexibility regarding what can be claimed for, so if you are incurring research and development costs, please seek our advice.

Pensions

Pension contributions offer tax savings including reducing NIC contributions for both the employee and the employer. Some employees and employers agree to a 'salary sacrifice', whereby a portion of salary is exchanged for a pension contribution by the employer.

Entrepreneurs' relief

Entrepreneurs' relief enters its second year with the lower effective 10% rate on the first £1 million of business asset disposals still in effect, giving rise to a maximum reduction of £80,000. This is a lifetime allowance that reduces the gain for owners of limited companies on the disposal of shares and securities in a company. However, conditions do apply so please ask for further advice.



Ask us about how we can help make your company more tax efficient.



Capital allowances

For the entrepreneur, getting the maximum in capital allowances for your business is an important part of minimising the net cost of the investment. The Annual Investment Allowance is 100% for the first £50,000 of expenditure on plant and machinery and the writing down allowance on unrelieved expenditure brought forward is 20%. During 2009/10 there is a temporary first year allowance of 40% on the excess capital expenditure over £50,000.



Cars

In the 2009 Budget the Chancellor announced that the capital allowances system for expensive cars is to be abolished. Deductions are no longer restricted by value but are based instead on carbon dioxide emissions. New cars which emit less than 110g/km (such as the Honda Civic or Volkswagen Polo) qualify for 100% first year capital allowances. Other cars fall within the 20% pool, provided they emit no more than 160g/km. Those emitting more than this will be restricted to a 10% writing down allowance.

This is not a solution for everyone. An increasingly common solution is for directors to own and run their cars personally and charge the business a mileage rate – the HMRC-approved figure is 40p a mile for the first 10,000 miles a year.



Going green – 100% capital allowances

It's not just some cars that are eligible for 100% first year capital allowances. Any investment in approved environmentally friendly or energy-saving equipment also qualifies.



Corporation tax increase

On 1 April 2010 the small companies' rate of corporation tax is due to go up from 21% to 22%. It may be possible to defer some capital allowance claims until the higher rate tax comes into force, helping to offset the increase.