

## Tax Factsheet - April 2006

*Welcome to our monthly Tax Factsheet.*

*This month we are concentrating on changes in the recent Budget that may be of interest to you, plus a brief summary of the new 'A Day' pension rules, in force from 6 April.*

*As ever, the issues covered in this Factsheet are aimed at providing outline guidance only, and further specific advice may be needed before decisions are taken.*

- **2006 Budget**

Gordon Brown's 10<sup>th</sup> (and possibly last!) Budget speech on 22 March was itself no more informative than his previous one.

As ever the devil was in the detail, and a study of the fiscal changes highlights the following important tax issues, some of which may be of relevance to you:

- All main direct, indirect tax and National Insurance rates are unchanged apart from the Corporation Tax rate, which becomes 19% on all profits up to £300,000 from 1 April 2006.
- Tax allowances and bands are increased from 6 April 2006, generally in line with inflation. The basic Personal Allowance for 2006/07 is £5,035, and tax at 40% is payable on income or gains in excess of £33,300.
- The limit at which salaries for directors or employees who have no other income incurs PAYE and NI has gone up from £407 to £420 per month from 6 April.
- Changes to the Vehicle Excise Duty rates mean that cars with a CO2 rating of below 100g/km will pay no Excise Duty. At the other end of the scale, cars with a CO2 rating of over 225g/km and registered after 31 March 2006 will pay £210 per annum. A scale rate applies for cars in between.
- Stamp Duty threshold for residential property increased to £125,000.
- Inheritance tax nil band increases to £285,000 from 6 April 2006. The nil band is then fixed at £300,000 from 6 April 2007, £312,000 from 6 April 2008, and £325,000 from 6 April 2009.
- The trust tax system has been restructured from 22 March 2006. Life Interest and Accumulation and Maintenance Trusts are now treated in the same way as Discretionary Trusts for Inheritance Tax purposes.
- VAT registration threshold increased to £61,000 from 1 April 2006.
- Usual Excise Duty increases on beer, wine and tobacco. No increase in duty on spirits or champagne.
- Tax and NI free Childcare Voucher threshold increased to £55 per week from 6 April 2006. As the monthly allowance in 2006/07 is based on a 53-week tax year, this equates to £243 per month.
- The exemption to lend employees computers on a tax-free basis has been removed from 6 April 2006.

- Venture Capital Trust investment income tax relief is reduced from 40% to 30% from 6 April 2006.
- The enhanced 50% first year capital allowance for small businesses investing in plant and machinery has been extended to 31 March 2007 for companies and 6 April 2007 for income tax payers. The rate for a medium sized business remains at 40%.
- A further range of complex measures to tackle income, corporation and capital gains tax anti avoidance has been announced.

*A copy of our Budget Summary and a 2006/07 tax card can be downloaded via our website document library section. [www.turnerandsmith.co.uk](http://www.turnerandsmith.co.uk).*

*If you have a specific Budget related query please contact Robert Bradley.*

- **Pension A Day**

Pension rules have been simplified with a view to encouraging more of us to save toward retirement.

From 6 April 2006, anyone can join any type and any number of pension schemes.

The new rules have removed the age related % ceiling on combined contributions to pension schemes, whilst imposing annual and lifetime fund allowances.

*It is certain that the 'A Day' changes will impact on your retirement planning, and financial advice is essential.*

*Please contact our qualified Independent Financial Advisor, Andrew Rastrick, at Turner and Smith Financial Services for 'A Day' & pension planning advice.*

*Andrew can provide advice and recommendations on all financial planning matters. Call Turner and Smith Financial Services on (01509) 212890 or e mail: [fs@turnerandsmith.co.uk](mailto:fs@turnerandsmith.co.uk) for assistance.*

- **Pay As You Earn deadlines**

PAYE & National Insurance due for the month ended 5 April 2006 should be paid by 19 April 2006. Any outstanding PAYE and Class 1 NI for the year to 5 April 2006 not paid by 19 April 2006 will attract interest charges.

Employers then have until 19 May 2006 to file their 2005/06 year-end payroll return (form P35), together with P14s (same as P60).

Copies of the P60s should be given to employees by 31 May 2006.

By 6 July 2006, all returns of employer benefits and expenses (forms P11D and P9D) should be filed with the Inland Revenue, and copies given to employees.

On-line filing for 2005/06 is compulsory if the employer has more than 50 employees. It will become compulsory in 2009/10 for *all* employers.

In order to encourage employers with up to 50 employees to register for on-line filing as soon as possible, *cash incentives are available for the next 4 years totalling £575, including £250 for 2005/06 on-line filing.*

*Payroll compliance is increasingly complex. Our dedicated payroll bureau, Aspire Payroll and Book-keeping Solutions, can offer a fixed fee or bespoke service to take away the hassle of running your own payroll and meeting your filing deadlines. Aspire can also help you receive your on-line filing cash rebates.*

*In addition, Aspire is introducing a Childcare Voucher Scheme that can, through salary sacrifice, help employees with childcare costs via PAYE tax and National Insurance savings.*

*The Aspire Childcare Voucher Scheme can also prove beneficial to the employer by providing these savings to employees at no overall cost to themselves.*

Contact Julie Saunders or Robert Bradley on (01509) 638511, or e mail: [solutions@aspirepbs.co.uk](mailto:solutions@aspirepbs.co.uk)

- **Tax Diary April 2006**

**19 April 2006** PAYE and NIC deductions due for the month end 5 April. Deadline to pay any outstanding PAYE and Class 1 NI to the Revenue for 2005/06. (If you pay electronically, the due date is 22 April).

**30 April 2006** Submit CT600 to Revenue for the year to 30 April 2005.

**1 May 2006** Due date for Corporation Tax for year to 31 July 2005.

*For further assistance on any of the issues raised, please contact Robert Bradley, Tax Manager at Turner and Smith on 01509 212890 or email [robert\\_bradley@turnerandsmith.co.uk](mailto:robert_bradley@turnerandsmith.co.uk)*

*All due care has been taken in the preparation of this fact-sheet. The authors can accept no responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication.*