

## Tax Factsheet - April 2007

Welcome to the April 2007 edition of our Tax Factsheet. This month we are concentrating on some tax related 'highlights' of the recent Budget, together with a reminder of year Pay As You Earn deadlines.

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

### • 2007 Budget

The Chancellor's eleventh, and probably final, Budget contained a few surprises....

As usual, the headline grabbing announcements in Gordon Brown's speech hid the overall impact of the fiscal detail contained in the myriad Budget Notes and Press Releases.

The main announcements that could be of relevance are summarized below:

- All main direct, indirect tax and National Insurance rates are unchanged for 2007/08 apart from the small companies Corporation Tax rate, which will rise to:
  - 20% on all profits up to £300,000 from 1 April 2007.
  - 21% on all profits up to £300,000 from 1 April 2008.
  - 22% on all profits up to £300,000 from 1 April 2009.
- However, from **6 April 2008** the following rate changes occur:
  - the basic rate of income tax will be reduced to 20%
  - the starting income tax rate of 10% will be abolished for earnings and pension income
  - the mainstream corporation tax rate for large companies will reduce to 28% for annual profits in excess of £300,000
- Tax allowances and bands are increased from 6 April 2007, generally in line with inflation. The basic Personal Allowance for 2007/08 is £5,225, and tax at 40% is payable on income or gains in excess of £34,600.
- Tax-free allowances for pensioners under 75 will rise in three stages from £7,280 in 2008 to £9,770 in 2011. For over 75s, the tax-free allowance will rise annually from £7,420 in 2008 to £10,000 by 2011.
- The limit at which salaries for directors or employees who have no other income incurs PAYE and NI has gone up from £97 per week to £100 per week (or £420 to £433 per month) from 6 April.
- The upper earnings limit (UEL) for employee's class 1 NICs will rise by £3,900 above indexation, with a corresponding increase to the class 4 NICs upper profits limit for the self employed.
- Road tax on highest polluting vehicles increases to £400 from 1 April 2008.
- Inheritance tax nil band increases to £350,000 from 6 April 2010. (The nil band was fixed last year at £300,000 from 6 April 2007, £312,000 from 6 April 2008, and £325,000 from 6 April 2009).

- VAT registration threshold increased to £64,000 from 1 April 2007.
- Usual Excise Duty increases on fuel, beer, wine and tobacco. No increase in duty on spirits.
- Tax and NI free Childcare Voucher threshold remains at £55 per week from 6 April 2007. This equates to £243 per month.
- From 6 April 2007, the benefit in kind charge for unrestricted private use of a company provided van increases from £500 to £3,000.
- The enhanced 50% first year capital allowance for small businesses investing in plant and machinery has been extended for a further year to 31 March 2008 for companies and 6 April 2008 for income tax payers. The rate for a medium sized business remains at 40%. To accelerate the first year allowance tax relief, those investing should do so before 31 March/5 April 2007; but if not possible, the additional relief will still be available during the next tax year.
- Subject to consultation, it is proposed that writing down allowances on loose plant and machinery will be reduced from 25% to 20% from 1 April/6 April 2008.
- In addition, fixed plant and machinery will be classed as long life assets, and receive a new writing down allowance of only 10%. Again, this measure is subject to consultation.
- A further range of complex anti avoidance measures to tackle the purchase of corporation tax losses and commission related life policies has been announced.
- New legislation will deem income to be employment income where individuals provide their services through managed service companies. Therefore, similar to IR35 legislation, the company will have to account for PAYE and NI on all payments that individuals receive for services provided through the managed service company.
- From 2008, the deadline for the Revenue to enquire into an Income Tax Return is reduced from 1 year following 31 January online filing deadline to 1 year following the date of receipt of the Return. Therefore there will be an incentive to file Returns as soon as possible after a tax year end because the sooner a Return is filed, the sooner the enquiry window closes.

*A copy of our Budget Summary and a 2007/08 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.*

- **Pay As You Earn deadlines**

PAYE & National Insurance due for the month ended 5 April 2007 should be paid by *19 April 2007*. Any outstanding PAYE and Class 1 NI for the year to 5 April 2007 not paid by *19 April 2007* will attract interest charges.

Employers then have until *19 May 2007* 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 2007*.

By *6 July 2007*, 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 2006/07 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 3 years totalling £325*, including £150 for 2006/07 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 operate 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 2007**

- |                      |   |
|----------------------|---|
| <b>1 April 2007</b>  | Confirm CT600's for the year ended 31 March 2007 have been submitted to the Inland Revenue.   |
| <b>1 April 2007</b>  | Corporation Tax due date for year to 30 June 2006.  |
| <b>5 April 2007</b>  | Deadline for paying into an ISA for 2006/07. Last day for making gifts with any unused IHT annual exemption for 2006/07 and for making chargeable gains to use CGT annual exemption for 2006/07.    |
| <b>19 April 2007</b> | PAYE and NIC deductions due for the month end 5 April 2007. Deadline to pay any outstanding PAYE & Class 1 NI to the Revenue for 2006/07.<br>(If you pay electronically, the due date is 22 April). |

*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.***