

## Tax Factsheet - December 2005

*Welcome to the December edition of our monthly Tax Factsheet.*

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

*We would like to wish all our Tax Factsheet readers a very Happy Christmas and prosperous New Year.*

### **2005 Pre Budget Report**

The Chancellor delivered his Pre Budget Report (PBR) on Monday 5<sup>th</sup> December.

Much comment has been made of Gordon Brown's revision of UK growth forecast to 1.75% - halving the prediction he made in the March Budget.

The document library on our website has a full summary of all the significant measures and tax changes contained in the PBR. Please have a look and print yourselves a copy.

We would therefore just like to highlight in our Factsheet a few of the important tax issues that are most likely to directly affect taxpayers.

#### Small company taxation

The bad news is that the 0% Corporation Tax (CT) starting rate (which applies to the first £10,000 of taxable profits), will be removed from 1 April 2006. The 19% small companies' rate will apply to all profits up to the 30% band (currently £300,000).

The good news is that this change means the end of both the Non Corporate Distribution (NCD) 19% dividend charge after only 2 years, and the marginal rate of CT of 23.75% currently affecting profits between £10,000 and £50,000.

#### First year capital allowances

The rate of first year capital allowances for small & medium sized enterprises will increase to 50% for the year ending 31 March or 5 April 2007.

#### Let property

The Chancellor proposed that the existing 10% Wear and Tear Allowance for landlords with furnished property be made conditional on the energy efficiency level of the property.

## VAT Annual Accounting Scheme

The annual threshold is doubled to £1,350,000 from 1 April 2006.

## Planning gain supplement

A form of tax on increases in property value arising from the obtaining of planning consent was proposed, with a planned introduction 'some time after 2007'.

## 'A Day' pension simplification

From 6 April 2006 a Self-Invested Personal Pension (SIPP) can invest in a wide variety of items. However, the PBR contained legislation to prevent individuals claiming tax relief for pension contributions used to fund purchased property for their personal use. The purchase must be made to provide for a source of retirement income, not a second home.

## Finally...

Income tax allowances, National Insurance, and Tax Credit rates for 2006/07 were announced. Please see our website for details.

This will mean that the HMRC will issue 2006/07 PAYE Coding Notices in January and February. As always, they should be checked carefully.

*If you have any queries regarding the PBR announcements, please contact Robert Bradley on (01509) 212890.*

## **Small Business Rate Relief**

Small Business Rate Relief (SBRR) is a new relief that came into effect on 1 April 2005. Eligible businesses with rateable values of below £5,000 will get 50% rate relief on their liability. A sliding scale kicks in for rateable values above £5,000.

The Federation of Small Business has announced that at least 1 in 5 businesses in the UK who are eligible for Small Business Rate Relief are not claiming it.

This is partly because the rules on eligibility are confusing, and the application procedure time consuming.

We have found a website [www.leaseholdersunited.com](http://www.leaseholdersunited.com) with a simple online questionnaire that tells a business whether or not it is eligible and how much relief is due, and also will create a form to send to the local council. This is free of charge.

*After visiting the website shown above, please call Robert Bradley if you have any further queries with regard to the SBRR.*

**New company diesel car - last chance to get a 3% benefit discount...**

Very low emission diesel cars are currently not subject to the 3% diesel supplement which increases a company car driver's taxable benefit in kind %.

However, from 1 January 2006 this discount will not apply. So if you are thinking of a company car change and considering an efficient diesel option - you need to move quickly to ensure you maximise your tax savings.

*Please call Robert Bradley if you would like any further advice.*

**Merry Christmas from the taxman - (but not the VATman.....!)**

Don't forget that expenditure on entertaining staff and guests at, for example, Christmas office parties is allowable business expenditure. However, the proportion of input VAT relating to guests at a staff function is not recoverable.

Also, the employee will not be hit with a P11D benefit charge if the cost to the employer of one or more staff dinners is not more than £150 per year per head.

*Enjoy your seasonal festivities from all at Turner and Smith.....*

**Tax Diary December 2005/ January 2006**

- 19 December 2005** PAYE and NIC deductions due for the month end 5 December. (If you pay electronically, the due date is 22 December).
- 28 December 2005** File accounts at Companies House for private companies with year ended 28 February 2005.
- \*30 December 2005** Submit CT600 to Revenue for the year to 31 December 2004.
- \*30 December 2005** Due date for Corporation Tax for year to 31 March 2005.
- 31 December 2005** Last day to submit Personal Tax Return for 2004/05 by Internet if tax due of up to £2,000 is to be included in the 2006/07 PAYE code.

***\* The deadline date is 31 December, but this is a Saturday***

*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.***