



## SS Bookkeeping & Accountancy Services

Professional Accountancy, Bookkeeping, Tax Returns and more in Sheffield

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Pre-budget Issue

Welcome...

### Topics

To our special December's Pre-Budget Report issue.

#### VAT RATE CHANGES

It was confirmed that VAT would return to 17.5% from midnight on 31 December 2009.

However the Taxman is aware that some businesses, i.e. pubs, nightclubs etc, will be trading at midnight on 31 December 2009 when the standard rate of VAT changes. By concession those businesses can treat their standard rated sales made before they close (before 6am on 1 January 2010) as chargeable to VAT at the 15% rate.

The concession does not apply to online retailers or catalogue companies.

#### Flat Rate Scheme

This scheme will also change with effect from 1 January 2010. The new rates for each business sector can be found in the Pre-Budget Report Press Notice No. 33 on the [HMRC website](#).

Most, but not all, of these flat rates have reverted to the rates that applied before 1 December 2008. However, some rates have been increased by a greater amount to reduce the gain some businesses make by using the flat rate scheme. You may find that the new rates for your business sector does not produce the savings for your business as it did previously. If so you can leave the flat rate scheme at any time. We can help you calculate whether it is beneficial for you to stay in the flat rate scheme or not.

#### COMPANY CARS & VANS

From 6 April 2010 if you provide your employee with an electric car or van for their own use, it will be a tax free benefit. What's more when your company buys a new electric van from 1 April 2010 it will be able to write-off the full cost for tax purposes in the year of acquisition. This tax treatment already applies to all new low emission and electric cars. These new tax incentives only apply to fully electric vehicles. Hybrids don't count.

The taxable benefit charged for use of ordinary company cars and vans, and fuel for those vehicles, is set to increase from 6 April 2010.

- VAT Rate Change
- Company Cars & Vans
- National Insurance
- Income Tax for 2010/11
- Personal Allowances 2010/11
- Tax relief on Pensions
- Inheritance Tax
- Corporation Tax
- Boiler Scruppage Scheme
- Property:
  - Business Rates
  - Furnished Holiday Lettings
  - Stamp Duty
  - Capital Gains Tax on Homes

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## NATIONAL INSURANCE

There is no immediate change in the main rates of class 1 employers and employees National Insurance from 6 April 2010.

However from 6 April 2011 a 0.5% rise was planned but this has been increased to 1% for most rates as shown below.

	2009/10	2011/12
Employers class 1 - above primary threshold	12.8%	13.8%
Employers class 1a and 1b	12.8%	13.8%
Employees class 1 - below upper earnings threshold	11%	12%
Employees class 1 - above upper earnings threshold	1%	2%
Self-employed 4 - between lower & upper profits threshold.	8%	9%
Self-employed 4 - above upper profits threshold.	1%	2%

To offset these changes, there are to be larger than anticipated increases in the primary threshold and lower profits limit to protect individuals earning up to £20,000 from the effects of the proposed increases.

These National Insurance Contributions increased will bring in a significant amount of additional revenue for the Government from April 2011.

## INCOME TAX FOR INDIVIDUALS

All the Income Tax rates and thresholds will be frozen from 6 April 2010, with the exception of the 50% rate of income tax that will apply on income above £150,000.

### 2010/11 Income Tax rates

	Rate
Savings Rate (On savings income only) £0-£2,440	10%
Basic Rate - £0-£37,400	20%
Higher Rate - £37,401 - £150,000	40%
Additional Rate - Over £150,000	50%

All personal allowances have also been frozen at the 2009/10 rates from 2010/11 as follows:

Under 65	£6,475
65-74	£9,490
75 and over	£9,640
Minimum marriage allowance*	£2,670
Marriage allowance born before 06/04/1935*	£6,965
Blind persons allowance	£1,890
Income limit for age allowances	£22,900

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## **TAX RELIEF FOR PENSIONS**

Some complex rules were brought in from 22 April 2009 to discourage those with earnings above £150,000 from piling money into their pension schemes. This is because tax relief on pension contributions will be reduced for those high earners from 6 April 2011.

In response to people with earnings around the £150,000 planning to reduce their income to just below £150,000, so they wouldn't be caught by the restrictions on Tax Relief for pensions, the Government has changed the rules, by stating that anyone with income above £130,000 will be caught by the pensions relief restrictions with immediate effect.

## **INHERITANCE TAX**

Although the value of an estate that is exempt from Inheritance tax was set at £350,000 with effect from 6 April 2010, this exempt threshold is to be frozen at the current level of £325,000.

The Government has stated this is because property prices have not increased over the last year.

## **CORPORATION TAX**

Corporation Tax for companies with 'small' profits was set to rise on 1 April 2010 to 22% which was originally planned to apply from 1 April 2009. The Chancellor has decided to postpone this increase for a second time. The Corporation Tax rate for companies with 'small' profits will now remain at 21% until at least 1 April 2011.

'Small' Companies are those that fall below the single company threshold of £300,000 companies with profits of £1.5 million or more pay Corporation Tax at 28% and if profits fall between £300,000 to £1.5 million taxed at a marginal rate of 29.75%.

## **BOILER SCRAPPAGE SCHEME**

Boiler Scrappage Scheme is to be introduced as early as possible in 2010, giving households a discount of up to £400 when they replace an old heating boiler (with band G energy efficiency rating) with a more energy efficient version.

## **PROPERTY**

### **Business Rates**

From 1 April 2008 most vacant business properties became liable to business rates, when previously such properties were exempt from rates. In last year's Pre-Budget Report the Chancellor announced an exemption from business rates from empty properties which has a ratable value of less than £15,000, but only for the 2009/10 financial year.

The exemption has now been extended for the year to 31 March 2011, and expanded to cover empty properties with a ratable value of less than £18,000. The higher threshold reflects the increase in ratable values following the business rates revaluation that comes into effect from April 2010.

### **Furnished Holiday Lettings**

The favorable tax concessions for the commercial lettings of furnished holiday lets will be removed with effect from 06 April 2010 for unincorporated business and from 1 April 2010 for companies. Hoteliers and bed & breakfast properties are not affected by these changes.

- Losses - future profits and losses from furnished holiday lettings will be treated as income from a property business, and this relief for losses will be available only against the property lettings business. Any current losses from the furnished holiday lettings, which have not been used before April 2010, will be carried forward to be set against the future property lettings business profits.

- Pensionable Income - from 6 April 2010 income from a holiday lettings business will not count as pensionable income, which may reduce the amount of pension contributions available for tax relief in any tax year.

- Capital Gains Tax - The capital gains relief associated with disposing of a property used in a commercial holiday lettings business will cease to apply for disposals made after 05 April 2010.

### **Stamp Duty**

The extended nil rate band for Stamp Duty Land Tax will end on 31 December 2009 and revert to £125,000 for residential property transactions.

### **Capital Gains Tax on homes**

It was expected the rules that exempt one's 'main home' from Capital Gains Tax on sale would be tightened up. This has not happened.

Instead it has been extended to cover individuals' careers who set aside part of their house exclusively for use under a local authority adult placement scheme and such cases the whole of the property will qualify for exemption from Capital Gains Tax.

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## About Us

We are a Bookkeeping and Accountancy firm based in Sheffield offering a friendly, relaxed, affordable Bookkeeping and Accountancy service to individuals, partnerships and small businesses in South Yorkshire.

We are fully committed to providing a personal, prompt and professional bookkeeping and accountancy service.

At SS Bookkeeping & Accountancy Services we are taking positive steps to reduce our impact on the environment and are asking our readers to sign up to receive our newsletter via email. Please email [Newsletter@ssbookkeeping.co.uk](mailto:Newsletter@ssbookkeeping.co.uk) to sign up to receive our newsletter by email and help reduce our impact on the environment.

Do you have your own tips that you'd like to share with our readers? If so we'd love to hear from you. So get in touch by sending an email to [Samantha@ssbookkeeping.co.uk](mailto:Samantha@ssbookkeeping.co.uk)

## New Clients Welcome

If you are not already a client and are interested in becoming one, we'd love to come and meet with you and discuss how we can help you and your business.

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