



## NEWS UPDATE

### Summary of the Pre-Budget report (Dec 2005)

1. The basic personal allowance and starting point for national insurance contributions will rise in 2006/07 to £5,035. The rates of employers', employees' and class 4 NICs will stay unchanged, as will the flat rate of NIC for the self-employed (currently £2.10).
2. The government will remove the tax advantages for self-invested personal pensions (SIPPS), small self-administered schemes (SSASs) and all other forms of self-invested pensions that invest directly in residential property and certain other 'prohibited assets', such as fine wine, art and antiques.
3. Corporation Tax. The rate of corporation tax for small companies will be a single band of 19% from 1 April 2006. The 0% rate for the first £10,000 of undistributed profits will be abolished following the large number of self-employed people who decided to incorporate to reduce their liability to tax and national insurance contributions. So much for dear Gordon's attempt in 2002 to encourage entrepreneurship! This one stinks!
4. First year allowances. First year capital allowances for small businesses will be extended to 50% in the year from 1 April for companies and 6 April 2006 for unincorporated businesses.

### E-Submission of VAT returns

There are five great reasons why it is a good idea to submit your VAT returns on-line:

1. You have an additional seven calendar days in which to submit your figures
2. The money is collected by direct debit, so you don't suffer the pain of writing a cheque(!)
3. The money will not be collected until three days after the return was due, so if you leave it for seven days (see 1 above) you won't have to pay until the 10<sup>th</sup> of the month
4. You can submit the figures early (if you want) but the VAT will not be collected until the due date
5. So, if you get yourself organized you can now go off on holiday over a month end..... enjoy!

### Tax Return filing deadline

Although January 31<sup>st</sup> 2006 is the deadline for submitting your 2004/5 tax return the Taxman very generously gives a day's grace so that any returns he receives on February 1 2006 will not incur the £100 penalty for a late return. One way of ensuring that your Tax Return is filed on time is to hand deliver it to your nearest tax office. Try and ask for a receipt (but this may be refused) as evidence that it was received on time – and wrap up warm as you will undoubtedly have to queue up outside the office for some time with everyone else who had the same idea!!!

### Input VAT and mileage claims

As from 1 January 2006, registered businesses will not be able to claim back the input VAT (2p) associated with the 40p mileage allowance unless original invoices are attached! The extra admin hardly makes it worthwhile and here is yet another example of interference by "Brussels Beaucrats".

### Did you know?

HMRC (previously known as the Inland Revenue) are taking a keen interest in e-bay transactions. E-Bay now has to provide HMRC with details of transactions passing through their site. If you are trading through e-bay you must be sure to tell us.

**Peter**

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