



## NEWS UPDATE

### **National Minimum Wage**

The National minimum wage changes on 1<sup>st</sup> October 2005. The standard rate will rise from £4.85 per hour to £5.05 per hour.

For workers who are aged 18-21 and workers aged 22 or over who are receiving accredited training while in the first six months of a new job, the rate increases from £4.10 to £4.25 per hour.

The Government has been advised to increase the standard rate to £5.35 per hour in October 2006.

### **Husband and Wife Businesses**

There have been many press reports recently on what has become known as the "Artic Systems" case. Briefly, this is a tax case where the husband and wife worked together in the family business. The husband was the principal fee earner and his wife dealt with the administration matters. They paid themselves minimum salaries and distributed the balance of profits by way of dividends. In this way they minimized the total tax and national insurance contributions payable.

The Inland Revenue challenged this arrangement and have so far won the argument – an appeal to the House of Lords may be made.

According to the special circumstances of the case, husband and wife companies can still plan effectively provided that a) the business has two shareholders who are spouses, one of whom got their share by way of gift from the other spouse OR b) both spouses generate income of the company OR c) if only one spouse generates the income they should then take a market rate salary for doing that work. Market rate is not defined!!!

### **St Albans District Chamber of Commerce**

As many of you know, Peter is the Honorary Treasurer of the Chamber and can claim a modicum of credit in raising the Chamber's public profile to such an extent that over 50 members regularly attend the monthly breakfast speaker/networking meetings.

The Chamber's annual conference is taking place on 14<sup>th</sup> June and will be an ideal way to be educated about some very topical and potentially very exciting local business issues, a brilliant opportunity to network and win new business and to be entertained by "insider" comments from the head of BBC Radio News.

Attached is a brochure and booking form and I would recommend all those that are local enough to make every effort to attend.

**Peter**

**3 Home Farm, Luton Hoo Estate, Beds LU1 3TD. Phone 01582 482224.**

**18 May, 2005**