



NEWS UPDATE

Budget Notes

As predicted by us in our earlier News Update this month, the 2006 Budget contained very little that is relevant to the SME market (that's you and us!). There was no mention of any measures to promote entrepreneurship or to take away the legions of red tape burdening every small business. We trust that you took us up on our tip and went to see your customers rather than listen to "Boring Gordon". We did - and came away with some extra work! Now for a summary of the relevant details.

Child Trust Funds – The Government will pay a further £250 into each child trust fund account at their seventh birthday. Company computers – When these are loaned to employees there will be a taxable benefit from 6th April 2006 and the mobile phone exemption will only apply to one phone per employee. Pretty meaningless, pathetically small minded and irritating measures if we may say so.

Company taxes – as notified in December, the £10,000 corporation tax exempt limit is abolished and all corporation tax profits up to £300,000 (for a single unassociated company) will be taxed at 19%. Capital allowances for small businesses will increase from 40% to 50% for one year only.

The Inheritance tax nil rate band increases to £285,000 from 6 April 2006 and then gradually increases to £325,000 on 6 April 2009 – and you all thought that the £325,000 exemption applied straight away! There are some new rules about Trusts which effectively will be bad news – further details later.

The VAT registration threshold is increased to £61,000. Contraceptives are no longer to be classified as luxury items and with effect from 1 July 2006 will attract VAT at 5%.

Our popular tax facts cards are attached with this update and these will give you all the various tax rates for the coming tax year.

Tax Year End Action Points

In 2005/06 savers are able to subscribe up to £7,000 in an ISA, of which no more than £3,000 can be held in cash. Children aged 16 and 17 are eligible for cash ISA's.

The capital gains tax annual exemption is £8,500 and applies to both husband and wife. Transfers between spouses are exempt and can move potential gains from a 40% to a 20% taxable rate. A useful way of reinvesting realised gains is to take up the ISA subscription.

Where cash flow permits, maximise pension contributions. All individuals including minors and non-employed spouses are eligible to contribute up to £3,600 to a stakeholder pension plan and enjoy basic rate tax relief.

Advance Notice

Peter is going to be away on the following dates: Friday 19th May to Friday 26th May (Business Conference – oh yes it is!) and then Friday 9th June to Wednesday 21 June (Annual Holiday). Please plan your challenges so that they come up outside of those dates but in any event Sarah, Sheila, Richard & Linda will be on hand to cope.

Peter

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

28 March 2006