

Tax Update

As a new financial year begins, millions of people will be trying to work out whether they will be better or worse off as a result of the tax changes that are now in force.

The changes that come into effect this month are:-

◆ Abolition of the 10% starting rate of income tax
◆ Basic rate of income tax cut from 22% to 20%
◆ Increase in the upper earnings limit for NI
◆ Increase in working tax credit threshold
◆ Increase in pensioner tax allowances
◆ Increase in the child element of child tax credit

With income tax and NI the Government has done its usual trick of giving with one hand and taking with the other. The basic rate of income tax has been cut from 22% to 20% but to balance this the old starting rate of 10% has been abolished. On top of this, those who earn between £34,840 and £40,040 will face an extra hit as the NI rate goes up from 1% to 11% on this slice of income.

The result of all these changes is that those on modest incomes of £5,931 to £15,075 will be worse off as the loss of the 10% starting rate hits them disproportionately hard.

Changes to capital gains tax (CGT) have also thrown up winners and losers. The old top rate of 40% has been replaced by a flat rate of 18%, **BUT** some reliefs have been abolished - good news for higher rate taxpayers owning non-business assets such as shares and buy-to-let property. However, basic rate tax payers holding the same investment could end up paying more CGT.

Income Shifting

HM Revenue & Customs are continuing their focus on family businesses where perhaps a husband and wife are equal shareholders/partners even if one spouse does most or all of the work. Their proposals include new legislation to tax each individual on the basis of their "contribution" to the business and to disregard income-sharing arrangements decided by the owners of the business.

There has been a significant amount of opposition to this new legislation and as a result, introduction has been delayed until April 2009 by which time, we all hope that it proves to be unworkable!

We'll keep you posted.....!

TAX RETURN FILING DEADLINES....

The deadlines for submitting your tax returns have been changed by HM Revenue & Customs for 2007/08.

- ◆ 'Paper' returns to be submitted by 31 October 2008
- ◆ 'Online' returns to be submitted by 31 January 2009

From 2008/09, even the 'online' filing deadline will be brought forward.

However, for 2007/08, many of you will not notice any change because we already file most of your returns online. For those of you who we don't have this facility, we may soon be asking you for another level of authority so that we can access your account with HMRC online.

Ultimately, it is our aim to be 100% 'online' for 2007/08 returns and we hope you can help us achieve our goal!