



# Cobley Desborough

chartered certified accountants-chartered tax advisers

## Tax Deadlines

### 1 December

Standard rate of VAT cut to 15%. New flat rates for all trade sectors.

### 19 December

PAYE & NIC due for month to 5 Dec. CIS return due.

### 22 December

Electronically paid PAYE & NIC must be with HMRC for month to 5 Dec.

### 30 December

Last day to electronically file tax return and get unpaid tax of up to £2,000 included in 2009/10 PAYE code.

### 31 December

CTSA return for year to 31 December 2007 must reach HMRC by today.

## 2009

### 1 January

Corporation tax due for small companies with year end

31 March 2008.

### 13 January

Last day to issue credit note for change in VAT rate on 1 December

### 19 January

PAYE & NIC due for month to 5 Jan, and for 3<sup>rd</sup> quarter 2008/09. CIS return due.

### 22 January

Electronically paid PAYE & NIC must be with HMRC for month to 5 Jan.

### 31 January

Submit electronic tax return for 2007/08, or receive automatic fine of £100. Final income tax and CGT due for 2007/08 year plus first on-account tax payment due for 2008/09.

Last day to inform Tax

Credit office of any estimates in claim for 2007/08.

Companies with year end 30 April 2008 must file accounts with Companies House.

## Stop press

Private use of petrol and diesel purchased by the business is adjusted for using the VAT road fuel scale charges, based on the CO<sub>2</sub> emissions of the vehicle. These scale rates have changed from 1 December 2008, so check the new rates before completing your next VAT return.

Artisans' House 7 Queensbridge Northampton NN4 7BF

Tel: 01604 823560 Fax: 01604 823588 E-mail: [enquiries@cobdes.co.uk](mailto:enquiries@cobdes.co.uk) Web: [www.cobdes.co.uk](http://www.cobdes.co.uk)

## Implications of the VAT rate change

The standard rate of VAT has been cut to 15% on 1 December 2008 and will revert to 17.5% on 1 January 2010. This is going to create some administrative hassle for all VAT registered businesses.

### Price changes

If you quote your prices inclusive of VAT you don't have to pass on the VAT change, which could improve your profit margins.

### Example

When you make a sale worth £470 including VAT at 17.5% on 28 November, you collect VAT of £70 ( $7/47 \times £470$ ) from the customer. The same product sold for £470 on 10 December includes VAT at 15%, so you collect VAT of £61.30 ( $3/23 \times £470$ ). This means you have made an additional £8.70 profit from that sale.

If you do cut your prices, remember the VAT change only affects standard rated items, not reduced rate or zero rated. To work out the new price with VAT at 15% apply the fraction 46/47 to the old VAT inclusive price. Goods priced at £470 become £460 ( $46/47 \times 470$ ).

### Delayed invoices

You should raise your VAT invoice within 14 days of delivering the goods or completing the service to your customer. If you issue an invoice in December showing VAT at 15% for a service completed before 18 November, the invoice will be incorrect as you should charge VAT at 17.5%

### Early invoices

Where you are paid in advance for a service to be delivered over a period that straddles 1 December 2008 the VAT will have been correctly charged at 17.5%. You can issue a credit note reflecting the period for which VAT is due at 15%, but you don't have to. If you do issue a credit note this must be done by 14 January 2009.

### Example

You charge a subscription of £47 per month, including VAT, for the year starting on 1 September 2008. Nine months of the year can now be charged at £46, so you may issue a credit note to each subscriber for £9, if you wish.

### Work over a period

If you are charging your customer now, for work that has been performed over the period including 1 December 2008, you don't have to apportion the total cost pre and post 1 December. The whole cost can carry VAT at 15%, assuming the work is standard rated.

There are further implications for special VAT schemes (see page 2) and for other sales practices, so please ask us to run through the VAT rules for your particular business.

## Cobley Desborough News

We have been resident in our purpose built offices at Artisans' House for a year now. This modern environment has allowed us to continue to invest in new technology, and has given us the space to take on more staff to ensure we provide all of our clients with the best advice at the right time.

We want to communicate with you as quickly and efficiently as possible, preferably by email. If you let us know your email address you can receive a copy of our Budget summary in the early hours of the morning following the Budget or Pre-Budget Report. Just e-mail us on [enquiries@cobdes.co.uk](mailto:enquiries@cobdes.co.uk) and we will add you to our mailing list. You can also have full access to the resources available on our website.



This newsletter is written for the general interest of our clients and is not a substitute for professional advice. Please contact Cobley Desborough for specific advice before taking any action.

## Help to spread tax debts

Here is some good news for businesses that are having difficulties in paying their tax bills. HMRC have set up a special helpline: the Business Payment Support Service, to call before the tax debt becomes overdue.



**Not all bad news**

The number is: 0845 302 1435 and it will be staffed by experienced HMRC officers from 8am everyday to discuss your cash-flow problems. The HMRC advisers will suggest a payment plan to you over the phone, usually within 10 minutes, but if the tax due is over £10,000 they may need to pass the case on to a specialist office.

This new service is aimed at small businesses that are not yet in debt with HMRC, but believe they will not be able to pay the next tax demand in full when it is due.

This applies to all business taxes: PAYE, NI, VAT, corporation and income tax on your business profits. Business rates are collected by your local authority so are not covered by this service.

If you are already on a payment plan arranged by a Debt Management (DM) Officer at HMRC, and are having trouble meeting those payments you need to contact that DM officer to discuss your position. The DM officers have been instructed to provide a sympathetic ear and renegotiate terms of payment where possible.

It is important to plan ahead for all your tax liabilities. We can tell you when and how much tax you need to pay, but you need to be realistic about what cash you will have available to pay those debts. The worst thing you can do is put your head in the sand!

## Special VAT schemes

### Flat rate scheme for small businesses

Most of the flat rates used by traders in this scheme have been reduced from 1 December, but not all. For example the rate for pubs remains at 5.5%, to reflect the fact that pubs are now selling more food than they used to. If your income mix has changed since you opted into the flat rate scheme we need to review whether you should stay in the scheme, or whether you are using the correct rate. HMRC will let you leave the scheme at any time once you inform them in writing.

If you do stay in the flat rate scheme you must apply the new flat rate for your trade sector from 1 December 2008, to all your VAT inclusive sales. The new flat rates are published on Pre-Budget Report pages of the HMRC website in appendix E of the VAT technical guidance for businesses. Give us a call if you can't find it.



### Cash accounting scheme

If you use a cash accounting scheme you pay over the VAT due to HMRC according to when you get paid by your customer. A delay in payment doesn't change the date of the sale, which determines the VAT rate to be applied. You need to account for VAT of 17.5% for sales made before 1 December 2008 even if you receive the payment on or after 1 December 2008.

If you use the cash based turnover method within the flat rate scheme you need to be particularly careful with your VAT records. Use the flat rate that applied when you raised the invoice, not the flat rate in place when you received the payment.

## Income shifting on hold



**On the too difficult pile**

Last year the Government threatened to bring in legislation to tackle the problem of couples sharing business income to save a bit of tax, which they called 'income shifting'. This was timetabled for April 2008, but was postponed until April 2009. It has now been put back on the 'too difficult' pile until at least the recession is over.

Although there are no immediate changes to the taxation of family businesses, the Tax Inspector can still challenge blatant reallocations of business income within families.

Tax avoidance actions that may attract his attention include:

- Paying family members over the market rate for the work they do.
- Waving dividend entitlements so other lower paid shareholders receive the dividend instead.
- Taking large tax free redundancy pay on retirement.

If you want to bring family members into your business please talk to us first about the best structure to use.