



elsby & co
chartered accountants



The Pre Budget Report—How will it affect YOU?

VAT: Rate will reduce to 15% from 1 December 2008. THAT IS NEXT MONDAY!

I can see there being all sorts of logistical problems for small businesses. We are looking into this area specifically and will send out a further technical bulletin with the practical considerations asap.

Some businesses, eg restaurants, will probably benefit. I can't see them changing the price of a particular dish because it would be so insignificant. Therefore the business will be able to keep a little more of the price rather than paying it over to the government.

Flat Rate Schemes - new rates have already been published so please contact us for details.

Business Tax:

The rise in corporation tax from 21% to 22% has been deferred.

Struggling businesses will be able to spread VAT, corporation tax and PAYE over a longer period of time, apparently. I have seen this happening in practise recently.

There is a loss relief scheme whereby a company can offset losses against profits in the previous 3 years to get a tax repayment (up to £50,000 of losses). Rates for small empty commercial properties now exempted.

Income Tax:

a) One of the many recent U-turns was to extend the Personal Allowance 'temporarily' to make up for the abolition of the 10% lower rate. This has now been made permanent. Also it had been a problem that NI started at a lower point than income tax. This will now be aligned. Consequently we will be amending the basic directors' salaries as soon as this takes effect.

b) A top rate of 45% will be introduced from April 2011 (for earnings above £150,000)..... but we'll assume that this will change in due course, as virtually all his other announcements have.

National Insurance:

From April 2011 all NI rates will increase by 0.5%. Somehow it doesn't sound as bad as putting up Income Tax rates.

Pensions & Benefits:

Pensions to increase pretty much in line with inflation.

Every pensioner will get a one off payment of £60 (couples £120) from January.

Vehicles:

Previously announced increases in duty will be reduced.

Green Issues:

The biggest disappointment. Only £150m pledged, £50m of which is to go towards home insulation. Where is UK's investment?

Overall:

Apparently the economy will contract slightly in 2009 then grow again in 2010. (Dream on!) Borrowings are forecast to reach £118bn next year - and the rest!

Well I didn't expect to be pleasantly surprised by this report - and I wasn't! The only thing of any consequence was the absence of any substantial amount of investment in technological advancement for the country. Otherwise it is up a bit here, down a bit there, some now, some later, it'll probably all change anyway.....

...Carl

