

### **Newsletter January 2009**

Happy New Year! The emphasis of our newsletter this month, and likely emphasis for the rest of 2009, is to support you through the present economic uncertainty. Whatever the specific difficulties you encounter, being informed will always be of use. If there is a topic that you would like to see in this newsletter just reply to this email, we will do our best to include commentary in future editions.

This month we have included an article which focuses on the key tax payment and filing deadlines at the end of January; a further update on the new Small Business finance scheme; a tax warning for businesses that may be considering the disposal of surplus assets this year, and finally dealing with bad debts!

Our next newsletter will be published on Thursday 5 February.

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### **Tax deadlines 31 January 2009**

#### **Tax Credits**

If you claim tax credits watch out for the significance of the 31 January date. It is the final date for providing your actual earnings details for 2007-08 and renewing your award for 2008-09.

#### **Self Assessment - Two key events:**

1. If your tax return for 2008 has not yet been filed, this must be done by 31 January to avoid you being fined. Also this can only be done online. The deadline for submitting paper returns was 31 October 2008.
2. On 31 January 2009 any balance of your Self Assessment tax that was not covered by your payments on account in 2008 falls due for payment. On the same date you should also be making your first payment on account for the current tax year 2008-09.

#### **One planning point regarding payments on account for 2008-09.**

Unless you make a specific request to reduce the amount due, your payments on account for 2008-09 will be based on your actual payments for the previous year, 2007-08. If you have prepared management accounts to the end of December 2008 you should be able to estimate your likely results for 2008-09. If they are lower than the previous years results you can ask for the payments on account to be reduced. And don't forget, your taxable profits include deductions for capital expenditure. From the 1 April 2008 certain expenditures qualify for a 100% write off up to a maximum of £50,000.

This is fairly basic tax planning that can be overlooked. If you have any doubts call now, we still have time to lodge an appeal for you - we just need the information.

Finally HM Revenue & Customs do seem to be following through in their commitment to helping tax payers, who for genuine reasons are unable to pay their tax on time. We urge all our readers who find themselves in this position to contact HMRC as soon as possible.

### **Small business finance scheme**

In his Pre Budget Report last year Mr Darling announced a number of new initiatives to provide funding for small businesses including:

- early in 2009, the Government will launch a Small Business Finance Scheme - a new temporary guarantee scheme to enable up to £1 billion of new Government supported lending by banks;
- the Export Credits Guarantee Department, in conjunction with the banks, will introduce a temporary guarantee scheme to support a £1 billion facility providing smaller exporters with better access to short-term working capital;
- the Government will also make available a capital fund of £50 million providing equity or quasi-equity to SMEs who are over leveraged;
- earlier in November 2008, Advantage West Midlands launched a transition fund for viable SMEs facing financial difficulties. Other Regional Development Agencies will launch similar loan funds, now totalling £25 million, to help businesses over the next six months.
- early in 2009, the Government will launch, with Business Link, a new easily accessible portal, to direct credit-worthy SMEs who are experiencing problems accessing credit.

In this article we would like to update you on the first initiative; the small business finance scheme.

Although the new scheme has similarities with the present Small Firm Loan Guarantee Scheme (SFLGS), there may be differences. Certainly the new scheme offers qualifying small businesses with bank funding underwritten by the Government and the banks. So far so good. Unfortunately it is still not clear which businesses will qualify and what the 'red tape' aspects are! Let's hope its easier to apply for this new facility than the existing SFLGS.

The Government is apparently keen to launch the initiative either this month or February 2009. As soon as announcements are made we will include them in future newsletters.

### **Selling surplus equipment**

If you have equipment that is no longer contributing to your business, now may be a good time to consider a sale. Certainly this would seem to be a good and effective way to bolster your business cash flow.

However, beware unwelcome tax consequences.

#### **Assets bought before April 2008 - If:**

1. The asset was purchased some time ago, and
2. The present written down value of all your business assets is negligible for tax purposes.

When you sell the item of equipment, plant, computer etc, the disposal may generate a balancing charge. In other words part of the cash you receive may have to be reserved to pay extra tax!

#### **Assets bought after 1 April 2008**

Since the 1 April 2008 companies, and from 6 April 2008 unincorporated businesses, can write off up to £50,000 a year for qualifying equipment purchases.

If you now decide to sell an asset bought after those dates, and a full write off was claimed, then all

of the proceeds of sale may become taxable.

Planning as always is key. If you are thinking of such a disposal please call so that we can advise on the tax effects.

Also please note that in most cases the above comments would not apply to cars which have an element of private use.

## **Bad debts**

If the recessionary trends continue we are all likely to face bad debts. It is well worth spending some time to sharpen your credit control procedures, we can certainly help you do this. This article offers a few pointers which will ensure you deal effectively with the VAT and tax consequences.

### **VAT**

Unless you are registered to use a special scheme which protects you from bad debts, particularly Cash Accounting, you may have paid over the VAT on sales invoices issued as part of your VAT return. Subsequently you may have been unable to recover the VAT from your customer.

If that is the case you are entitled to reclaim the VAT when the debt is 6 months overdue.

In passing it is well worth converting to Cash Accounting for VAT if your business qualifies. Presently the turnover limitations are £1.35m per annum. If your annual turnover is under this amount registering would provide a possible positive effect on your cash flow. Again we can help if you would like to consider this.

### **Tax**

Whether your business is incorporated or not, if a customer does not pay your invoice this needs to be recorded in your accounts. Trade debtors should be reduced and transferred to a bad debts account. (Adjusted for VAT if you are registered.)

When you provide us with your accounts data for the current financial year, make sure you provide a list of all the debts you have identified as possible write off's. As long as any claim for bad debts is based on real, specific transactions they should be accepted by HMRC. What you cannot do is transfer an arbitrary percentage of total debts to a bad debts reserve and claim this as a tax write off.

## **Tax Diary January/February 2009**

**1 January 2009** - Due date for corporation tax payable for the year ended 31 March 2008.

**19 January 2009** - PAYE and NIC deductions due for month ended 5 January 2009. (If you pay your tax electronically the due date is 22 January 2009)

**19 January 2009** - Filing deadline for the CIS300 monthly return for the month ended 5 January 2009

**19 January 2009** - CIS tax deducted for the month ended 5 January 2009 is payable by today.

**31 January 2009** - Last day for electronic filing of Self Assessment returns for 2008

**31 January 2009** - Due date for payment of any balance of self assessment liability for the tax year ending 5 April 2008, plus any payment on account due for the tax year ending 5 April 2009.

**1 February 2009** - Due date for corporation tax payable for the year ended 30 April 2008.

**19 February 2009** - PAYE and NIC deductions due for month ended 5 February 2009. (If you pay your tax electronically the due date is 22 February 2009)

**19 February 2009** - Filing deadline for the CIS300 monthly return for the month ended 5 February 2009

**19 February 2009** - CIS tax deducted for the month ended 5 February 2009 is payable by today.

**DISCLAIMER - PLEASE NOTE:** The ideas shared with you in this email are intended to inform rather than advise. Taxpayers circumstances do vary and if you feel that tax strategies we have outlined may be beneficial it is important that you contact us before implementation. If you do or do not take action as a result of reading this newsletter, before receiving our written endorsement, we will accept no responsibility for any financial loss incurred.

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