



NEWSLETTER 18 DECEMBER 2010

We would like to wish all our clients a Happy Christmas and a prosperous New Year!

Please note I will be out of the office from Friday 17 December until Wednesday 5 January 2011.

OPTIMUM SALARY FOR 2011/2012

Many business owners pay themselves £476 per calendar month (£5,715 per year) to save tax. This figure is changing next year as a result of revised thresholds.

The new figure is £589 per month. At this point employers NI becomes payable at 13.8%.

For those businesses already running a payroll it may be tax advantageous to pay £602 per month rather than £589 per month because the saving in corporation tax may outweigh the employers National Insurance (without incurring any additional payroll costs).

Those business owners who are not in receipt of any other income may also take a dividend, tax free of up to £31,866 (or £31,725 if receiving the higher salary of £602). These figures are with effect from April 2011.

VAT INCREASE

Please make preparations for the VAT increase coming shortly. Please note the change applies from 4th January 2011 not 1st January. The date of your invoice in most cases will be the relevant date (the tax point). If you happen to have been paid before this date, the payment date becomes the tax point. If you are cash accounting for VAT please consider that some, if not all, the January 2011 income will relate to an invoice date of December and therefore VATable at the old rate of 17.5%.

HOUSEKEEPING WITH HMRC

As part of cost cutting measures at HMRC, agents do not always receive copies of documentation sent to clients. Would you therefore please let me have copies of paperwork you receive from them.

PROPOSED CHILD BENEFIT CHANGES

As you may be aware (from Newsletter 17) the child benefit may be taken away from families that include a higher rate taxpayer. This is proposed from April 2013.

You may wish to consider making a personal pension contribution after April 2013 to bring your income below the higher rate threshold (next year it is only £42,475). For those on income levels just above the higher rate threshold the extra child benefit received would cover the whole of the pension contribution, making the arrangement cash positive.



NEW PENSIONS ACT

The Government has announced that all British businesses will be expected to offer employees the chance to join a workplace pension scheme. The Pensions Act is expected to take effect from 2012 and will be gradually introduced depending on employers' size. All employers must offer a qualifying workplace pension scheme and automatically enrol eligible employees. Employers with fewer than 50 staff can, if they wish, use a state sponsored scheme – the National Employment Savings Trust (Nest), rather than establish a workplace pension scheme of their own. All employers will be expected to provide a pension scheme for employees aged 22 or more and currently earning more than £7,475 a year (the threshold for the personal income tax allowance as from April 2011). At least 8% of an employee's qualifying earnings must be paid into a pension, made up of 3% employer contributions, 4% employee contributions, and 1% tax relief. Staff will be allowed to opt out of schemes, in which case, employers will no longer be liable for paying employee contributions.

To find out more about Nest go to www.nestpensions.org.uk, To find out more about the Pensions Act go to www.thepensionsregulator.gov.uk and select the link to Pension Reform. The information on this site may change due to laws being updated, etc.

More information will be provided, as it becomes available, in our future newsletters.

CHILDCARE VOUCHERS

From 6th April 2011, higher rate tax payers are only entitled to £28 per week childcare vouchers (£55 per month at present). Please adjust the amounts paid by your company if you fall into this category, from April 2011.

FURNISHED HOLIDAY LET PROPOSALS

The Chancellor confirmed in the June Budget that the Government would not repeal the special tax rules for furnished holiday lettings. Instead, the Budget announced that a public consultation was held and the following proposals are expected to come into force:

- **Restrict the use of loss relief from furnished holiday lettings so that losses can only be set against income from the same business (from April 2011).**
- to retain the current treatment of capital allowances and capital gains tax reliefs;
- to reduce uncertainty and complexity by allowing businesses which meet the revised occupancy threshold in one year to elect to be treated as having met it in the two following years, providing certain criteria are met.

The following proposals are expected to come into force from April 2012:

- increase the minimum period over which a qualifying property is available to let to the public during a year from 140 days to 210 days;
- increase the minimum period over which a qualifying property is actually let to the public during a year from 70 days to 105 days;

Particular care should be taken if you are on the flat rate scheme – an extra 1.5% of your GROSS income will be payable on your VAT return for income that relates to invoices dated 4th January and after. Consider invoicing your customers early or get payment up front if your customers cannot recover VAT.