



SUMMER UPDATE 2010

INCORPORATING BUDGET UPDATE

BUDGET

It's not our place or the purpose of this Update to comment on budgetary policy but we can't resist observing that the Chancellor promised to "share the pain" and he seems to have succeeded!

There were a number of measures which will affect businesses and we address some of the key features. We cannot cover everything in detail so if you have any questions or concerns you can call your nearest AIMS Accountant.

VAT

The Standard Rate of VAT goes up from 17.5% to 20% on 4 January 2011, the Reduced Rate remains unchanged at 5% and the Flat Rate Scheme rates will be increased.

There is likely to be a lot of "beat the VAT deadline" activity in the run up to January which can bring risks and benefits.

If you supply the public (or unregistered businesses) there may be opportunities to save your customers some money and boost your cash flow. For example, you could take advance payment to fix the VAT rate at 17.5% however, as with most things, "terms and conditions apply" so do, please talk to me before taking action.

It's important not to get carried away on a wave of enthusiasm if your business benefits from "beat the VAT". Will you know whether the increased business is real and sustainable or just "one off"? You will not know for sure but getting timely information will help you make informed decisions. If you want to talk about your business information, call us.

CAPITAL GAINS TAX

Any capital gain you make on the sale of your business (provided that you don't make gains of over £5 million in your lifetime) will be taxed at 10% but any gains on non-business assets will be taxed at 28% if your income and gains (after allowances) exceed the Income tax basic rate limit (currently £37,400) otherwise they will be taxed at 18%.

Careful timing of disposals can help ensure that 18% applies rather than 28% but this is dependent on individual

circumstances. If you are thinking about selling, or even giving away, an asset, talk to an AIMS Accountant first.

CAPITAL ALLOWANCES

When the limit for the Annual Investment Allowance increased from £50,000 to £100,000 most of our clients took the view that £50,000 covered what they were likely to spend in a year and that the increase to £100,000 didn't make a lot of difference. I don't know whether the Chancellor was listening but he has reduced the limit to £25,000 with effect from April 2012. This change could impact on anyone contemplating very large capital expenditure over the next two years. There are also small changes to writing down allowances and your nearest AIMS Accountant will be happy to discuss the impact of these with you.

FURNISHED HOLIDAY LETTINGS

You may recall an announcement that Furnished Holiday Lettings (FHL) enterprises (to use a neutral term) would cease to be treated as businesses with effect from April 2010 but a change in the law was lost because of the general election. It has now been confirmed that the proposed changes will not take effect after all. There will be consultations about changes in the law to tighten up some of the rules but it does mean that FHL businesses continue to attract the favourable CGT treatment referred to above and are treated as business assets for Inheritance Tax Purposes. Draft legislation is promised for the autumn so we hope to feature this in our Autumn Update.

NATIONAL MINIMUM WAGE

We know it's not a Budget matter but the new NMW rates were announced this week:-

	1/10/10 to 30/09/11	1/10/09 to 30/09/10
Adults (over 21 from 1/10/10, previously over 22)	£5.93	£5.80
18 to 20 (21) year olds	£4.92	£4.83
16 to 17 year olds	£3.64	£3.57

AIMS ACCOUNTANTS FOR BUSINESS

Find details of your nearest AIMS accountant:
T: 020 7616 6629 E: central1@aims.co.uk W: www.aims.co.uk

Don't hesitate to call to discuss anything contained in this update or any other queries you may have.

Like the way we do business? Don't keep it a secret. We grow by referral.