

MAKE SURE YOU CHECK YOU COMPLY

New VAT invoicing rules in force now

The second phase of changes to the rules regarding the content of VAT invoices commences from 1 October 2007. Many businesses will not have to change their procedures, as they already voluntarily comply with the rules, but businesses will need to be aware of the change in the law.

The changes are explained in VAT information sheet 10/07 which has been issued recently.

As is normal, HMRC will not issue penalties for those breaching the new rules in the twelve months following the date of change, so businesses have at least a year to implement changes.

The main changes to the procedures will affect businesses making cross border supplies into the EC, but the following summary applies to every VAT registered trader.

All invoices will be required to be sequentially numbered by law. As many already number their invoices, there will be no change. However, businesses which “restart” their invoicing sequence each financial year will now have to ensure that every single invoice has a unique number, and that number sequences are not repeated. Where businesses use separate sequences for different customers or product types this is acceptable, provided each sequence is identifiable and unique. Using customer prefixes is also fine, provided the sequencing is discernable. Any system under which invoice numbers are duplicated for whatever reason is unacceptable.

**A New Zero Rate of Stamp Duty (SDLT)
Are you thinking of moving?**

As announced in the Pre Budget Report, from 1 October 2007 all new zero carbon homes will enjoy a new zero rate of SDLT up to a house value of £500,000. The relief will be limited to a period of five years from this date. For properties over the £500,000 mark the normal rate of 4% applies but there is a reduction of £15,000 on the duty payable.

A zero carbon home is one that generates as much power as it uses over the course of a year and therefore has net zero carbon dioxide (CO₂) emissions. To achieve this, it will have very high levels of insulation in the walls and roof, windows and doors with high thermal performance and heat exchangers to make sure there is a 95% recovery of heat in the air ventilation system. The property will be efficiently heated using sunlight and will have renewable energy generating devices such as biomass fuelled hot water and space heating, small scale urban wind turbines to generate electricity, ground heat pumps and possibly other means like small scale hydroelectric generation to create the energy which is then stored or returned to the national grid. On a £400,000 house, the SDLT saving of £12,000 will help towards the investment in technology necessary to make the home energy efficient.

**Transport Home for Employees Working
Late**

If you reimburse or pay for the transport costs of employees who work late then your payment may be tax free to your employee. For payments to be tax free, certain conditions have to be met:

- The transport is between the employee’s home and workplace;
- The number of previous occasions in a tax year where such provision has been made is less than 60;
- The employee is required to work later than usual and until at least 9.00 p.m. So a manager who is contracted to work until 11.30 p.m. would not, therefore, qualify;
- Such occasions occur irregularly;
- By the time the employee ceases to work, public transport has ceased to be available or it would be unreasonable to expect the employee to use it;
- The transport is by taxi or similar private road transport; HM Revenue & Customs believe that, in some instances, this relief may be being abused where, for example, an employee stays until after 9.00 p.m. and takes a taxi home while public transport is still available. The relief is, however, valuable where emergencies arise and staff stay on to finish urgent work.



Radical Capital Gains Tax Change If you are considering selling assets this could affect you

On 9 October our new Chancellor Alistair Darling delivered his first Pre Budget Report. The main talking point was the changes proposed to Capital Gains Tax. The changes caused so much negative feedback that the Government announced it would also consider the introduction of a limited form of retirement relief.

The present position - if you sell a business asset (say the shares in your limited company) before 6 April 2008, that you have owned for more than 2 years, the maximum tax you would pay on the sale as a higher rate tax payer is 10% of the chargeable gain.

The changed position from 6 April 2008 - under proposed changes to CGT if you sold the same asset after 5 April 2008 you would pay tax at a flat rate of 18%, (this flat rate will apply to all taxpayers whatever your earnings position for income tax). The previous relief given for indexation of gains to 5 April 1998 and taper relief from that date, will cease to apply as from 6 April 2008. Thus, on the face of it, the increase in tax is 80%.

The loss of indexation (inflation relief) which is still available on assets owned prior to 5 April 1998, will mean that the effective increase will be more than 80% and in some cases a lot more - particularly where assets were held at 31 March 1982 or before.

On 31 October 2007 The Times published an article suggesting that the Government was considering the introduction of a limited form of retirement relief. This would allow persons retiring from business to make a tax free gain on the sale of their chargeable business assets. The amount of tax free gain mentioned in the Times article was £100,000. This would certainly take the sting out of the tail for many small businesses.

We would recommend that all clients considering a disposal of their businesses consider doing so before the proposed changes take effect i.e. 6th April 2008.

The position for owners of non-business assets (e.g. buy to let property) is quite different.

The present position - if you sell an asset classified as a non-business asset, that you have owned for more than 10 years, before 6 April 2008, the maximum tax you would pay on the sale as a higher rate tax payer is 24% of the chargeable gain.

The changed position from 6 April 2008 - if you dispose of the same asset after 6 April 2008 you will pay tax at the flat rate of 18% of the chargeable gain.

If you are considering selling non-business assets you may wish to consider delaying the sale (but this can depend on your detailed circumstances).



ONLINE SPENDING REACHES RECORD HIGH

Online spending in the UK is expected to reach a new £40bn high this year, according to a recent study. Comparison website uswitch.com is predicting this figure will quadruple to £162bn by 2020, when internet shopping will make up 40% of retail sales.

Cheaper broadband deals and faster internet connection speeds are thought to have fuelled the online spending boom. Over three quarters of British homes are now believed to have broadband internet.

Commenting on the findings, Steve Weller, head of communications and services at Uswitch, said: 'Not only does shopping online save you time and money, but it can actually pay for itself. 'Each household can save £500, which pays for your annual broadband cost nearly three times over.'

Meanwhile, Forrester Research has forecast that online Christmas shopping will climb to £13.8bn this year, a 42% increase on 2006.

NEW ADVISORY FUEL RATES FOR COMPANY CARS

New advisory fuel rates for company cars will apply to all journeys made on or after 1 January 2008.

Engine Size	Petrol	Diesel	LPG
1400cc or less	11p	11p	7p
1401cc to 2000cc	13p	11p	8p
Over 2000c	19p	14p	11p

DO YOU SPLIT YOUR COMPANY DIVIDENDS WITH YOUR SPOUSE?

Following its announcement after its defeat in the Arctic Systems case, the Government has published a consultation on draft legislation to prevent a tax advantage being gained through "income shifting."

The new legislation is intended to apply from 6th April 2008 to two forms of income:

- profits from a partnership; and
- company distributions, most commonly dividends

It is broadly designed to catch married couples or civil partnerships who seek to share business profits that have been generated substantially by the efforts of only one individual in the relationship.

Three other conditions must apply:

- the individual who is doing "the shifting" is a party to relevant arrangements, or has the power to control or influence relevant arrangements,
- that individual forgoes income (directly or indirectly), as this is shifted to another individual.
- the individual doing the shifting has the power to control or influence the amount of the shifted income.

The individual who has shifted his or her income to another individual will then pay tax and NI (as applicable to partnership profits) on the income shifted. At this stage we wait to see what actually happens as a result of the consultation. And for clarity on the definitions. This could cost many tax payers (including myself and many of my clients) significantly in tax each year.