

Business Client

Budget Summary 2009 22 April 2009

Summary of Changes Affecting Business Clients

Tax Payments and Refunds

The present law relating to tax refunds is being 'simplified', which means that the time limits for claiming repayments are being reduced to four years from 1 April 2010. The penalty regime dealing with the late payment of taxes and the powers available to HM Revenue and Customs (HMRC) are being considerably changed and taxpayers in danger of incurring penalties should pay attention to Budget Notes 89 to 92 in particular.

Personal Responsibility for Accounting Officers

Not mentioned in the Chancellor's speech, the regime proposed in HMRC's Budget Note 62 makes worrying reading for the accounting officers of larger companies. It requires them, among other things, to certify annually that the company's accounting system is 'adequate for the purposes of accurate tax reporting' and promises penalties chargeable on 'the senior accounting officer personally and on the company' in appropriate circumstances. Senior accountants who are uncomfortable with some of the accounting techniques used in their companies are advised to take legal advice promptly.

Corporation Tax

Corporation Tax rates are unchanged for both small and large companies. There are significant changes to the rules governing controlled foreign companies, which will have the effect of bringing more foreign company profits into charge to UK tax.

One change that is likely to be welcomed by groups of companies is the simplification of the regime for dealing with capital gains and losses within groups of companies.

A number of anti-avoidance measures have been announced which will make use of 'principles-based drafting', which means legislation which attacks the purpose of a tax structure or transaction rather than setting out in specific terms when tax will or will not apply. The problem with such an approach is that, no matter how laudable the aims, it can cause tax to be levied where, in the opinion of the taxing authority, the purpose of the transaction or structure is to avoid tax. This makes tax planning an altogether riskier activity in some circumstances.

Tax relief for trading losses of companies is being revamped to allow loss-making companies to be able to reclaim taxes paid in the last three years.

Inheritance Tax

Following adverse comment in the European Court, IHT relief for agricultural property and woodlands held in the European Economic Area is now being made available. Hold-over relief for CGT will also apply.

IHT paid or due to be paid in connection with such property after April 2003 will be able to be reclaimed after April 2010.

Tax Powers Generally

Taxpayers unwise enough to understate their liabilities by £25,000 or more who get caught will, unless they make an unprompted disclosure or full prompted disclosure, be publicly named and shamed by HMRC.

Property and Construction

A number of types of support for property and construction were announced, ranging from direct support for councils to build homes to additional expenditure on homes for Services families. Maintenance of support schemes at the 'demand end' of the property market was also announced.

However, more important (if it proves to be effective) will be the support for credit insurance, which has all but dried up in the building sector.

Landfill Tax

The Government has slipped in more or less unseen the announcement that a consultation exercise is being commenced to look at landfill tax. To quote the Treasury document, 'The consultation is aimed at ensuring the continued soundness of the administrative and legislative arrangements on which the tax is based. This will ensure the tax is robust and well placed to continue to make an important contribution to achieving environmental policy objectives'. The rate of landfill tax is being increased by £8 per tonne from April 2010.

Capital Allowances

The rate of first-year allowance will be 40 per cent for 2009/10. This move is intended to stimulate new capital investment. Interestingly, the HMRC technical note says these allowances will be available for:

- any individual carrying on a qualifying activity (this includes trades, professions, vocations, ordinary property businesses and individuals having an employment or office);
- any partnership; and
- any company.

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S O L I C I T O R S

Unreported in the speech was the extension of the 40 per cent rate for asset purchases above the £50,000 'expenditure cap' which would fall into the 'pool' for the claiming of writing-down allowances. These will now attract the 40 per cent rate in 2009/10.

VAT

The standard rate of VAT is being returned to 17.5 per cent on 1 January 2010. One change which may be easy to miss is the change in VAT scale charges for fuel, which come in from 1 May 2009. The scale charge is now to be calculated according to the carbon dioxide emissions of the vehicle. The place of supply rules for services are being changed from 2010. These changes will be important for any business supplying services in another EU country.

The information contained in this newsletter is intended for general guidance only. It provides useful information in a concise form and is not a substitute for obtaining professional advice.

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