

Account Tax Ltd

Chartered Certified Accountant and Registered Auditor

NOVEMBER 2008 BUDGET REPORT

The ditherers and squanderers have now produced their 3rd Budget of 2008. The major issues which affect you are:

VAT

The rate changes on Monday, 1st December 2008. Any invoices issued on that date must apply VAT at 15%, even though it is for work completed in November. In tandem with the changed headline rate, the flat rate percentages change also. A table of these follows at the end of this summary. For most of you, who were on the 12.1/2% rate, you should calculate your flat rate as 11%. Interestingly, for a budget that is supposed to support small business your VAT profit falls from 2.825% of turnover to 2.35%. On a typical turnover of £120,000 that is £475 of stealth tax. Different Chancellor same behaviour! My calculation on this is attached. Those who are entitled to a reduction in the first year of trading will still be eligible for this. The 11.1/2% rate for the first year thus becomes 10%.

VAT FLAT RATE SCHEME CALCULATIONS

Old	Net 100	17.1/2% VAT 17.50	Gross 117.50	12.1/2% VAT 14.6875
New	Net 100	15% VAT 15.0	Gross 115.0	11% VAT 12.65

Profit old £2.825 per £100 of fees.

Profit new £2.35 per £100 of fees.

Loss of profit on £120,000 of fee income is £475. So much for helping small business!

CORPORATION TAX

The current rate is 21%. It was proposed to increase to 22% per the last budget (or was it the one before). This increase has been deferred until April 2010. Big deal... 12 months grace on yet another tax rise.

FAIRNESS AGENDA

This heading is deeply worrying. The intention is to 'modernise tax administration and protect tax revenues'. Essentially this is a vehicle to keep bullying via IR35 and improve the tax take from the income shifting legislation which will be introduced in April. The Revenue are to target more resources in hectoring small business to pay more tax.

CONCLUSION

Keep hoarding cash because they want you to spend!

Flat Rate Scheme – New Percentage Rates

Category of business	Appropriate percentage
Accountancy or book-keeping	11.5
Advertising	8.5
Agricultural services	7
Any other activity not listed elsewhere	9
Architect, civil and structural engineer or surveyor	11
Boarding or care of animals	9.5
Business services that are not listed elsewhere	9.5
Catering services including restaurants and takeaways	10.5
Computer and IT consultancy or data processing	11.5
Computer repair services	10
Dealing in waste or scrap	8.5
Entertainment or journalism	9.5
Estate agency or property management services	9.5
Farming or agriculture that is not listed elsewhere	5.5
Film, radio, television or video production	9.5
Financial services	10.5
Forestry or fishing	8
General building or construction services*	7.5
Hairdressing or other beauty treatment services	10.5
Hiring or renting goods	7.5
Hotel or accommodation	8.5
Investigation or security	9
Labour-only building or construction services*	11.5
Laundry or dry-cleaning services	9.5
Lawyer or legal services	12
Library, archive, museum or other cultural activity	7.5
Management consultancy	11
Manufacturing that is not listed elsewhere	7.5
Manufacturing fabricated metal products	8.5
Manufacturing food	7
Manufacturing yarn, textiles or clothing	7.5
Membership organisation	5.5
Mining or quarrying	8
Packaging	7.5
Photography	8.5
Post offices	2
Printing	6.5
Publishing	8.5
Pubs	5.5
Real estate activity not listed elsewhere	11
Repairing personal or household goods	7.5
Repairing vehicles	6.5
Retailing food, confectionary, tobacco, newspapers or children's clothing	2
Retailing pharmaceuticals, medical goods, cosmetics or toiletries	6
Retailing that is not listed elsewhere	5.5

Category of business	Appropriate percentage
Retailing vehicles or fuel	5.5
Secretarial services	9.5
Social work	8
Sport or recreation	6
Transport or storage, including couriers, freight, removals and taxis	8
Travel agency	8
Veterinary medicine	8
Wholesaling agricultural products	5.5
Wholesaling food	5
Wholesaling that is not listed elsewhere	6

“Labour-only building or construction services” means building or construction services where the value of materials supplied is less than 10 per cent of relevant turnover from such services; any other building or construction services are “general building or construction services”.