

BarlowAndrews

The Taxation Specialists

“The hardest thing in the world to understand is ...tax.”

Albert Einstein (1879-1955)

At Barlow Andrews we take a simple approach – we help our clients to pay less tax!

LATEST TAX NEWS

Barlow Andrews areas of taxation expertise include:

1. Claiming cash back from H M Revenue & Customs
2. Minimising capital gains tax on sale of properties and assets for companies and individuals
3. Profit extraction and employee remuneration
4. Planning for retirement and succession
5. Income and Capital tax planning with Trusts
6. Corporate restructuring for expansion and acquisition
7. Company share and business valuations
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2011/12 RATES AND ALLOWANCES

For those aged under 65 the personal allowance will be increased by £1,000, from £6,475 to £7,475 for 2011/12.

However a new concept of withdrawing the personal allowance for those with adjusted net income over £100,000 was introduced in 2010/11 and will continue for 2011/12. The reduction in the allowance is by £1 for every £2 of adjusted net income above the income limit. Adjusted net income for these purposes is broadly all income after adjustment for pension payments, charitable giving and relief for losses.

Tax bands and rates for 2011/12

The basic rate limit will be reduced from the current £37,400 to £35,000. Therefore an individual will pay 40% tax rather than the basic rate of 20% when their total income exceeds £42,475.

The new rate of income tax of 50% (the 'additional rate') will continue for 2011/12. This applies to taxable income above £150,000.

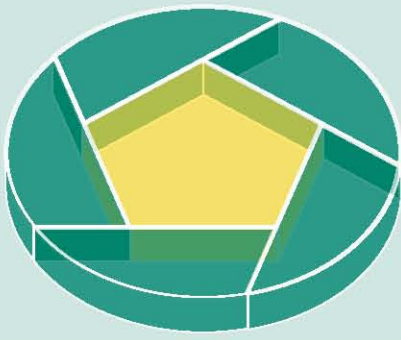
If dividend income is part of total income this is taxed at 10% where it falls within the basic rate band, 32.5% where liable at the higher rate of tax and 42.5% where liable to the additional rate of tax.

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NATIONAL INSURANCE CONTRIBUTIONS (NICs)

Changes to the rates of NICs had been announced by the previous government and the current government confirmed that the rate changes would be made. From April 2011 a further 1% will apply to the rates applicable to employers, employees and the self-employed. The main rate of Class 1 (employee) NICs will be 12% and the Class 4 rate will be 9%. The employer rate will increase to 13.8%. The additional rate of Class 1 and 4 contributions payable will be increased from the current 1% to 2%.

Changes to the thresholds for next year have now been announced and the point at which NICs are payable will increase significantly from April 2011.

The level at which employees start to pay contributions will increase to £139 per week (the primary threshold) and for employers the weekly limit will be £136 (secondary threshold). The primary and secondary thresholds were aligned at £110 for 2010/11.

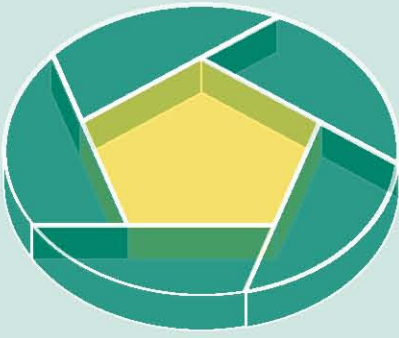
The upper earnings limit and the upper profits limit will continue to be aligned with the income tax higher rate threshold of £42,475.

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EMPLOYER SUPPORTED CHILDCARE

Changes had previously been announced to the tax breaks for employer-supported childcare and draft legislation has now been issued covering the changes which take effect next year.

There is currently a £55 per week limit on the amount of exempt income associated with childcare vouchers and directly contracted childcare for employees in an employer's scheme. From 6 April 2011 this will be restricted in cases where an employee joins a scheme and their earnings and taxable benefits are liable to tax at the higher rates.

If the level of income:

- is within the basic rate band, the employee will be entitled to relief on up to £55 per week
- exceeds the 50% rate threshold for the year, the employee will be entitled to relief on £22 per week
- is between the above two bands the employee will be entitled to relief on £28 per week.

Where an employee is employed part way through the tax year their income will be grossed up to a full year.

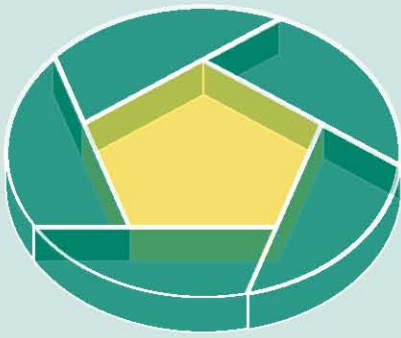
Anyone in a scheme by 5 April 2011 will not be affected by these changes as long as they remain within the same scheme.

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CHANGES TO THE ADVISORY FUEL RATES FROM 1 DECEMBER 2010

To reflect the increase in fuel prices, HMRC have issued new advisory fuel rates for employees driving employer provided cars. These take effect for all journeys undertaken from 1 December, so employers using the advisory rates should advise affected employees and update any expense forms as soon as possible.

The advisory fuel rates may be used for journeys undertaken on or after 1 December 2010.

Engine size	Petrol	Diesel	LPG
1400cc or less	13p (12p)	12p (11p)	9p (8p)
1401cc – 2000cc	15p (15p)	12p (11p)	10p (10p)
Over 2000cc	21p (21p)	15p (16p)	15p (14p)

These rates apply to all journeys on or after 1 December 2010 until further notice, allowing them to reflect fuel prices more quickly. For one month from the date of change, employers may use either the previous or new current rates, as they choose. Employers may therefore make or require supplementary payments if they so wish, but are under no obligation to do either.

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CORPORATION TAX RETURNS CHANGES AHEAD

Broadly all corporation tax returns (including form CT600, supplementary schedules, tax computations and company accounts) in relation to accounting periods ending after 31 March 2010 and submitted after 31 March 2011, must be filed online as paper returns will no longer be accepted.

In addition, corporation tax and related payments must be paid electronically.

Compulsory online filing will not change:

- Who has to file a company tax return
- When the return has to be filed or the tax paid
- What is legally required to be filed as part of a company tax return

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