



BUDGET 2008 – TEN TAX SAVING OPPORTUNITIES

Following Alistair Darling's first Budget speech, some potential opportunities to save tax are discussed below:

1. Cash back from the costs of Research and Development

For small companies that spend over £10,000 on qualifying research and development, the tax relief has increased from £1.50 for every £1 spent to £1.75 for every £1 spent.

This could result in lower company tax, repayment of tax or even cash back from H M Revenue & Customs.

2. Cash back from costs of plant and machinery

In certain circumstances, companies can obtain cash back from the cost of buying plant and machinery that qualifies as "energy saving" or being "environmentally-beneficial."

3. Reducing Inheritance Tax

The nil rate band is increased to £312,000 from 6 April 2008. Taking this increase together with the ability to transfer the nil rate band to your surviving spouse further necessitates a review of your Will and Estate planning to check that your current planning remains relevant. You should also ensure that all the other exemptions are being used effectively.

4. NIC free rewards for employees

Offering shares to key employees enables bonuses to be paid in dividends that are free of NIC for both parties. The company also gets a tax deduction for the value of shares awarded. The value of shares that can be awarded under the Enterprise Management Incentive scheme has been increased which could allow more shares to be awarded to key employees.

5. £100,000 reduction in Income Tax

Investors who buy shares in qualifying trading companies could end up with £100k being deducted from their tax bill and they could realise a tax free gain on the sale of their shares.



Barlow Andrews

Chartered Accountants - Create | Retain | Realise

6. 10% Effective capital gains tax rate

The sale of certain business properties and shares will attract a 10% effective rate on sale on or after 6 April 2008 for the first £1m gain. It is therefore important to ensure that the correct tax structures are in place for holding your shares and property to utilise this rate.

7. 100% tax relief for plant and machinery

Expenditure of up to £50,000 on “normal” plant and machinery and some specific makes of company cars will attract 100% tax relief from 6 April 2008 that will reduce your taxable profits.

8. Lower Employer’s NIC for benefits in kind

Certain company cars attract only a 10% benefit in kind charge on their list price from 6 April 2008. There are other benefits in kind that attract no employer’s NIC which can be used to reward employees which will prove cheaper than bonuses.

9. Pre-year end tax planning

The rate of corporation tax for small medium sized companies will rise to 22% from 1 April 2009. A review of income and expenses should be carried out pre-year end to make sure that the company maximises all its available reliefs to reduce its taxable profit.

10. Incorporation

Despite the increase in the rate of corporation tax, some businesses can still benefit from becoming a company and obtain double tax savings by:

- Obtaining tax relief for the goodwill sold to your company
- Being rewarded in dividends that are free of NIC
- Realising your investment at an effective rate of 10%

If you would like to discuss how the Budget is likely to affect you, please contact Mark Sheen at mrcs@barlow-andrews.co.uk or Tim Lwin at tl@barlow-andrews.co.uk