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Tax Planning

Taxation



contents

Recommendation scheme P.1

Filing deadline P.1

Pre Budget report P.1

Pre Budget report continued P.2

Pre Budget report continued P.3

Guide to tax rates and allowances P.4

Happy Christmas and a prosperous New Year

It's the most wonderful time of the year and to mark the season we are launching a new scheme for clients who refer new work to us.

If you make a recommendation to a family member, friend or colleague and they join us as a client then we will give you up to £50 of Marks and Spencer's vouchers by way of a thank you.



Pre Budget Report

On the 9th December 2009 the Chancellor presented his pre-budget report.

There was a revision to many of the forecasts announced in the budget in April 2009. The economy is now forecast to shrink by 4.75% in 2009, then grow by 1 to 1.5% in 2010 and then 3.5% in both 2011 and 2012.

As suspected the forecast deficit for 2009/10 was increased, but by less than many

commentators feared. The deficit is now forecast to be £178bn, an increase of £3bn from the forecast in April.

In the years afterwards the deficit is now forecast to be:-

2010/11	£176bn
2011/12	£140bn
2012/13	£117bn
2013/14	£96bn

Limited company accounts

The filing deadline for accounting periods commencing on or after the 6th April 2009 has been reduced from 10 months after the year end to 9 months for private companies and 7 months to 6 months for public companies.



Young & Co

Chartered Accountants and Registered Auditors

Registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

## Ways to Pay

As well as paying by cheque our clients can pay by BACS, online banking or telephone banking direct to our bank account. The sort code is 40-24-11, the account number 21765418 and the reference is the one shown on our fee.

Coming soon is the facility to pay us by debit or credit card at the counter or over the telephone. Payments by credit card will attract a 2% surcharge, but most debit card payments will be free.

## National Insurance

All National Insurance contributions, employer, employee and self-employed, will rise by a further 0.5% in April 2011 on top of the existing plan to increase the rate by 0.5% at that time.

The threshold for paying National Insurance will be raised to ensure that no one earning less than £20,000 will pay extra as a result of the change.

The new rates for National Insurance from the 5th April 2011 would therefore be;

Employees	12%
Employers	13.8%
Self Employed	9%

on all earnings above the earnings threshold.

The percentage applied to earnings above the upper earnings limit would double from 1% to 2%

These are of course only planned rises at this stage and perhaps depend on the outcome of the next election.

The Conservative Shadow Chancellor, George Osborne, has said he opposes the increase in National Insurance.



## Corporation Tax

The increase in the small company rate has been deferred for another year due to the recession.

The small company Corporation Tax rate remains at 21% for

2010/11, with the planned rise to 22% delayed until the following year. This applies to companies with profits of less than £300,000 per year.

The main rate of corporation tax remains at

28% for companies with profits of more than £1,500,000 per year. The marginal rate for profits between £300,000 and £1,500,000 remains at 29.75%.

## Company Cars

Changes to the company car tax regime were announced in the pre budget report that aim to raise a further £120 million via company car taxation.

In 2010/11 the private fuel rate, where the company pays for private fuel, will rise from a deemed value of £4,056 for benefit in kind purposes to £4,512.

In 2011/12 this tax will rise again. Also in that year the company car CO2 tax bands will reduce. Meaning that most vehicles will be pushed into a higher tax bracket.

## Other Measures

- One off windfall tax of 50% on bankers bonuses between 9 December 2009 and 5 April 2010.
- Personal Allowances to be frozen in 2010/11.
- Basic State pension will rise by 2.5% in April 2010.
- Child and disability benefits to increase by 1.5% in April.



- Freeze of threshold at which 40 per cent income tax is paid for the 2010/11 tax year at £37,400 of taxable income.
- Workers will no longer be able to enjoy tax free lunches in office canteens from April 2011, where the employee receives this as part of a salary sacrifice scheme.

## Pensions Changes



In the pre budget report it was further announced that for those earning over £130,000 the employer's contribution to the pension fund will count toward income for the purpose of this calculation.

Those earning between £150,000 and £180,000 (or are deemed to after including employer pension contributions) will now progressively lose higher

rate tax relief on money saved in a pension. Anyone earning over £180,000 will now only receive basic rate tax relief of 20% on contributions made.

Anti avoidance measures have been announced to prevent people from making large contributions to their pensions over the next 15 months.

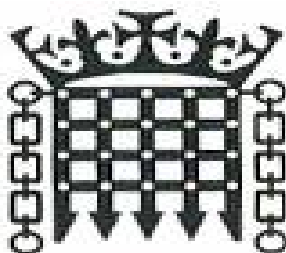
There are new restrictions on higher rate tax relief for pensions that apply to all people who earn more than £150,000 from the 6 April 2011.

## VAT—Hopes of Extension vanish.

The Chancellor has confirmed that the VAT rate will return to 17.5% as planned. VAT registered businesses, especially retailers, need to be ready for the change back which is due to come into effect on 1 January 2010.

The Revenue have issued detailed guidance for businesses which is available in full at [www.hmrc.gov.uk/vat/forms-rates/rates/rate-rise-guidance.pdf](http://www.hmrc.gov.uk/vat/forms-rates/rates/rate-rise-guidance.pdf).

If you need assistance with changing accounting software or have any questions on how the change in VAT rate will affect your business, let us know.



## CASH DEPOSITS

Many people are struggling to find decent savings rates at the moment. We are able to introduce you to a local Independent Financial Adviser who is able to obtain better rates than many high street savings accounts, often with institutions that can offer more security for your deposits. These products are open to individuals and companies.

## PENSION AUDITS

We are able to introduce you to a local Independent Financial Adviser who will give you a free pension audit, providing you with an in depth report into what you have got, what it is worth and what options are open to you to get the maximum value. They are also able to offer advice to individuals on a new low cost SIPP and to businesses on using salary sacrifice to make the most of pension contributions.

For more information please call your usual contact.



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## Guide to tax rates and allowances

	<u>Tax year 2009/10</u>	<u>Tax year 2010/11</u>
Personal allowance	£6,475	£6,475
Older persons personal allowance (65-74)	£9,490	£9,490
Older persons personal allowance (75 and over)	£9,640	£9,640
Married Couples allowance (born before 6 April 1935 and under 75)	N/A	N/A
Married Couples allowance (born before 6 April 1935 and over 75)	£6,965	£6,965
<b>Income tax rates:</b>		
10% (for savings income only)	£0 - £2,440	£0 - £2,440
20% (for non-savings income)	£0 - £37,400	£0 - £37,400
40%	Over £37,400	£37,401-£150,000
50%	N/A	Over £150,000
<b>National Insurance rates:</b>		
Employee's contributions at 11% on earnings over	£110 per week	£110 per week
Employee's contributions at 1% on earnings over	£844 per week	£844 per week
Employer's contributions at 12.8% on earnings over	£110 per week	£110 per week
Class 2 contributions for self-employed	£2.40 per week	£2.40 per week
Class 4 contributions for self-employed at 8% on profits	£5,715 - £43,875	£5,715 - £43,875
Class 4 contributions for self-employed at 1% on profits over	£43,875	£43,875
<b>Company Tax rates:</b>		
Small companies - profits up to £300,000	21%	21%
Marginal rate - profits between £300,001 and £1,500,000	29.75%	29.75%
Large companies - profits over £1,500,000	28%	28%
VAT registration threshold	£68,000	£68,000
Capital Gains Tax annual exempt amount	£10,100	£10,100
Capital Gains Tax rate	18%	18%
Inheritance Tax nil rate band	£325,000	£325,000
Inheritance Tax rate	40%	40%

The information within this document is based on the Pre-Budget report of 9th December 2009, the Finance Act of 2009 and other H M Revenue & Customs releases.

This document has been prepared as a guide to topics of current financial and business interest. We strongly recommend that you take professional advice before making decisions on matters discussed here.

No responsibility for any loss to any person acting as a result of this document can be accepted by us.



# Young & Co

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and Registered Auditors

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