



Business Tax Planning 2007- 08

We have noted below a number of tax issues that you may like to review prior to the end of the current tax year, 5 April 2008.

Capital Allowances - We are still waiting for the definitive legislation to be published but it is likely that the draft proposals on the new Annual Investment allowance will go ahead for all capital expenditure after 5 April 2008. Essentially from the end of this tax year businesses will be able to write off 100% of their expenditure on plant and other equipment (excluding most cars) up to an annual limit of £50,000. Because of these changes businesses may be disadvantaged if they commit to capital expenditure before 6 April 2008. If you have plans to acquire assets you may be advised to check out the pros and cons of delaying the expenditure until after 5 April 2008.

Benefits in Kind - Tax is charged on benefits in kind provided to directors and most employees. However, if a benefit is "made good" before the end of the tax year, that is, if the recipient reimburses the company for the benefit, no tax will be due.

For instance if a director is provided with fuel for private motoring, the deemed cost of the private fuel supplied can be calculated and refunded. In this way the director will not have to pay tax, possibly at 40%, on the fuel scale charge. Of course if the private mileage is significant the pay back to the company may be more than the tax cost — you will need to work out the cash effects on a case by case basis.

Corporation Tax Rates — If your taxable profits are likely to take you over the small companies rate, (currently your company can earn up to £300,000 at the small companies rate of 20%, unless you have associated companies which can reduce this entitlement), you could consider bringing forward expenditure to keep your profits under the threshold. The expenditure could be a business expense or capital expenditure.

Pension contributions - Tax relief on pension contributions made by the company is only available in the period in which the contributions are actually paid, so if it is planned to increase contributions in respect of the current year, these need to be paid out during the period.

Directors' bonuses - Where it is planned to pay directors bonuses out of current profits it is necessary to hold a directors' meeting and make a decision to do so. This is then minuted, even if the exact quantum of the bonus is to be determined later. In this way the liability for the bonus is created in the current period, and it will be acceptable to provide for the bonus in the accounts. The bonus should then be finalised and paid out within 9 months of the year end to secure a corporation tax deduction for it.

These are just a few of the possible planning issues that you should take a look at before 5 April 2008. If you would like to organise a formal review please call.

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