Insider

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Taxpayers under attack (again)

The recent announcement by the Government that the Treasury is to target a further 10,000 high net worth individuals for tax investigation represents another stage in the seemingly relentless assault on UK taxpayers.

It is estimated that once these measures are in place an astonishing half of all 50 per cent taxpayers could find themselves under investigation. And despite claims that the crackdown will recover up to £7billion a year in unpaid taxes, the truth is that hundreds of innocent businesses and individual taxpayers will have to endure lengthy investigations that will tie up precious resources that should be used to grow their business and help get the economy moving again.

For years a clear distinction has been made between tax avoidance, which is legal, and tax evasion, which is not. Tax avoidance is simply using legitimate means to arrange one's finances in such a way as to minimise exposure to tax. Tax evasion is using illegal devices to dodge paying taxes that are legally due.

But now the Government is deliberately blurring the distinction by introducing concepts such as 'unacceptable avoidance' and creating an atmosphere in which anyone who seeks to avoid paying more tax than they need to is subject to moral censure.

Dubious moral judgements to one side, we will continue to advise clients on their tax planning in whatever ways the law allows. And if you find yourself the subject of an investigation we will of course stand shoulder to shoulder with you in order to reduce much of the stress and disruption these proceedings can cause.

Incidentally, it transpires that the Government is planning to spend £700 million on this new crackdown. Some might take the view that the money would be better spent helping to put HMRC's house in order!

Don't be caught out by the VAT rate switch

As the increase in the VAT rate approaches, businesses need to be mindful of charging the correct amount of VAT where invoices are raised or payments received around the date of the increase – January 4, 2010. Please check with us if you are not sure. Applying the wrong VAT rate at this time, or worse still falling foul of the anti-forestalling provisions, could prove expensive.

Save on the company car

In these austere times, businesses are constantly on the lookout for effective ways to cut costs. If you presently purchase your company car(s) and change them on a regular basis, you might find you can save by leasing rather than purchasing.

Small businesses often finance their cars through hire purchase or a loan but leasing charges can sometimes be significantly lower than finance charges. A new website, financeacar.co.uk allows businesses to conduct cost comparisons between leasing and purchasing options and so make more informed decisions in this area.

Bear in mind also that with leased cars used exclusively for business purposes you can reclaim the VAT in full, and even if the car is also used for personal journeys you can normally reclaim 50 percent of the VAT. Check with us if you need advice.

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Considering a strategic partnership?

Data from Companies House reveals that strategic business partnerships are on the rise. In fact, there has been a 50 percent increase since 2008.

Certainly arrangements such as joint ventures and strategic alliances can deliver a number of advantages including:

- Increased capacity
- Access to new markets, especially overseas
- A wider distribution network
- Access to additional technology, staff, and finance
- Spreading of risks and costs with other parties

However, they can and do go wrong, especially if they are not well researched beforehand or there is a fundamental incompatibility of aims or expectations between the partners.

If you are thinking of going down this route, give us a call. We would be happy to advise and assist in this area.

TAX TIP

Reducing CGT exposure

Couples with sizeable assets such as property or shares might consider joint ownership where the asset is likely to result in a capital gain. This way they can take advantage of both personal allowances, currently, £10,100 per person, and realise up to £20,200 of gains before capital gains tax (CGT) becomes payable.

Remember also that the rate at which you pay CGT will depend on your overall income for the year. Thus, basic rate taxpayers pay CGT at 18%. But any capital gains realised will be added to the total income earned in that year, and if the combined total means you end up in the higher tax band, you will pay CGT at 28% on your gain.

Clearly careful planning is required where CGT is concerned and we strongly recommend you check with us for advice before any significant acquisition or disposal.

Fear of failure, a thing of the past?

'What have you got to offer our company?' 'Well I have been involved in a couple of failed businesses.'

Perhaps not the kind of conversation you would expect in a management recruiting interview, but research shows almost a quarter of companies actively seek managers who have experienced business failure and recovered. The thinking is that executives who have learnt from past mistakes are likely to make more astute entrepreneurs.

Some see this as a significant cultural shift. Traditionally we in the UK feel uncomfortable with failure and would rather hide it than disclose it, but in America, failure is seen as a natural part of business life and in the right circumstances a distinct advantage.

Perhaps we are becoming more like the Americans in our approach to entrepreneurship.