



Hilton Consulting

November Newsletter

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VAT back to 17.5%

The VAT rate reverts to 17.5% on January 1st 2010. Details of the rules relating to the changes can be found on all 45 pages of the HMRC guidance at:

<http://www.hmrc.gov.uk/vat/forms-rates/rates/rate-rise-guidance.pdf>

For most traders the change will not be complicated – but there are special provisions for situations such as:

1. Continuous services
2. Deposits

All registered traders should review the guidance and if specific assistance is required please call with your enquiries

VAT matters

A number of issues have caught my attention over the last few months relating to where VAT should be charged.

1. Intercompany charges: Where management charges are levied between businesses – these generally should be VATable where the seller is VAT registered. Sometime where the seller is exempt or not registered – the addition of a taxable supply like management charges can mean that they should be registered – care needs to be taken.
2. Disbursements – the general rule is that where expenses are recharged to customers – irrespective of whether the original cost incurred VAT (such as travel) the recharge should carry VAT. There are exceptions - but that is the basic rule.
3. Recharging employment costs – likewise, generally if recharges of salaries etc are made – VAT should be charged. Again, there are many exceptions but this is the general rule.



4. In 2010 the rules will be changing in relation to some services sold and purchased within the EU and the regulations as to how VAT should be charged will be amended. If you do buy and sell services now is the time to consider whether the changes will have an impact on your business and you should consider the impact of these changes now.

VAT was meant to be an easy to understand tax – it is probably the most complicated of all the taxes when it comes to dealing with everyday matters and very often the common sense answer is far from the legal requirement. Always ask a question when something out of the ordinary occurs – never assume. I am of course happy to answer your questions.



New Higher rate personal taxes

Impact of the new higher rate tax:

The new 50% rate comes into force from April 2010 – taxpayers may therefore want to accelerate income into the current tax year to cap the tax rate at 40%. As a further consequence – the higher rate on income tax will make capital gains tax look more attractive and therefore taxpayers should be enquiring as to methods of generating capital rather than income. Likewise, the benefit of Gift Aid payments to higher rate tax payers becomes more interesting.

Changes to the tax benefit of pension contribution:

Pension contributions are being restricted and so taxpayers who are keen to use pension plans for financial planning should assess their needs now.

Tax deductions for buying equipment: If you are planning to buy capital assets for your business – then with the new enhanced rates of tax deductions available on this expenditure – advice should be sort on how to maximise the advantage.



Tax Credits

Over the last few months I have been asked about the eligibility for these government payments.

Welfare benefits are not a topic covered by us – especially as there is so much publicity on the TV, radio and newspapers that I presume that clients are aware of their own situations and can be pro-active in dealing with these matters.

There is a tremendous amount of help available – and the internet in particular has many references – but do try:

<http://www.hmrc.gov.uk/Taxcredits/>

There are also credits and benefits available for the disabled, carers and those with children.

(As a separate issue there are many other benefits available for carers and enquiries can be made with the DSS to explore your individual circumstances)

If you have any specific queries then I may be able to offer guidance – but this is a matter which needs to be followed up individually as sometimes your personal circumstance – which I may not be fully aware of – may have a bearing.



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