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NEWSLETTER MAY 2009

REVENUE HELP FOR BUSINESS CASH FLOWS

In his 2009 Budget statement, the Chancellor announced further help for businesses facing difficulties in paying their tax. From 22 April 2009, any viable business anticipating making a trading loss in the current tax year will be able to have the anticipated loss taken into account as part of any rescheduling of its corporation tax or income tax payments.

The new measure means businesses will no longer have to wait for the end of their accounting period - which may be months ahead - to have the loss taken into account in calculating what they have to pay.

This new support initiative will be administered by the existing HMRC Business Payment Support Service (BPSS) and enables HMRC to agree an extended time to pay arrangement on the previous year's corporation tax and/or income tax if:

- the business is genuinely unable to pay immediately or enter into a reasonable instalment time to pay agreement; and
- the business is likely to make a trading loss in the current year.

Separate to this measure, businesses who wish to reschedule VAT, PAYE and National Insurance contributions or who have already entered into a time to pay arrangement, but have found their circumstances have changed for the worse, can also contact the BPSS for a new or revised time to pay arrangement, depending on individual circumstances.

If you feel your business may struggle to meet its tax liabilities, please contact us.

OFFSET MORTGAGES

As we are all no doubt aware, savings rate in the UK have dived to an all-time low. For this reason, many individuals who have savings are actively looking for a better return on these savings. Enter the offset mortgage.

Like many good ideas, the offset mortgage is simple to understand and is relatively straight- forward in its operation. Using a technique known as offsetting, any monies you hold on linked current or deposit accounts are automatically offset against the amount you owe on your mortgage, thereby reducing this debt with a consequent reduction in the interest you pay.

To take an example. You have a mortgage on your house in the sum of £120,000. You also have £2,000 in a linked current account and a further £12,000 in a linked deposit account. The mortgage interest you will pay if you have an offset mortgage will be on £106,000, ie the amount of your mortgage less the balances on your current and deposit accounts.

The reason that offset mortgages are particularly attractive in today's climate is that the saving on the interest payable is greater than the amount that could be earned on a savings account and, in addition, is free of tax.

To look at the figures for a standard and a higher rate taxpayer

Assume an offset mortgage interest rate of 4.5%. If you are a basic-rate taxpayer you would have to find a savings account that paid 5.6% gross to match a net rate of 4.5%. If you are a higher-rate taxpayer the figure climbs to 7.5%. In today's marketplace such returns are extremely difficult to find, unless there is a high level of risk involved.

The offsetting is carried out automatically and so there is no work required by you. There is an added advantage in that the offsetting is usually carried out on a daily basis rather than monthly or annually as with a typical savings account. This will result in a better return.

WATCH THOSE EXPENSE CLAIMS!

You would have had to have been somewhat out of touch recently if you were unaware that certain Members of Parliament are facing difficult times in trying to substantiate their expense claims and allowances. Some would argue that there seems to have been a different set of rules between MPs and others when it comes to declaring and accounting for expenses and certain other gains - some of which are of a capital nature.

But what about our own expense claims? It is important that we are aware as to what the current tax regulations are when it comes to claiming expenses. Set out below is a general guide as to the approach the tax authorities take in relation to the claiming of expenses.

If you are an employee or a director, there are a number of "tax deductible" expenses you might be able to get. These include the cost of professional fees or subscriptions, business travel and subsistence, tools and specialist clothing.

You can backdate most claims for up to six years.

You can only get tax relief for allowable expenses. Expenses are allowable if they are for the cost of:

- travelling you had to do whilst doing your job
- other expenses you had to pay whilst doing your job - and which related only to doing your job

You cannot ask for tax relief if your employer has already reimbursed you for the expense and has agreed a "dispensation" with HMRC.

You can find out more about the types of expenses that you can get relief for in the HMRC guide "Tax allowances and reliefs - employees or directors".

How you get tax relief for your allowable work expenses depends on whether or not you fill in a Self Assessment tax return.

THE SAVING GATEWAY – GET READY TO START SAVING

In the present economic climate, the government finds itself between a rock and a hard place when it comes to an individual's savings. On the one hand the government is intent on kick-starting the economy by encouraging us to spend, whilst on the other hand it wants us to save for our old age as it will, in the none too distant future, find it increasingly difficult to fund the State Pension because of the ever-increasing number of older persons.

Whatever its dilemma, the government it is intent on encouraging us to save for the future and to this end it will soon be introducing the "Saving Gateway". Set out below are details of this new scheme which appears on the DirectGov website.

"Saving Gateway - what is it and who qualifies
From 2010, there will be a new government supported cash saving scheme called the 'Saving Gateway'. It's for people of working age who are on lower incomes to help kick-start a saving habit. The government will contribute 50 pence for each pound saved into Saving Gateway accounts. You will qualify for an account if you get certain benefits.

Who can get the new accounts?
You will be able to open a Saving Gateway account if you get any of the following:

- Income Support
- Jobseeker's Allowance
- Incapacity Benefit
- Employment Support Allowance
- Severe Disablement Allowance
- Tax credits - if you have an income below £15,575

How the accounts will work
When the scheme launches in 2010, if you qualify for a Saving Gateway account you will be sent a letter of invitation and information booklet. You will be able to take your letter to any approved Saving Gateway provider and open your account.

You will then be able to pay up to £25 a month into your account for two years. At the end of the two years the government will make a contribution of 50 pence for each £1 you've saved.

Don't worry if £25 sounds too much - every pound you save will earn you an extra 50 pence. And you will be able to withdraw your savings should you need to without affecting the government contribution you have earned up to that point.

What happens next?
There will be more information about Saving Gateway accounts nearer to the launch in 2010, including who can get one, how to open one, and how it works. You don't need to do anything else in the meantime. But it might be worth checking to see if you qualify for any of the benefits or tax credits mentioned above."

CARERS ALLOWANCE – ARE YOU ENTITLED TO CLAIM?

If you are aged 16 or over and spend at least 35 hours a week caring for a person you may be able to get Carer's Allowance You can only claim for the allowance if the person you are caring for gets either:

- Attendance Allowance
- Disability Living Allowance at the middle or highest rate for personal care
- Constant Attendance Allowance at or above the normal maximum rate with an Industrial Injuries Disablement Benefit
- Constant Attendance Allowance at the basic (full day) rate with a War Disablement Pension

Who cannot get Carer's Allowance?
You cannot get Carer's Allowance if you earn more than £95 a week after your expenses.

Expenses will include:

- some National Insurance (NI) contributions
- Income Tax
- half of any money you pay towards personal or occupational pension schemes
- other expenses you have to pay because they are a necessary part of your job

After allowing for these things, you are allowed up to half the rest of the money you earn to help meet the cost of paying someone else (but not a close relative) to look after a child or children, or the person you look after, while you are at work.

How much is the allowance?
The weekly rate of Carer's Allowance is £53.10. This figure is reduced by the amount of certain other benefits, including State Pension, that you receive. If you receive certain other benefits at £53.10 or more a week, Carer's Allowance cannot be paid to you as well.

Remember that you may have to pay tax on the amount you receive, depending on your overall circumstances.

You may be able to get an additional amount for your husband, wife or civil partner or someone living with you who looks after your dependent children.

FEARING REDUNDANCY? TIME TO THINK ABOUT INSURANCE

An increasing number of individuals are now worried about losing their jobs through redundancy. Many of these individuals have fixed outgoings in the form of mortgages, loan repayments and other expenses. In such situations it may be time to think about taking out some form of payment protection insurance to protect you, should you be out of work.

The Financial Services Authority has provided advice on payment protection insurance and we set out below an extract from this guidance.

"**Payment Protection Insurance**
What is it?
Payment protection insurance, or PPI, is insurance that will pay out a sum of money to help you cover your monthly repayments on mortgages, loans, credit/store cards or catalogue payments if you are unable to work. This could be because you have an accident or sickness, or become unemployed through no fault of your own.

This means that the insurance company will pay the monthly repayments (or a percentage of them) on your behalf for a fixed period of time if you become unable to work. It is sometimes known as ASU (accident, sickness and unemployment) insurance, Account Cover or Payment Cover.

PPI can provide worthwhile cover against unexpected changes in your personal circumstances, but bear in mind its limitations and exclusions in your policy.

Where might you get it from?
You're likely to be offered PPI by the company when you take out a mortgage or other loan or credit agreement, but you don't have to buy it from them. You can buy it yourself separately from insurance brokers, including over the internet. Shop around to get the best deal for you.

PPI is useful, but you may not always want it or be able to claim on it when you need to.

What are the main features?

- PPI is almost always optional – you should not normally be refused a loan if you decide not to buy it.
- PPI only pays out for a set period of time, generally either 12 or 24 months.
- To claim on the unemployment part of the policy typically you must have been employed continuously by the same company for the last 12 months on a permanent contract.
- Check carefully if you are self employed and require cover – the policy may not cover you.
- Before you take out cover, the firm should give you a Policy Summary. This will set out the key features and benefits, as well as any significant or unusual exclusions or limitations. If you have any queries about these, you should ask the salesperson to explain the cover in more detail. This will help you make an informed decision on whether to take out cover.
- You may not be able to make a claim for an illness you already have or have had before. Make sure you check this before you take out the policy. This will be called a pre-existing medical condition and can include any medical conditions you have, even if they haven't troubled you for a while.
- Stress or back complaints, and possibly other conditions, may not be covered, even if you can't work because of them. Again, it's worth checking before you take out the policy.
- You have a legal right to cancel the policy and get a refund within 30 days of taking it out.

What should you do?

- Think carefully about the risks you could face while paying back a loan, mortgage or credit/store card and whether taking out PPI would be to your advantage. If you had an accident that stopped you from working, would you have enough savings to be able to continue paying off the loan?
- Consider whether you have other insurance which already covers you (for example through your employer), or whether other types of protection insurance may be more appropriate.
- Don't be pressurised into buying it - you don't usually have to take out PPI to get a loan and you don't have to buy it from the same place you get your loan from.
- Check online forms when applying for loan or credit online. Sometimes PPI is selected by default and you will need to change this option if you don't want to buy it. You should also print out or keep copies of completed forms in case you need to complain or make a claim in the future.
- Find out whether the firm is giving you advice; if not, consider whether you need advice. Getting advice means that the firm should recommend a PPI or other policy that meets your needs.
- Find out whether the policy is a single or regular premium. If you buy a single premium policy you pay a lump sum of 3-5 years' worth of premiums in advance. This amount is added to the sum you borrow and attracts interest, so you'll be paying more over the long run.
- Think about what you would do when the claims payments stop and you are still unable to work. How would you pay the rest of your loan?
- Check to see what you will be covered for and what won't be covered – for example any exclusions or limitations relating to the nature of your employment or your medical history.
- Check whether payments from a PPI policy would affect the benefits that could be paid from other protection insurance that you already have.
- Check what you will get back if you cancel the policy or repay the loan early.
- Shop around and compare the features and costs of PPI products using our impartial comparison tables at Compare PPI.

Ask the salesperson to explain the terms and conditions of the policy and make sure you read the key policy information – especially the exclusions."

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