

How safe is your money?

Full story on page 3



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and more besides...

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Welcome to the autumn edition

Things are happening so quickly at the moment it's hard to know what to write about. Our Government is teetering on the brink of deciding that doing nothing is obviously the best answer to the global turmoil that has beset the banking industry. Watching as the cancer slowly spreads into other financial segments, Alistair Darling summed up the naivety of Labour and the banking industry alike during his conference speech when he announced *"This is not the time to be imposing additional burdens (in relation to tax increases to fund the economy) and indeed actually, this month, the vast majority of basic rate taxpayers, the 22 million people, are actually getting a tax rebate, a tax cut... I really don't think I can make the position any clearer than that. Basic rate taxpayers are receiving a tax cut."*

In fact, he is returning the tax that Gordon Brown took from us all in his last budget – read The 10p tax rate rebellion article on page 3. I am amazed he had the gall to say this after that particular issue nearly fell the government.

However, we all have to get on with our lives and I think that, whilst prudence is a must, most people will ride out the storm. Most of our clients are financially healthy and unless you move house in the next couple of years or have bought a house in the last year then you have only "lost" potential profit in your house. None of us can effect the outcome of decisions made by banks or governments but we can take the talk-down articles appearing hourly in the news with a pinch of salt, continue with our businesses and together, slowly drag the economy out of the doldrums it is currently in.

Stock market share values yet again show themselves to be a worthless measure of a company's value – how can a bank or construction company instantly be worth 60% less than it did a week ago? Their long term (and by that I mean more than the next 5 years) profitability is good, they have a track record of it – people's expectations that a business must achieve a higher sales figure with lower costs and thus higher profits are just unrealistic – look back at your own figures – we all have good and bad years and so do all these global companies so why do bankers and stock market analysts not see the real world?

In reality nothing has changed other than people's expectations. We now see the imprudence displayed by banks over recent years and a number of government mistruths are now out in the open but in 5 years time we will all look back and wonder what the fuss was about – and that is the timescale most people buy a car over.

In dark times every cloud has a silver lining so don't listen to the doomsayers and get out there and make money.



Steve
Steve Morrell FCCA

**Morrell
Middleton**

FACTSHEETS

A full range of factsheets including: starting up in business, general business, corporate and business Tax, VAT, employment issues, Tax issues, pensions and ICT. is available to download free from our website. **Visit our website at www.morrell-middleton.co.uk**



How safe is your money?

In the wake of the recent crisis in the financial industry it is not surprising that many people will be anxious about the safety of their savings. This is a condensed guide to deposit protection but for full information you should contact your bank or building society.

- In the event of a bank's collapse, individuals will be protected up to £35,000. This is across all accounts, so that if you had £100,000 spread across 3 different accounts in the same bank the limit of your protection would still be £35,000.
- If the accounts are held in joint names then each account holder has £35,000 protection, making £70,000 in all.
- If you hold accounts in different banks which are part of the same group (eg Halifax and Midshires) then, if they are using the same FSA registration number, compensation would be limited to £35,000.
- If the accounts are held by a small business (turnover less than £6.5 million; balance sheet total not more than £3.26 million; not more than 50 employees) the same levels of compensation apply as for individuals.
- If your money is held in an account operated by a foreign bank then you will probably be covered but you should check with the Financial Services Compensation Scheme (ING, ICICI and Kaupthing banks are ok).

For more information and to check out specific banks visit www.howsafeisyourmoney.co.uk

THOUGHT FOR THE DAY!

As long as my boss pretends I'm on a good salary, I'll pretend I'm busy...



The 10p tax rate rebellion

Following the public criticism and outrage over the abolition of the 10% tax band, which had been announced in the 2007 Budget, the decision was made to further increase the personal allowance by £600 for this year only.

The effect of this for a basic rate taxpayer is a saving of £120 for the 2008/2009 tax year. This compares to a tax saving of £267.60 provided by the 10% tax rate last tax year for a basic rate taxpayer. The basic rate of tax last year however was 22% compared to 20% this year.

It follows therefore that there is a break-even point of around £12,810. People earning less than this amount are actually worse off, those basic rate taxpayers earning more than this will benefit. The worst affected are those whose income did not take them into basic rate tax last year. Their tax rate has doubled.

The changes announced by the Chancellor are designed to benefit basic rate taxpayers only. Higher rate taxpayers won't be affected at all. This is because while the basic Personal Allowance has been increased by £600, the threshold at which you start to pay higher rate tax has been reduced by £600 - achieved through a £1,200 reduction to the basic rate tax band.

What employers needed to have done

The increased personal allowances should have been applied to income on or after 7 September 2008 but was backdated to 6 April. New tax codes may be issued in some cases but employers should have simply added 60 to any tax code with the suffix 'L' before processing the payroll on or soonest after 7 September.

The emergency code changed from 543L week 1/month 1 to 603L week 1/month 1.

Online filing of VAT Returns

For businesses with a turnover of more than £100,000 online VAT return filing will become mandatory from 2010. For businesses with a lower turnover it will be recommended, but still optional.

The benefits of online filing are:

- Less paperwork to complete
- Less paper means better for the environment
- Instant confirmation that your Return has been received
- An extension of up to 7 days extra to file the Return and pay the VAT due.

Once registered you cannot go back to paper Returns and you will stop getting any paper reminders.

If Returns are filed online you are also required to pay by electronic methods.

We handle many clients' VAT Returns using both manual and online filing. If you would like more information or a quote for our services then please get in touch.

Julie Cave



The world's highest denomination note is the Hungarian 100 Million B-Pengo, issued in 1946. That's 100,000,000,000,000,000 Pengo. It was worth about U.S. \$0.20 in 1946.



Working from home

For employers

Employers can reimburse employees who work regularly from home for the additional household expenses they incur without incurring an extra tax or NICs charge. The additional expenses that you may reimburse are those connected with the day to day running of the employee's home. This might include additional costs of heating and lighting the work area, or additional insurance costs.

Because it might be difficult for you to calculate the exact additional costs, HMRC have previously published a guideline rate that can be paid without you having to justify the amount paid or the employee having to keep any records to demonstrate the additional expenditure. The guideline rate is not a maximum amount and greater amounts can be paid where there is evidence to justify them.

From 6 April 2008 the guideline rate you can pay home working employees without keeping records increased from £2 to £3 per week.

For employees

Employees do not all receive the same tax treatment when it comes to working from home expenses. There is a difference between the employee who voluntarily works from home and the one whose home is their workplace because it cannot be elsewhere.

If you are employed specifically to work at or from home, and have no alternative but to do so, you may be able to get tax relief on some of your household expenses. You can go back several years to get the relief - the time you've got depends on whether you've previously sent in a Self Assessment tax return.

You can get tax relief for the extra household expenses that you have to pay because you have to work at or from home. Typically these extra expenses include:

- the extra cost of gas and electricity to heat and light your work area
- business telephone calls
- insurance (if additional insurance is taken out)

You won't be able to get relief on domestic expenses that you're paying anyway - like your mortgage or council tax. You also won't be able to get relief for expenses that relate to both business and private use - such as your telephone line rental, or Internet access (unless specifically installed to enable you to work from home).

How much relief you can get

You can get either:

- The flat rate deduction of £3.00 per week (from 2008-09) for each week that you've got to work at home. This doesn't include the cost of business telephone calls.
- A larger amount if your extra expenses are higher than £3.00 - but you'll have to show how you've calculated the figure.

The rate for 2007-08 and earlier is £2.00 per week.

What if you volunteer to work at home?

You might volunteer to work at home under a 'homeworking arrangement'. A homeworking arrangement is an agreement with your employer that you'll work at home on a regular basis.

You don't have to work at home every day but there must be a regular pattern - for example two days at home and three days in your employer's premises each week. The work you do at home must be work that you're required to do as part of your employment.

If you've got an arrangement like that, your employer can contribute towards your expenses of working at home - £3.00 per week (from 2008-09) or more if you can show that you had to spend more than that. You won't have to pay tax and National Insurance contributions on the amount. However, if your employer doesn't contribute you can't get tax relief for your expenses of working at home.



New powers for the Taxman

As anticipated, the merger in 2005 of the former HM Customs & Excise with the former Inland Revenue has paved the way for the extension of the Taxman's powers.

At the end of last year, there were changes to HMRC's criminal powers including giving the power of arrest to certain tax inspectors and, from earlier this year, the ability to intercept letters, telephone calls and emails.

Schedule 36 of the Finance Act 2008 is only 25 pages in length, but many of its provisions are controversial and arguably give HMRC much greater powers than those it enjoys under current rules. During the passage of the Bill, a number of helpful amendments were made, for example that unannounced visits could not be made to the premises of a third party such as a tax adviser. In addition, a number of clarifications and assurances were given by the Minister about how the rules will operate.

Much will depend upon how HMRC applies the rules in practice, but that requires a considerable element of trust that HMRC will ensure its inspectors are properly trained and that they follow HMRC's guidance. We are now awaiting the draft guidance.

VAT: reduced rate on residential renovations and alterations

With effect from 1 January 2008, renovations and alterations to residential properties that have been empty for at least 2 years are eligible for a reduced VAT rate of 5%.

This is a change to the current law, which provides for a 5% reduced VAT rate on works of renovation and alteration to residential properties that have been empty for at least 3 years.

You may also charge reduced rate VAT when converting a property into a different number of residential units (for example splitting a house into two flats). Each unit has to be totally separate and therefore annexes do not comply with the conditions.

The reduced rate applies to much of the repair, maintenance and improvement costs.

The VAT rules on property and construction are extremely complex; please telephone for individual advice.

Dormant Bank Accounts

There is an unbelievable £1 billion just lying around in forgotten bank accounts. In Halifax alone there is an estimated £24 million, involving 17,000 accounts. Could some of that be yours?

In 2009 a scheme is to be launched which aims to release money from these accounts for reinvestment in the community. This won't mean, however, that you will lose the right to your money after the launch of the Unclaimed Assets Scheme. You will always have the right to reclaim money, regardless of the length of time the account has been dormant.

If you think you may have some money squirrelled away in some forgotten account why not try this tracing service? www.mylostaccount.org.uk aims to help reunite people with their missing savings accounts. The site is user-friendly and won't cost you a penny! It was launched in January this year and so far has reunited 140,000 with their money.

Christmas gifts are taxable

Cash gifts to employees (Christmas bonuses) should be added to the gross pay for the pay period and subject to both tax and NIC deductions.

Please note that the value of any gift tokens given to employees should be treated as if it were a cash gift.

Any benefit (gift) from the employer is deemed to be provided by reason of the employment unless the employer is an individual and it can be shown that the benefit was provided in the normal course of a personal relationship. If the employer claims tax relief for the expense of providing the gift then HMRC are likely to interpret this as meaning that it was not provided in the course of a personal relationship.

Subject to the personal relationship rule, any gifts in kind should be shown on form P11D, the value being the cost to the employer including VAT. Class 1A NICs would also be payable by the employer on that value at the current rate of 12.8%.

Q Can I give my employees a Christmas gift such as a bottle of wine, a turkey or gift vouchers from, say, a high street store without them having to pay tax?

A You can, so long as you set up an arrangement with your Tax Office called a PAYE Settlement Agreement (PSA). If you set up one of these you have to pay the tax and NICs that are due and in doing so you relieve your employees of any tax liability.

Buying a Franchise?

Are you thinking of setting up a Business Franchise? If you are then you will know that proper research and advice is of paramount importance.

The following websites provide a great deal of information and for help and advice please call us.

www.whichfranchise.com

www.businessfranchise.com

www.franchiseworld.co.uk

www.thefranchisemagazine.net

www.franinfo.co.uk

The Landlord's energy saving allowance

The landlord's energy saving allowance was introduced by the Government in April 2004 to encourage private landlords to improve the energy efficiency of their properties. Research consistently shows that privately rented properties are often the least well insulated and so are most in need of improvement. The landlord's energy saving allowance allows private and corporate landlords who rent residential property to claim back up to £1,500 per property for the installation of certain energy saving measures.

Benefits of energy saving improvements

From 1st October 2008 it will be mandatory to provide prospective new tenants with information about the energy performance of the property:- tenants are far more likely to choose to rent an energy efficient property! Furthermore, if properties have a low SAP (standard assessment procedure) energy rating of less than 35, they are likely to fall short of satisfying the excess cold element of the housing health and safety rating system. This could ultimately result in the local authority taking enforcement action if it is not of sufficient standard.

The benefits of renting energy efficient properties include:

- It will soon be mandatory to provide an energy performance certificate to prospective tenants. By taking action now landlords will be at an advantage when this happens and will not miss out on claiming the energy saving allowance for this financial year;
- You can insulate your properties, which will improve their energy efficiency and make them more attractive to tenants whilst also saving money;
- Improving energy efficiency can result in reduced condensation, helping to protect the structure of the building.
- Landlords will receive a tax rebate on the money you spend on energy efficiency measures;

What is covered?

The allowance covers the installation of the following:

- Loft insulation
- Cavity wall insulation
- Solid wall insulation
- Draught proofing
- Hot water insulation
- Floor insulation

However, the landlord's energy saving allowance does not cover holiday lets or resident landlords at the present time.

How to claim

The amount that you have spent on the installation of energy efficiency measures up to a maximum of £1,500 per property will be offset against your tax. The allowance is per property rather than per building; so for a house converted into three flats an allowance of £4,500 can be claimed.

The claim is made on your Tax Return in the year the work is carried out and it is important to let us know if you have done this work so that the correct claim can be made. If you have any queries please get in touch.





Credit Crunch - is it all bad news?

Cheer up everybody, things aren't really that bad, are they? True, the credit crunch does make for dismal copy in the media, with every article trying to outdo every other in the gloom stakes. But life does go on, even if we have to pay more and more for our electricity, gas, petrol and mortgages.

Let's look at the some of the upsides:

If you're a saver, look out for some great inflation busting rates. You can get up to 7% if you are prepared to put money away for a year or so in a fixed-rate bond. Even after basic rate tax has been deducted this still represents a great return and is the result of banks and building societies wooing the saver now that their wholesale markets are drying up. This is particularly good news for pensioners who depend on the interest from their savings but these rates may not be available for long so if you want to take advantage of them, don't delay.

If you're about to retire, here's some more good news. According to Annuity Direct, this is the best time in the last 6 years to buy an annuity. The credit crunch has pushed up the yields from bonds, on which most annuity funds are based, and consequently annuity rates have risen by 12%.

What about the Stock Market? Well, there are several ways you could benefit, if you have a little spare cash and patience.

It may not have passed your notice that the FTSE 100 has tumbled from a peak of nearly 6700 last year to around 5400 today, a drop of 20%. It is an odd fact of investor psychology that fewer people want to buy something that has been discounted by 20%, but you are certainly getting better value than just a few months ago.

Markets may have further to fall but now may be the time to start thinking about putting some money away each month. If the money was to go into the purchase of units in a stock market linked fund your monthly contribution would buy more units, because of their lower prices. Then, when the markets recover you should see the value of your investments rise as well.

House prices falling? Potentially painful if you have a high percentage loan and you need to sell or if you have to remortgage but otherwise it could spell good news for first-time buyers who, for quite some time, have been priced out of the market. For the rest of us, who are not moving, remortgaging or wanting to take equity out of our property, nothing much has changed.

Over the last few weeks there are signs that mortgage rates are starting to ease as lenders are able to access cheaper money and recently Nationwide has even been advertising its mortgages in the national press - a sure sign that they are looking for business.

So, it's not all bad news, it's just that you have to sift through all the other stuff to find it!

Tax Dates

Please note the following dates on your calendar

1 October 08

National Minimum Wage increased.

Aged 22 and over: from £5.52 to £5.73

Aged 18-21: from £4.60 to £4.77

Aged 16-17: from £3.40 to £3.53

31 October 08

The penalty deadline for the submission of paper 2008 Tax Returns.

1 November 08

A penalty of £100 will be charged in respect of any paper 2008 Tax Return submitted on this day onwards unless it was issued after 31 July 2008, in which case the deadline is 3 months from the date of issue.

30 December 08

Last date for the internet filing of 2008 Tax Returns where collection of an underpayment of less than £2000 is required through a tax code adjustment for year 2009/2010 rather than a lump sum payment on 31 January 2009.

31 January 09

The deadline for online submission of 2008 Tax Returns and the due date for payment of any balancing payment for the year 2007/2008 together with the first payment on account for the year 2008/2009.

1 February 09

A penalty of £100 will be charged where a 2008 Tax Return has not been submitted. £100 will be charged to each individual partner in respect of a late Partnership Tax Return.

1 March 09

A 5% surcharge will be applied to any 2007/2008 tax not yet paid.



£10,000 VAT errors

Businesses have long been allowed to correct net errors not exceeding £2,000 in their VAT returns. From the first new VAT period commencing on or after 1 July 2008, HMRC have raised the previous limit of £2,000 to a minimum figure of £10,000.

Errors of more than £10,000 can also be put right on the return for businesses whose turnover for VAT purposes exceeds £1 million.

Please do get in touch if you have any concerns in this area.

The measurement we know as a mile dates from the Roman Empire's rule over Britain. The Romans had a measurement known as "mille passus" which was a thousand paces.

A pace was two steps and comprised five Roman feet.

Using a simple mathematical calculation, we arrive at 5,000 feet per mile.

(Our mile is actually 5,280 feet).



National Minimum Wage rate changes

The national minimum wage applies to nearly all workers and sets hourly rates below which pay must not be allowed to fall.

The rates set are based on the recommendations of the independent Low Pay Commission and change on 1st October each year.

National Minimum Wage rates from 1 October 2007

- Workers aged 22 and over £5.52 per hour
- Workers aged 18-21 £4.60 per hour
- Workers aged 16-17 £3.40 per hour
- Accommodation offset £4.30 per day (£30.10 per week)

New National Minimum Wage rates from 1 October 2008

- Workers aged 22 and over £5.73 per hour
- Workers aged 18-21 £4.77 per hour
- Workers aged 16-17 £3.53 per hour
- Accommodation offset £4.46 per day (£31.22 per week)

Employers will no longer be able to include tips as part of an employee's basic wage, under plans revealed in July.

The government wants to end the practice of service sector companies using gratuities and service charges processed through the payroll to 'top up' staff wages to meet the national minimum wage.

Business secretary John Hutton unveiled a raft of proposals to make tipping practices fairer and a consultation on implementing the government's recommendations will be launched in the autumn.

Guidance for both workers and employers will be issued following the consultation to ensure a smooth transition when the regulations are changed, expected to be released in 2009.

Christmas Parties

Tax and NICs are not due on any annual functions which cost £150 or less per head per year in total.

What needs to be included in the figure of £150? VAT needs to be included as do any associated costs (e.g. accommodation, transport).

In calculating the cost per head the total cost is to be divided by the total number of people attending the event and not just by the number of employees.

What happens if the £150 limit is breached? The whole cost of the function(s) is then assessable on the individual employees. If the employee was accompanied by a guest then he will be liable to tax in respect of that guest's portion as well as his own. It will be necessary to provide details of the benefit on form(s) P11D.

You, the employer, would then be liable to pay Class 1A NICs on the value of the benefit, the rate for this year being 12.8%.

Landlords – are you paying the correct amount of tax?

Much has been written in the press about HM Revenue and Customs targeting landlords. This comes in two forms: the landlord who is not declaring this source of income and those who are not calculating their profits correctly.

With the increased integration between government departments and the cross-referencing of information HMRC are able to gain details on many property transactions. This information comes from the Land Registry, Stamp office and by review of property agent's records. They also have information fed to them from overseas agencies. They can, and are actively, reviewing self assessment records to identify those who are not declaring their income. They can request detailed income and expense records (personal bank statements) for the last six years if they believe this to be the case. If they find it to be true then they can go back twenty years and reclaim the tax due, interest and penalties.

Even properties that have now been sold can still be traced. In many cases the sale of a rental property gives rise to a capital gains tax liability (including inherited properties) which again may not have been declared.

The other main area that is a common error on landlord's tax return is the deduction for mortgage interest. The amount claimed against tax should be the interest element only; no deduction is allowed for the capital part of the payment.

Please let us know if you have any concerns over the amounts declared.

Credit Crunch Hits Japanese Banks

In the last seven days Origami Bank has folded, Sumo Bank has gone belly up and Bonsai Bank plans to cutback some of its branches. Yesterday it was announced that Karaoke Bank is up for sale and is likely to go for a song. Today shares in Kamikaze Bank were suspended after they nose-dived and 500 back-office staff at Karate Bank got the chop. Analysts report that there is something fishy going on at Sushi Bank and staff fear they may get a raw deal.



Freepost contact form

If you would like more information on any of the services which we provide please complete and return the tear-off slip. It's postage paid. Alternatively email us on post@morrell-middleton.co.uk or phone us on Freephone 0800 1383685



I am interested in the following services and would like someone to contact me (please tick relevant boxes)

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- Bookkeeping
- Corporate/Personal Taxation
- VAT
- Payroll Services

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- Pensions
- Investments
- Inheritance Tax Planning
- Mortgages

COMPUTERS

- Maintenance
- Software
- Hardware
- Sage Software

NAME

COMPANY

ADDRESS

.....

POSTCODE

TEL

Shred-it

We continue to use Shred-it for all our waste paper disposal. The paper is shredded in a secure environment and then recycled for low-grade cardboard. This means that in 2007 we saved 26 trees from destruction as well as keeping clients' details totally secure.



Remortgaging your home - what's out there?

Over the last few years, the mortgage market was awash with competitive products as lenders vied for our business. There were thousands of products available, and lenders had ready access to enormous levels of wholesale funding. And best of all, they wanted to attract as much custom as possible.

This made mortgage rates highly competitive and mortgage lending quite simple and straightforward. When a lender launched a fixed rate product, for example, it usually borrowed a tranche of money at a fixed cost on the money markets. When this ran out, it borrowed some more at a new rate and repriced its product.

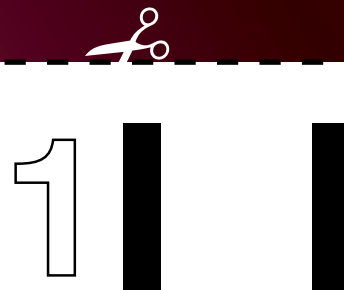
How have things changed and why?

The credit crunch and liquidity squeeze have caused lenders one big problem -- they can't borrow funds easily or cheaply. So there is not as much money to lend and far fewer products on the mortgage market. Last year there were over 15,000 mortgage products available but now there are only a fraction of that number.

In addition to having less funds, lenders also have a reduced appetite for lending. The focus this year is on quality not quantity as they try to get their mortgage books as clean and low risk as possible. This has resulted in

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100% loans now being no longer available and only a very few lenders willing to go above 90%. Also, interest rates have become geared to the percentage lent so that the lower you need to borrow as a percentage of the property value, the better deal you will be able to get.

Interest rates for all types of mortgage have increased noticeably. This has little to do with the Bank of England base rate, which has in fact fallen by 0.75% since last summer, but instead reflects the general reluctance of the banks to lend to each other. Not only have interest rates increased but so have the arrangement fees which they charge, so making it increasingly difficult to compare deals.

So, how does this affect you if you are coming to the end of a mortgage deal?

Well before your current deal ends you should start looking around. Your own lender may well make you a new offer but don't be tempted to take it without comparing it to what other lenders may have available.

Whatever you do the likelihood is that you will have to be prepared to see your mortgage repayments increase. Having said that, there are, at the time of writing, definite signs that rates are beginning to fall back and hopefully this trend will continue.

If your mortgage balance is high in relation to the value of your property then you may find it difficult to move to another lender and will have to accept whatever your current lender is prepared to offer.

Talk to us before making any decision. We offer independent mortgage advice which will cost you nothing but may save you a lot.



If a statue in the park of a person on a horse has both front legs in the air (the horse, that is), the person died in battle; if the horse has one front leg in the air, the person died as a result of wounds received in battle; if the horse has all four legs on the ground, the person died of natural causes.



Cost of life cover halves

Average term assurance premiums have halved over the last decade, according to research produced by moneyfacts.co.uk.

The research has revealed the extent to which consumers have benefited from the price war that has engulfed the term assurance market in recent years and warns that some premiums may have bottomed out.

Whilst consumers have seen the cost of other forms of insurance such as motor insurance and household insurance spiral, average term assurance premiums have in some cases halved over the last decade. Non-smokers have been the biggest beneficiaries with the average male premium down by 53% since July 1998 and the average female non-smoker premium plummeting 48%.

In monetary terms this represents a staggering £3,018 saving over a 25-year term for a male and £2,232 for a female.

Life protection is an essential part of financial planning and it is encouraging to see that it now offers better value than ever.

If you would like to discuss your needs, either for personal life cover or life protection for your business please contact John Walker.

Morrell Middleton

TAX FACTS 2008/09

INCOME TAX RATES

2008/09	Rate	2007/08	Rate
Band	%	Band	%
0 - 34,800	20	0 - 2,230	10
Over 34,800	40**	2,231 - 34,600	22*
		Over 34,600	40**

* Except dividends (10%) and savings income (20%). ** Except dividends (32.5%). Other income taxed first, then savings income and finally dividends.
*** 10% starting rate for savings income only if £2,320 included

INCOME TAX RELIEFS

	2008/09	2007/08	
	£	£	
Personal allowance	- under 65 - 65 - 74* - 75 and over*	5,435 9,030 9,180	5,225 7,550 7,690
Married couple's allowance (relief at 10%)	- aged less than 75 and born before 6.4.35* - 75 and over* - min. amount	6,535 6,625 2,540	6,285 6,365 2,440
*Age allowance income limit (Reduce age allowance by £1 for every £2 of excess income over £21,800.)	21,800	20,900	
Blind person's allowance	1,800	1,730	

TAX CREDITS

	2008/09	2007/08
	£	£
Working Tax Credit		
Basic element - max.	1,800	1,730
Childcare element		
80% of eligible costs up to £175 per week (£300 if two or more children).		
Child Tax Credit (CTC)		
Child element		
per child - max.	2,085	1,845
Family element	545	545
Baby addition	545	545

Reductions in maximum rates

37% of income above £5,220* p.a.
*If only CTC is claimed, the threshold is £15,375 p.a. (£14,495). The family element of CTC is not reduced unless income is more than £50,000 p.a. when it is reduced by £1 for every £15 of additional income.

INDIVIDUAL SAVINGS ACCOUNTS (ISAs) 2008/09

	2008/09	£
Overall investment limit	Cash - up to	3,600
comprising:	Stock & shares - up to	7,200

CAR, VAN AND FUEL BENEFITS 2007/08 & 2008/09

CO2 emissions (g/m/km)	% of car's list price taxed	Fuel Benefit (£14,400 x %)	Company cars
up to 135	15	2,535	• For diesel cars add a 3% supplement but maximum still 35%. This was waived for Euro IV diesels. From 2006/07, no waiver for diesels registered on/after 1 January 2006.
140	16	2,704	• Discounts apply to certain environmentally friendly cars.
145	17	2,873	• For cars registered before 1 January 1998 the charge is based on engine size.
150	18	3,042	• The list price includes accessories and is subject to an upper limit of £80,000.
155	19	3,211	• The list price is reduced for capital contributions made by the employee up to £5,000.
160	20	3,380	
165	21	3,549	
170	22	3,718	
175	23	3,887	
180	24	4,056	
185	25	4,225	
190	26	4,394	
195	27	4,563	
200	28	4,732	
205	29	4,901	
210	30	5,070	
215	31	5,239	
220	32	5,408	
225	33	5,577	
230	34	5,746	
235 and above	35	5,915	

Van benefit 2007/08 & 2008/09

Van benefit £3000
Fuel Benefit £500
The charges will not apply if a 'restricted private use condition' is met throughout the tax year.

MILEAGE ALLOWANCE PAYMENTS 2007/08 and 2008/09

Cars and vans	Rate per mile	These rates represent the maximum tax free mileage allowances for employees using their own vehicles for business. Any excess is taxable. If the employee receives less than the statutory rate, tax relief can be claimed on the difference.
Up to 10,000 miles	40p	
Over 10,000 miles	25p	
Bicycles	20p	
Motorcycles	24p	

CAPITAL ALLOWANCES Writing Down Allowance

Plant and machinery - Annual Investment Allowance (AIA)

The AIA gives you 100% write-off on most types of plant and machinery costs, including integral features and long term assets but not cars, of up to £50,000 p.a. Any costs over the AIA fall into the normal capital allowance pools at either 10% or 20%.

The AIA applies to expenditure incurred on or after 6 April 2008 (1 April 2008 for companies) by all businesses. Special rules apply for accounting periods straddling these dates. The £50,000 limit may need to be shared between certain businesses under common ownership.

Other plant and machinery allowances

The annual rate of allowance is 20% (25% from 6 April 2008 (1 April 2008 for companies)). The 20% rate also applies to cars, with an overriding maximum of £3,000 per car. Special rules apply for accounting periods straddling these dates. First year allowances are abolished except a 100% allowance may still be available on certain energy efficient plant and cars.

A new 10% rate applies to expenditure incurred on integral features and on long life assets on or after 6 April 2008 (1 April 2008 for companies). Long life asset expenditure brought forward will obtain the 10% rate (6%, with special rules applying for accounting periods straddling these dates).

Industrial and agricultural buildings and hotels

The annual rate of allowance is 3% (4% from 6 April 2008 (1 April 2008 for companies)). Special rules apply for accounting periods straddling these dates.

This summary is published for the information of clients. It provides only an overview of the main proposals announced by the Chancellor of the Exchequer in his Budget Statement, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this summary can be accepted by the authors or the firm.

STAMP DUTY & STAMP DUTY LAND TAX

Land and buildings (on full consideration paid)

Rate	Residential property	Residential property	Non-residential
	Disadvantaged areas	Other	
	£	£	£
Nil	0 - 150,000	0 - 125,000	0 - 150,000
1%	150,001 - 250,000	125,001 - 250,000	150,001 - 250,000
3%	250,001 - 500,000	250,001 - 500,000	250,001 - 500,000
4%	Over 500,000	Over 500,000	Over 500,000

Shares and securities - rate 0.5%.

INHERITANCE TAX

Death Rate	Life Rate	Chargable Transfers	
%	%	2008/9	2007/8
		£'000	£'000
Nil	Nil	0-350	0-300
40	20	Over 350	Over 300

Reliefs

Annual Exemption	£3,000	Marriage	- parent	£5,000
Small Gifts	£250		- grandparent	£2,500
			- bride/groom	£2,500
			- other	£1,000

Reduced charge on gifts within seven years of death

Years before death	0-3	3-4	4-5	5-6	6-7
% of death charge	100	80	60	40	20

NATIONAL INSURANCE

Class 1 (employed) contracted in	Employer	2008/09 Rates
Weekly earnings	Employee	Employee
Up to £105	Nil*	Nil*
£105 - £770	12.8%**	11%**
Over £770	12.8%**	£73.15 + 1%

* Entitlement to contribution-based benefits retained for earnings between £87.01 and £100 per week.
** On earnings above £105. On earnings above £770.

Class 1A (employers) 12.8% on employee taxable benefits
Class 1B (employers) 12.8% on PAYE Settlement Agreements flat rate per week £2.30
Class 2 (self-employed) small earnings exception p.a. £4,825 flat rate per week £8.10
Class 3 (voluntary) 8% on profits between £5,435 and £40,040
Class 4 (self-employed) plus 1% on profits over £40,040

CAPITAL GAINS TAX

Individuals	2008/09	2007/08
	£	£
Exemption	9,600	9,200

For 2008/09 balance of gains charged at 18%.
For 2007/08 balance of gains (taper relief) charged as top slice of income (at savings rates - ie 10%, 20% or 40%)

Trusts

Exemption	4,800	4,600
Balance of gains (reduced by taper relief)	18%	40%

Taper relief abolished for gains arising after 6 April 2008

Capital Gains Tax (Notes)

Entrepreneur's Relief

For gains arising after 6 April 2008, the first £1m of qualifying gains are charged at an effective rate of 10%. Gains in excess of £1m are charged at 18%.

MAIN SOCIAL SECURITY BENEFITS

Weekly benefit	2008/09	2007/08	
Basic retirement pension	- single person - married couple	£90.70 £145.05	£87.30 £139.60
Statutory pay rates - average weekly earnings £87 (£84) or over			
Statutory Sick Pay	£75.40	£72.55	
Statutory Maternity Pay	First six weeks Next 33 weeks**	90% of weekly earnings £117.18*	£112.75*
Statutory Paternity Pay	- two weeks	£117.18*	£112.75*
Statutory Adoption Pay	- 39 weeks**	£117.18*	£112.75*

* Or 90% of weekly earnings if lower. ** For children due/placed from 1 April 2007.

CORPORATION TAX

	Year to 31.3.09		Year to 31.3.08	
	Profits band	Rate	Profits band	Rate
	£	%	£	%
Small companies rate	0-300,000	21	0-300,000	20
Marginal (small companies) rate	300,001-1,500,000	29.75	300,001-1,500,000	32.50
Full rate	Over 1,500,000	28	Over 1,500,000	30
Small companies fraction		7/400		1/40

The profits limits are reduced for accounting periods of less than 12 months and for a company with associated companies

VALUE ADDED TAX

Standard rate	17.5%
Reduced rate	5%
Annual Registration Limit - from 1.4.08 (1.4.07 - 31.3.08 £64,000)	£67,000
Annual Deregistration Limit - from 1.4.08 (1.4.07 - 31.3.08 £62,000)	£65,000
Flat Rate Scheme - allows businesses to calculate their VAT payment as a percentage of their VAT inclusive turnover. Limits - annual VAT exclusive taxable turnover does not exceed £150,000 and total VAT exclusive annual turnover does not exceed £187,500. Leave on anniversary of scheme where total VAT inclusive annual turnover exceeds £225,000.	
Cash Accounting - allows businesses to account for input and output VAT on a paid and received basis.	
Limits from 1 April 2008 - where annual VAT exclusive taxable turnover does not exceed £1,350,000. Leave at end of a VAT period where annual VAT exclusive taxable turnover exceeds £1,600,000.	
Annual Accounting - allows businesses to smooth out cash flow by paying a set amount, either monthly or quarterly. Only one VAT return due a year. Limits - where annual VAT exclusive taxable turnover does not exceed £1,350,000. Leave on anniversary of scheme where annual VAT exclusive taxable turnover exceeds £1,600,000.	

SELF ASSESSMENT KEY DATES: 2008/9

- 31 July 2008** - Second payment on account for 2007/08.
- 31 October 2008** - Deadline for submission of 2007/08 paper tax returns for HMRC calculation; and where the taxpayer wants a balancing payment (below £2,000) collected through their 2009/10 PAYE code.
- 5 October 2008** - Deadline for notifying HMRC of new sources of income where no tax return has been issued for 2007/08.
- 30 December 2008** - Deadline for submission of 2007/08 tax returns internet; and where the taxpayer wants a balancing payment (below £2,000) collected through their 2009/10 PAYE code.
- 31 January 2009** - Deadline for filing tax returns for 2007/08. Balancing payment due for 2007/08.