

# Budget 2009

- Gerry Jackson — Tax Partner





# Budget 2009: business tax issues



# 23<sup>rd</sup> April

- St George's Day
- Anniversary of Shakespeare's death (1616) and possibly birth (1564)



# Shakespeare on the credit crunch

- Neither a borrower nor a lender be  
– Hamlet - Act 1. Scene III



# Shakespeare on the problems of taxation

- The commons hath he pill'd with grievous taxes,  
And quite lost their hearts  
– Richard II - Act 2. Scene I



# Other Shakespearean ideas

- The first thing we do, let's kill all the lawyers.
  - King Henry VI Part 2 - Act 4. Scene II



# Tax and behaviour



# Tax and behaviour

- Tax system raises money
- But it's also used to modify our behaviour
- Sometimes may have unintended consequences...



# Tax credits push up divorce figures

- Tens of thousands of divorces have been attributed to the introduction of the working families' tax credit, according to Professor Marco Francesconi of Essex University.
- “Where a mother is married to a low-income man, then, if you divorce, you could end up as a single mum and not do too badly.”



# Tax avoidance, evasion and planning



# The Guardian on Tesco

- 4 years' profits £9,585m
- Expected tax @ 30% £2,876m
- Tax charge per accounts £2,635m
- Actual tax paid £1,803m
  - equivalent to 18% (so Guardian says)
- Tesco is suing The Guardian over allegations of tax avoidance



# Change of public opinion?

- Is tax avoidance no longer “acceptable”?
- Exactly what counts as avoidance?



# Clamp-down on evasion

- Attempts to marginalise offshore tax havens which maintain secrecy
  - Liechtenstein and Switzerland doing deals to become acceptable



# Is it time to consider incorporation again?

- Use a company
- Pay a minimal salary
- Take profits out by way of dividend
- Split shareholdings with spouses etc
- Last year, didn't look like this would work much longer
- But things have changed, and it's not that simple...



# Company tax rates

	06/07	07/08	08/09	09/10
First £300k	19%	20%	21%	<del>22</del> 21%
Next £1.2m	32.75%	30%	29.75%	29.75%
£1.5m +	30%	28%	28%	28%
Basic rate	22%	22%	20%	20%



# Income Shifting rules

- Follow on from “Arctic Systems” defeat of HMRC
- Wide-reaching Income Shifting rules proposed
- Supposed to attack many family arrangements
- Applies to businesses but not investments
- Was to apply from April 08, but deferred until April 09, and now deferred again at least until 2010



# Incorporate or not

- ✓ Saves NIC
- ✓ Income splitting? At least one more year
- ✗ More hassle
- ✗ Can cost more in tax otherwise



# Come and discuss!



# Business tax allowances



# Capital allowances

- £50,000 investment allowance to come in from April 2008
- Additional First Year Allowance for 2009/10 of 40%
  - 20% WDA (less for certain fixtures)
- “Green technology” allowances and credit
  - can give tax rebates on losses from green technology



# Enterprise Management Incentives

- Limits to 250 employees
- Shares under option valued at up to £120,000 per employee



# Loss carry-back

- Carry back up to three years
  - Unlimited one year back
  - £50,000 beyond one year



# Summary for businesses

- A bit of help
- But not a lot