

# WINTER NEWSLETTER

## Managing the Credit Crunch

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This is undoubtedly going to be a difficult time for businesses and the old mantra of "cash is king" is never truer as the credit crunch takes hold. Here are a few top tips that we hope will help you manage your business effectively:

- Control your debtors. Don't let debtors become overdue; chase them hard and fast.
- Review your credit limits and don't be afraid to reduce them

if your debtors aren't paying on time.

- Look at your annual fixed costs and see if you can spread these monthly to minimise the pressure on your cash flow.
- Keep your stock levels as low as possible this saves on "dead money" but also avoids the danger of building up obsolete stock.

- Make sure you have good quality management information. Knowledge is always power and it helps make the right decisions and highlights any problems very quickly.
- Talk to your Bank. Make sure you have negotiated the right levels for your business and keep within it. Don't be an ostrich and bury your head in the sand.

If you'd like to discuss this in

## What is Business Payment Support Service

Announced by the Government in the Pre-Budget Report 2008, the Business Payment Support Service is designed to help meet the needs of businesses affected by the current economic downturn. In essence, any business that is concerned that it cannot or might not be able to meet tax liabilities, National Insurance or other payments owed to HMRC, can now contact HMRC to discuss alternative payment options to help deal with any potential

cash flow difficulties. The helpline number is 0845 302 1435.

The service is designed to help all sizes of businesses that are struggling to meet their tax liabilities. Aimed primarily at the self employed and companies, it is effectively open to all. The service covers most taxes and government duties including, National Insurance, PAYE, VAT, Income tax and Corporation Tax.

To qualify, you have to be able to demonstrate the following:

1. In genuine difficulty
2. Unable to pay your tax on time
3. Likely to be able to pay if HMRC allows you more time

HMRC are looking at each case on an individual basis, but if you feel this might help you then please contact us to discuss in more depth your own individual

### Special points of interest:

HMRC Helpline is 0845 302 1435

Poole Waterfield number is 01384 455505

## Tax Relief on Research & Development becomes more attractive

*"It's a recession  
when your  
neighbour loses  
his job, it's a  
depression  
when you lose  
yours"*

*Harry S Truman*

There have been a number of important changes to HM Revenue & Customs (HMRC) R & D Scheme introduced by the Finance Act 2008.

It has been 8 years since Gordon Brown first introduced this tax relief as an incentive for UK Companies to invest in research & development and the new changes are partly due to the lower than expected take up.

There have been two key changes:

1. A significant increase in the limits which define Small & Medium enterprises (SME's) for the purpose of the scheme which has enabled more companies to have access to the generous R & D relief on offer to SME's, compared to large company relief.
2. Significant increases in the rates of the relief, which have in effect

tripled the relief available to large sized SME's.

There have been other changes, such as the introduction of a cap on qualifying expenditure spent per R & D Project and taking away the relief for companies who cease to trade.

For more detail please give us a ring and Director, David Gibbens will be happy to advise you.

	New SME Scheme(1)	Previous SME Scheme	New Large company scheme	Previous Large company scheme
Rate of enhanced deductions	175%	150%	130% (2)	125%
Payable credit- if loss making	24.5%	24%	No	No
Cap on expenditure	£7.5m (3)	No	No	No
Size Criteria:				
A) Employees , and either	< 500	< 250	Not a SME	Not a SME
B) Annual T/O or	<£100M	<£50M		
C) Net Assets	< £86M	< £43M		

(1) Effective for expenditure incurred on/after 1<sup>st</sup> August 2008

(2) Effective for expenditure incurred on/after 1<sup>st</sup> April 2008

(3) There are planning opportunities available to claim relief on expenditure above £7.5M. Please contact us for more information.

## Research & Development Part 2 – The Rules

It appears that the scheme applies to projects which will achieve an advance in overall technological or scientific knowledge or processes.

The scheme covers certain expenditure on R&D activities and these include staff costs, utilities and material costs.

So taking an example of an SME company that had

qualifying costs of £100,000 in any one year, the company would be entitled (in the future) to an additional reduction in its taxable profits of £75,000—at small companies rate (currently 21%) this would be a tax saving of nearly £16,000 so certainly something you should be discussing with us.

In addition, if the R&D were to take place in a loss making year, the SME

Company has the option to surrender the R&D loss to the government for an immediate cash payment of 14%.

These are just some of the changes and benefits being brought in and we would be happy to discuss this with you in more depth to help you maximise the tax breaks currently being offered.

## Recent Tax Changes

Alistair Darling recently announced in his Pre Budget report some interesting tax changes that you may or may not be aware of.

### VAT

This has been widely reported that VAT would decrease to 15% from 1<sup>st</sup> December 2008 for 13 months and will revert back to 17.5% on 1<sup>st</sup> January 2010.

### Income Tax

Two significant changes were announced from tax year 2011/12, income (except dividends) over £150,000 will be taxed at 45%.

The discretionary trust rate will also increase to 45 % ( except dividends)

### NIC

From April 2011 these will increase by 0.5% the first increase in over 5 years. The lower threshold at which NIC becomes payable will also be realigned with the income tax basic personal allowance from 2011/12 which will go some way to offsetting the increases.

Again, if you think this will affect your business please talk to us now.

*“In the present climate .....cash is king”*

## Hot off the Press

HMRC have issued some draft legislation and guidance on how the tax relief on business cars, known as capital allowances, will be calculated from April 2009.

The 100% immediate write off for expenditure on cars

with CO2 emissions of 110 gm/km or less remains, but the old expensive car rules are abolished.

The rate of annual writing down allowances for expenditure on other cars will be determined by the

cars CO2 emissions. The new rules provide that expenditure on cars with CO2 emissions:

Not exceeding 160gm/km will be pooled in the main 20% pool and

Over 160gm/km in the 10% pool.

The legislation is still draft but if you are planning capital expenditure then please give us a ring

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## Fuel Rate changes

To reflect the reduction in fuel prices, HMRC have issued new advisory fuel rates for employees driving employer provided cars. These take effect from 1<sup>st</sup> January 2009 and are as follows:

Engine Size	Petrol	Diesel	LPG
1400cc or less	10p (12p)	11p (13p)	7p (7p)
1401cc-2000cc	12p (15p)	11p (13p)	9p (9p)
Over 2000cc	17p (21p)	14p (17p)	12p (13p)

## About Our Organisation

We hope you like the format of our new quarterly newsletter and would welcome any feedback.

This is for your information and we would like it to be interactive. If there are any articles you'd like to know more about, be

they tax, employment law, financial etc then please let any of the staff know and we will do our best to incorporate it into the spring edition.

Likewise if you would like to highlight your company then please feel free to contact us,