



E-Update: June 2009

This month Robert looks at some tax planning points which are relevant to the current economic climate and could help you save tax.

Business Tax and investment incentives

In the current recession, redundancies are becoming more and more common. If you start a new business as a sole trader or partnership any losses made in the first four years are available to set against your income taxed in the previous three tax years. Thus a business started after redundancy can generate a repayment equivalent to tax paid while previously employed. Remember that if you start a business you must register it with H M Revenue and Customs (HMRC) within three months of the trade starting to avoid a penalty.

Tax and travel

If you can prove that the actual cost of fuel used in your company cars per mile is higher than the advisory fuel rates set out by HMRC, you can pay the higher rate to employees who pay for fuel used on business journeys. This mileage allowance will be tax-free as long as you can show you have made a reasonable estimate of the actual fuel costs for your vehicles.

Value Added Tax

If your taxable turnover is less than £150,000, review whether it is worthwhile joining, or staying within, the flat rate scheme for small businesses. The flat rates used by different trades changed on 1 December 2008, so some traders may find that the cash advantage of using the scheme is now marginal. Generally the smaller your overheads, the more likely it is that you will benefit from using this scheme.

Income Sharing

If your spouse or civil partner does not have enough income to cover his/her personal allowance for income tax, you should consider transferring some of your assets to him/her if this is practicable, so that the income from them will be his/hers and not yours. Interest on bank and building society accounts (other than National Savings accounts) can be paid gross to those who are able to register because they will not be liable to tax at all.

Please contact me should you require specific advice regarding the above on 01299 879140. See some testimonials [here](#).

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