

Pre-budget Report Summary

25 November 2008

VAT—reduced to 15%

With effect from 1st December 2008 (next week) the rate of VAT is reduced from 17.5% to 15%. This reduction will apply until December 2009.

This will undoubtedly result in changes for your business as you will need to amend your accounting system to ensure that your invoices are created using the correct rate of VAT.

If you are using Sage this is done through the Configuration tab under Settings. You would then select the T1 rate and amend it to 15%. Remember not to do this until 1st December. If you have prepared any invoices but not yet posted them to the ledger you will need to go in and amend them before posting to ensure that the correct rate of VAT applies.



If you need any help to make these changes please don't hesitate to contact us.

Changes to the Flat Rate Scheme for VAT have also been announced and new % rates have been published. We will inform you directly if you are affected by these changes.

You also need to be very careful when processing sales invoices or purchase invoices. The tax point (which determines the rate of VAT to be charged) is the earlier of:-

1. The date of the invoice
2. Date goods are supplied or service is performed
3. Date payment is received

So if, for instance, you receive an invoice from a supplier where the invoice date is on or after 1st December and the goods/services were supplied on or after 1st December the rate of VAT charged must be 15% - **you cannot reclaim 17.5% VAT even if this is shown on the invoice.**

If you are at all in doubt about what VAT rate to use or how to process your purchase invoices please don't hesitate to get in touch with us.

Business Payment Support Scheme

A new, dedicated Business Support Service has been set up to help businesses affected by the current economic conditions.

This scheme is designed to offer support where you are worried about meeting tax, national insurance or other payments owed to HMRC.

In any payment plan arranged under this scheme there will be no penalty charges although interest will continue to be payable.

The number to call if you are concerned about current or future payments to HMRC is:-

0845 302 1435

Tax Loss Relief



In a move designed to help the cash flow of small businesses which have recently become loss making, trading loss carry-back will be temporarily extended from one to three years for up to £50,000 of losses.

This measure will apply for one year from 24th November 2008 for companies and unincorporated businesses.

For accounting periods ending between 24 November 2008 and 23 November 2009 the carry back of losses is extended to 3 years, with losses to be set first against profits of most recent years before carry back to earlier years.

Please don't hesitate to contact us FREE on 0800 731 5368 to discuss how we can help you. Alternatively e-mail us at

tax@eagleconsulting.co.uk

At a glance

- VAT—reduced to 15% from 1st December 2008
- Temporary allowance to counter abolition of 10p income tax rate made permanent
- Temporary increase in tax relief threshold for empty properties
- New HMRC Business Payment Support Service
- Change to carry back of taxable losses - losses may now be set against previous 3 years' tax losses
- 1p increase in Corporation Tax is postponed

Credit Crunch—Need Credit Control?

Are you finding it difficult to collect your debts during this economic recession? Cash is the lifeblood of your business and it's more important than ever that you collect your debts quickly and in full!

Why not let us help?

For details on our expert credit control service and for a one month FREE trial

Free, Competitive Quote?

Are you an Accounting, BACS, Payroll or Taxation client interested in any of our other services, to include perhaps forecasting or annual accounts?

For a FREE, competitive quote call us now on: 0800 731 5368