

In this issue:

October 2007

➤ INTRODUCTION

➤ TAX SIMPLIFICATION FOR THE SELF-EMPLOYED

➤ INCOME SHIFTING

➤ CHANGES TO CAPITAL GAINS TAX

➤ OTHER KEY POINTS AFFECTING CONTRACTORS

➤ TAX ADMINISTRATION

➤ FUEL BENEFIT

## INTRODUCTION

As usual with all Budget and Pre-Budget statements, the crucial elements lurk in the back up detail and not in the headline-grabbing speech delivered by the Chancellor. If one works on the principle that The Treasury has to find more money to pay for improved health, education and transport, while at the same time has to finance a fairly daunting level of borrowing, you can be pretty sure that what looks like a generous tax cut here will invariably turn out to be a hidden tax increase somewhere else - and always be on the lookout for other stealth taxes lurking somewhere in the UK tax system.

## TAX SIMPLIFICATION FOR THE SELF-EMPLOYED

As far as one can see, self-employed contractors are not in the firing line this time around, although there was one passing reference in Alistair Darling's speech that needs watching:

***"Working with business, we need to do more. I am announcing three reviews proposing simplification to the tax system that will let 3 million self-employed people pay their tax and National Insurance contributions more easily and 500,000 businesses reduce their paperwork by removing a separate payroll. Taken together with other measures I am proposing today, this will save British business up to £100 million a year."***

As yet, little detail has appeared in any Treasury back-up papers and this announcement probably refers to nothing more than housekeeping – but watch this space.

## INCOME SHIFTING

As previously announced, The Treasury has been quick to hit back against husband and wife "arrangements" as a result of the recent Arctic Systems judgement. [Click here](#) ➤ to find out more.

## CHANGES TO CAPITAL GAINS TAX

This looks like a typical Treasury law of unintended consequences. It was aimed at wealthy private equity executives (presumably in order to placate the various journalists who persist in sensationalising the low tax rates enjoyed by relatively few) but it is actually going to hurt

investors and entrepreneurs in small businesses much harder. [Click here](#) to find out more.

## **OTHER KEY POINTS AFFECTING CONTRACTORS**

### **INHERITANCE TAX THRESHOLD INCREASED TO £600,000**

This was a change that The Chancellor was again forced to make in order to placate the populus (i.e. potential voters) and to outbid the Conservatives who sensed they had tapped into a real British obsession. He announced that he would raise the total amount of inheritance for married couples on which no tax is paid. The revision will also apply to civil partnerships. He said that the combined tax-free allowance for couples' estates would rise to £600,000, from £300,000. [Click here](#) to find out more.

## **TAX ADMINISTRATION**

1. The threshold will rise from £500 to £1000 for taxpayers making payments on account (POA) of their annual income tax liability under the self-assessment system from 6th April 2009.
2. Paper returns for 2007/08 are due by 31st October 2008 and on-line by 31st January 2009.
3. The SA enquiry window will be aligned with the filing date.
4. For CTSA, the enquiry window will be aligned with the actual date of filing from 2008 (with the exception for large groups).
5. Penalties for incorrect returns: New provisions set for 2008 in line with the consultation proposals.

## **FUEL BENEFIT**

With effect from 6 April 2008, the 'multiplier' used as a basis for calculating the fuel benefit charge will increase from £14,400 to £16,900. The fuel benefit charge arises where employers provide company car drivers with free or subsidised fuel for private use.

Since April 2003 the benefit of private fuel has been calculated by multiplying a figure of £14,400 by a percentage determined by reference to the CO2 emissions of the company car. The increased 'multiplier' will result in a rise in Class 1A NIC costs for employers and larger income tax bills for employees. As a consequence, employers may consider buying out employees' fuel benefits in future, or look at more cost-effective alternatives to their existing company car schemes.

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If you need other assistance, please contact:  
JSA House, 110 The Parade, Watford, WD17 1GB

**Tel:** 01923 257 200 **Email:** [jsa@jsagroup.co.uk](mailto:jsa@jsagroup.co.uk) **Web:** [www.jsagroup.co.uk](http://www.jsagroup.co.uk)

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