

# Newsletter



Andrew Webster  
Limited

## Budget 2006

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Gordon Brown delivered his tenth budget as Chancellor on Wednesday the 22nd of March.

There were the usual increases in duty rates and tweaks to the tax rates but nothing of any great substance. Most of the tax details had already been announced in the pre-Budget report.

The Budget coincided with the release of Lord Carter's review of HM Revenue and Custom's online filing services, as a result of which the big news is that the self-assessment return filing deadline is likely to be moved to 30th September for paper returns and 30th November for returns filed online from 2008 – leaving a much shorter window between the end of the tax year and the filing deadline.

We already knew that the "Pensions Simplification" rules would be effective from 6 April 2006 and the 0% Corporation Tax band and Non-Corporate Distribution Rate rules would disappear from 1 April 2006.

#### Other points to note are:

- ◆ The annual EIS investment limit for income tax relief has been doubled to £400,000. However, there are some changes in the detailed rules for this and VCT and CVS investment schemes.

- ◆ The Stamp Duty exemption threshold has been increased from £120,000 to £125,000 from 23 March 2006.

- ◆ For Businesses & Companies, the VAT registration threshold up from £60,000 to £61,000 from 1 April 2006 (deregistration limit up from £58,000 to £59,000).

- ◆ For Inheritance Tax, the Nil rate band has been further increased from £285,000 in 2006/07 and £300,000 in 2007/08 to £312,000 in 2008/09 and £325,000 in 2009/10.

- ◆ The beneficial Inheritance Tax treatment of both Accumulation and Maintenance and Interest in Possession Trusts will be restricted to very limited circumstances for new trusts from 22 March 2006 and there will be transitional arrangements for existing trusts until 6 April 2008.

- ◆ The tax exemption on employer-supported childcare either directly or by provision of vouchers will be increased from £50 to £55 per month from 6 April 2006. Capital sums will be available for employers setting-up workplace nurseries for their employees' children. The child element of Child Tax Credit will be increased in line with average earnings until 2010 and further payments of £250 (£500 for low-income families) will be made to the Child Trust Fund on the child's 7<sup>th</sup> birthday

We now await Finance Bill 2006 to see how some of the proposals will actually work.

Nonetheless, here's to some Happy Holidays!

### News flash ...

A new release of WebsterAccounts - our professional Online Accounting Service - is due for release within the next two weeks.

This release completes the transition to the latest XML technology. It will allow WebsterAccounts to link with other programmes

## KEY DATES

- **March 2006**  
Pre-year End Planning
- **5th April 2006**  
End of Tax Year
- **6th April 2006 -**  
New Pensions regulations come into effect

*If you are uncertain about the similarities between the Joneses case and your own, please contact your account manager. We will be able to advise you on the implications of the settlements legislation for you*

## Arctic Systems Case Update on the Appeal



Over the last few years, our clients with husband and wife companies and those considering operating their business in this way, will have been following the progress of the **Jones v Garnett** legal case or the Arctic Systems Case.

Using this as a test case, HMRC have sought to challenge the tax planning of setting up companies in which both husband and wife are shareholders and where the income has been divided between the couple to maximise the use of basic rate tax bands. The legislation HMRC were seeking to apply to this situation has become known as "the settlements legislation".

A successful challenge by HM Revenue & Customs would have led to the dividends that had been paid to Mrs Jones being reallocated and taxed on Mr Jones, resulting in further tax being due

and interest being charged on the underpaid tax.

### Current legal position:

On 15<sup>th</sup> December 2005, the Court of Appeal held that "the settlements legislation" did not apply to Mr & Mrs Jones, shareholders of Arctic Systems Ltd. This meant that the dividends Mrs Jones received from Arctic Systems Ltd, the couple's jointly-owned company, were taxed on Mrs Jones and **not** reallocated to her higher taxpaying husband.

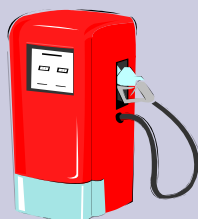
On 24th March 2006 HMRC were granted leave to appeal to the House of Lords against this decision. Opinion amongst the professional bodies is that it will be several months before this appeal is heard and that the judgement will be handed down towards the end of the year.

Until then the final position with regards to the application of "the settlements legislation" will remain uncertain.

### What next:

*If you are uncertain about the similarities between the Joneses case and your own, please contact your account manager. We will be able to advise you on the implications of the settlements legislation for you*

## VAT Recovery on Road Fuel Purchase by Employees



HMRC have announced some changes in the way in which VAT on road fuel purchased by employees can be recovered by their employers – effective from 1 January 2006.

These changes come as a result of the conclusion of a recent European Court of Justice (ECJ) case, which found that the current UK VAT recovery system infringed EU law.

### Previously:

Employees bought fuel for business journeys and claimed this back from their employers (usually via an expense claim form). Employers tended to pay either a mileage allowance or directly reimburse the cost of the fuel. The employer could then reclaim the input VAT on this reimbursement on his VAT return.

### New Treatment:

Employers can continue to recover input VAT incurred by employees on fuel costs that are either reimbursed on the basis of cost or through a mileage allowance provided that:

- The fuel is used in the business to make taxable supplies &
- The employer has a valid VAT invoice for the fuel (till receipts will be mostly acceptable)

Therefore it is now more important than ever that a proper expenses management system is put in place by the employer to ensure that these criteria are met.

*- For further information, please contact your Account Manager at Andrew Webster Limited*

## Andrew Webster Limited strengthens Private Client Department

"We now have a team with the in-house expertise to match any firm in Cambridge"



With the changes to the pension's regulations which came into effect on the 6<sup>th</sup> April 2006, we realise that we need to be more proactive in offering advice on the potential tax planning opportunities which might be beneficial to our clients. For many clients, higher rate tax is now voluntary. We also find that we are being asked to advise more clients on issues involving tax outside the UK. As a result we have decided to recruit additional people to join our team.

### Joanne Lamberth (Tax Consultant)

Chartered Accountant and Chartered Tax Advisor, Joanne joined PricewaterhouseCoopers Audit Team in 1996. She moved to Grant Thornton in September 2000 in the capacity of Tax Advisor with the Corporation Tax Team. She joined us as a tax consultant in 2002 and has just returned from extended maternity leave. Her areas of competence include:

- Capital Taxes Planning
- Sale of Businesses & Sale of Properties with Non-residential use
- Enterprise Investment Schemes (EIS)
- Research & Development Tax Credits
- Expatriate Tax - Short Term Emigration Projects

### Paulette Peterson (Tax Consultant)

Paulette was Senior Manager at Ernst & Young in the Human Capital Department from 1993 - 2005. Prior to that she worked with Price Bailey and Arthur Andersen in the capacity of Personal Tax Manager.

Her areas of expertise include:

- International Assignment Planning & International Social Security Planning
- Residence & Domicile Issues
- Overseas Personal Tax regimes, including US, European Union and Australasia
- Employment Tax issues including PAYE Compliance & Employee Benefits & Share schemes
- Personal Tax issues

### Anne Wright (Senior Tax Manager)

Anne has extensive Tax experience and was Senior Manager at Ernst & Young and Deloitte's in the Personal Tax and Private Client Departments. Anne shall be responsible for the tax affairs of all Private Clients. Anne's areas of expertise include:

- Personal Tax issues
- Tax issues relating to Sole traders and Partnerships
- Taxation of Estates & deceased estates
- Taxation of Trusts

We hope that these changes will enhance the quality of the tax services offered as well as increase the responsiveness of the department to continue to not only meet, but also exceed, the exacting standards you have come to expect, in every single instance.

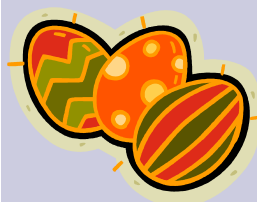
We are also investing in new developments to help reduce costs for clients whose tax is more straight forward. Anne will be contacting clients individually.

We would like to assure you that you will continue to receive the high quality advice and services from the Private Client Department at Andrew Webster Limited and we look forward to working with you through the next year.

*- The Private Client department is responsible for handling all personal and legal issues relating to private clients*

## Happy Holidays

We would like to take this opportunity to wish all our clients happy holidays over Easter, Purim, Mawlid al-Nabi and Vaisakhi.



It is likely to be a joyous Easter for Sarah Richmond, Account Manager at the firm has passed the ACCA exams conducted by the Chartered Institute of Accountancy and is now a fully qualified ACCA. Hearty congratulations to her on this sterling achievement.