MONTHLY NEWSWIRE

MAY 2012

We hope you enjoy reading the newsletter; remember, we are here to help you so please contact us if you need further information on any of the topics covered.

Best wishes

Jamie

CAP ON UNLIMITED INCOME TAX RELIEFS DUE FROM 6 APRIL 2013

Currently you can, in theory, offset your entire income against income tax reliefs, and as a result pay no income tax at all. As unlikely a scenario as that is for most of us, we will have to plan by reference to limits to the amount of income tax relief individuals can claim.

This cap will apply only to reliefs which are currently unlimited and will be the greater of 25% of income or £50,000. The principal reliefs affected are loss reliefs that can be claimed against total income, qualifying loan interest relief and reliefs for charitable giving. There will also be a number of smaller reliefs which are currently uncapped that will be affected.

If you think you might be affected, please contact us for some preliminary advice so that you can consider possible acceleration of tax deductibles before the new rules comes in.

PLANNING FOR THE REDUCTION IN THE TOP TAX RATE FROM 50% TO 45%

It may seem early to consider this, in view of the reduction not taking effect until the 2013/14 tax year, but that depends on your circumstances.

The scope for deferring income and/or accelerating expenditure can require a long lead-in time. In addition, if profits of a sole trader or partner are based on an accounting period ending near the start of the tax year, the options need to be looked at now. A year end of 30 April means that the year to 30/4/12 is taxed in 2012/13 with a top rate of 50%, whereas the accounting year starting on 1 May 2012 is taxed in 2013/14 with a top rate of 45%.

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Changing your accounting date may create advantages – it all depends on the profit pattern, both actual and likely, and we will be pleased to undertake a fresh exercise for you on this.

HMRC estimate that, based on their assumptions of the income shifted from 2010/11 to 2009/10, to avoid the 50% charge, income of £6.25 billion is likely to be shifted from 2012/13 to 2013/14. Let us see the scope for you!

BUSINESS TURNOVER BELOW £77,000?

There is the likely option to declare income and expenditure on the cash basis from April 2013, and at the same time claim some expenses on a flat rate basis (even using estimates for small items). This idea may not necessarily be good news for you, as there will be plenty of losers as well as winners. We will discuss this with you nearer the time as matters progress if you fall into this bracket. We will also help you choose the best option, taking all factors into account including circumstances when you might need to have a full set of accounts produced for non-tax reasons.

CLOUD STORAGE SOLUTIONS

The personal cloud will replace the personal computer at the centre of users' digital lives by 2014. The impact for businesses will be quite positive – storage can be online rather than on a server, thereby reducing costs

Dropbox has already become popular with business users. Google is about to launch its own product which will compete in this space, called Google Drive. This will have an estimated 5GB of free storage space, charging only if users need more. Similarly, Dropbox offers 2.5GB of free storage with higher levels of storage available for a monthly fee.

Dropbox is quite user friendly and works by installing a Dropbox "folder" on to the client computer. Users can then simply drag and drop files into the folder in order to store them online. Google Drive will reportedly come with a local client and its interface will resemble Google Docs. At the time of writing, Google Drive is yet to launch.

Dropbox has more than 45m users and reportedly even turned down an acquisition offer from Apple.

Either service should work well for businesses.