

## INCOME TAX

Personal Allowances increased:-

	2005/2006	2004/2005	Increase
	£	£	£
Personal Allowance	4,895	4,745	150
“ “ (age 65 - 74)	7,090	6,830	260
“ “ (75 & over)	7,220	6,950	270
Married Couple's Allowance			
(age 65 - 74)*	5,905	5,725	180
(75 & over)*	5,975	5,795	180
Minimum amount of MCA*	2,280	2,210	70
Blind Person's Allowance	1,610	1,560	50
Income limit for age-related allowance	19,500	18,900	600

\* Tax relief is available at 10%

Tax Rate Bands	2005/2006	2004/2005
	£	£
10% Starting rate	0 - 2,090	0 - 2,020
22% Basic rate	2,091 - 32,400	2,021 - 31,400
40% Higher rate	Over 32,400	Over 31,400

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### VAT

The VAT registration threshold is increased to £60,000 from 1 April 2005. The de-registration turnover figure is increased to £58,000 from 1 April 2005.

The annual limit to enter the flat rate scheme has continued to be £150,000 of taxable sales (net of VAT) and £187,500 of standard and exempt sales (net of VAT).

The annual limit to enter the cash accounting scheme has continued to be £660,000.

To be eligible in the first year of registration for the annual accounting scheme, annual turnover must not exceed £150,000. If it is likely to be over £150,000, a business can join after 12 months of registration, if their turnover does not exceed £660,000.

There are changes to the fuel scale. Changes effective from 1 May 2005. Please contact us if you require details.

### INHERITANCE TAX

The threshold for Inheritance Tax is increased to £275,000 as from 6 April 2005. Estates valued at more than £275,000 will continue to pay Inheritance Tax at 40% on the excess.

The threshold is to be increased to £285,000 from 6 April 2006 and to £300,000 from 6 April 2007.

### CAPITAL ALLOWANCES

The 50% first year allowance on plant and machinery for small businesses has not been renewed, and therefore reverts to 40% on the 1 April 2005 for a Limited Company, and 6 April 2005 for a sole trader, or partnership.



### CAPITAL GAINS

The annual exemption figure for individuals has been increased to £8,500 for 2005/2006.

The annual exemption figure for Trusts etc. has been increased to £4,250 for 2005/2006.

### CORPORATION TAX

The Corporation Tax rates and limits remain unchanged.

The non-corporate distribution rate that was introduced in 2004 to tax dividends at an effective rate of 19% for small companies (per the tax bands) has not been mentioned in the budget. There is a possibility that in the future this could be changed independently from the small company's corporation tax rate, currently at 19%, but has not been done yet. This would allow the possibility of National Insurance being paid on dividends at a future date.

### NATIONAL MINIMUM WAGE

The National Minimum Wage is to be increased to £5.05 per hour from October 2005, and to £5.35 from October 2006. The rate, for workers aged 18 to 21 will rise to £4.25 per hour from October 2005 and to £4.45 per hour from October 2006.

### STAMP DUTY LAND TAX

The starting threshold for the payment of Stamp Duty Land Tax on residential property has been increased to £120,000 from 17 March 2005.

Other rates for residential properties are:-

£120,000 - £250,000	1%
£250,001 - £500,000	3%
more than £500,001	4%

### NATIONAL INSURANCE

The threshold for payment of Class 1 and Class 4 National Insurance Contributions has been increased to £94 per week for 2005/2006.

The upper limit is increased to £630 per week and employees and the self-employed will pay at 1% on earnings above this figure.

Class 2 NIC is increased to £2.10 per week. The small earnings exception figure is increased to £4,345 for 2005/2006.

Class 3 NIC is increased to £7.35 per week for 2005/2006.

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## COMPANIES HOUSE WEBFILING

From February 1 2005, Companies House has increased the filing fee that Private Limited Companies must pay for their Annual Return. This cost has doubled from £15 to £30.

They have however, introduced a method of filing the return and other documents via their website. If this service is utilised, the fee is reduced by 50%, therefore paying the previous price of £15.

At Roger Lugg & Co and Lee, Dicketts & Co we have registered to use this system, with the aim that it will save our clients money. The paper annual return will continue to be sent to the company's registered address about a month before it becomes due. If you would like us to check the return, please forward to us. We will then alter any information as required and send it for your approval. Once we have received the signed form, we will request an 'authentication code' from Companies House (which will be sent to the registered office address, so will need to be forwarded to us, where necessary), which will allow us to record and file any changes using the website. In this situation the cost will remain at £15, but will be payable to Roger Lugg & Co/Lee, Dicketts & Co, as we have an account to pay for the filing. For us to complete this route, we must obtain the funds from the company prior to filing the return.

For more information about Companies House Webfiling, visit [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk), or contact us.



### IMPORTANT ISSUES

*This newsletter was produced by Roger Lugg & Co and Lee, Dicketts & Co Chartered Accountants, Chartered Tax Advisers and Registered Auditors.*

*We welcome your comments or queries. Our three offices are situated at:*

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*Please address your enquiries to our partners, Roger Lugg & Bruce Chapman or the Managers at Caterham Office; Deborah Brent at Lingfield Office; Michael Bushell at Seal Office.*

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# £ Luggs Money Matters

BUDGET

APRIL 2005

## BUDGET – 2005

This was Gordon Brown's ninth budget, amid speculation that this could be his last.

- There is some help for families with increases in the Child Tax Credits.
- The elderly are also gaining, with a refund of £200 for every pensioner household, to help with council tax. From April 2006 there will be free local bus travel for pensioners during off-peak periods.
- The price of beer is increased by 1p per pint and 4p on a bottle of wine. Spirits, sparkling wine and cider duties remain unchanged.
- Petrol duty is to rise in line with inflation as from 1 September 2005.
- The Chancellor is consulting on extra child trust funds when the child is over 11, in addition to the earlier payments. The over 16s are also encouraged to stay in education or training until 18, with payments of £75 per week, in certain circumstances.
- Funds are to be made available to rebuild schools, to set up a stem cell research network and also a national sports foundation.
- A memorial to the Queen Mother is to be sited in The Mall.
- 7,800 Civil Service jobs have been relocated out of London and some state assets are to be sold.
- The number of Government agencies and inspectors is to be cut.

### ISAs

The existing ISA limits of £7,000 in total are being extended to 5 April 2010 to encourage saving.

### MERGER MANIA III

Not one to miss an opportunity, Roger Lugg & Co has purchased another firm of Chartered Accountants, John H Wyse & Co, situated in Reigate, Surrey. John Wyse (a sole trader) has been in practice for nearly 40 years, and had been looking at the long term future of his client base, when he discovered Roger and Bruce Chapman were interested in acquiring other local firms of accountants. Contracts were exchanged on the 24 February 2005, and on the 1 March 2005 the sale was complete.

John Wyse and Jenny Rockall (John's assistant) will continue to assist in the serving of the client base and will be supported by the staff at Roger Lugg & Co. To complete the merger of the firms, John and Jenny will, from the 25 March 2005, be based at the Caterham Office of Roger Lugg & Co.

We would like to take this opportunity to welcome John and Jenny, and all their clients to Roger Lugg & Co.