

# Taking Account

MARSHALL ROCHE  
Newsletter – Christmas 2008

## PRE-BUDGET REPORT - COMMENT

Gordon Brown claimed to have done away with boom and bust, but few economists believed him – whether we shall ever know if he really believed it himself is another matter. The economic pendulum has to swing, and bust follows boom, like night follows day.

The trouble is that the boom was so strong and went on for so long, that the bust threatens to be devastating to the economy. So Messrs Brown and Darling have only one option – pump money into the system to try to keep it all going. If there ever was prudence, it's well and truly gone now...

**The problem is that simply printing money doesn't create wealth – it only undermines the value of the money.** And if you print money to pay your debts, you risk hyper-inflation and a worthless currency – something that many apparently stable countries have experienced, even in living memory – (Germany 1923, Japan 1951, Israel 1984, Austria 1985 and many others, including of course, in the news right now, the once stable Zimbabwe).

So at the same time as announcing tax cuts, the Chancellor has had to announce tax rises – to try to collect it all back in again!

*But these do not nearly match the spending involved and mostly don't come into effect until April 2011, ie. after the General Election.*

*So be ready for further financial turmoil...*

In the short term deflation seems likely – prices fall as demand falls. This will seem good for a while, but as businesses close down it will become harder to get the things we need. Also a weakening currency increases import prices. So eventually, perhaps in a few years, when the economy starts to pick up again, we shall get inflation – the extra cash they are now pumping in will find its way into the system, looking for goods to be spent on – but there won't be so much on offer, so the price of what is there will rise... and rise...

**At that point they will have to dramatically raise interest rates – or risk runaway inflation.** And so the economic pendulum will have swung – from the high interest rates of the early 90's, which curbed spending and brought inflation down, leading to lower interest rates, prompting too much lax lending and personal over-spending, resulting in bad debts at the banks, causing banks to fail, so needing more cash pumped in to bail them out, leading to inflation and the need to raise interest rates again. Okay, so that's a simplified version of events, but it's all basic economics – things go up and down and all of us (including Prime Ministers...) just have to accept this and plan accordingly.

**Check out our web-site at:-  
[www.MarshallRoche.co.uk](http://www.MarshallRoche.co.uk)**

## Marshall Roche

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### **VAT rate change**

From 1 December 2008 until 31 December 2009, the VAT rate falls to 15%. All VAT invoices raised during this period must use this rate and for any expenses incurred that include VAT, the fraction is 3/23 (rather than 7/47).

**Anyone using the flat rate scheme needs to review their rate**, as these have all changed. Also the scale charges for private use of fuel have changed – see our website at [www.MarshallRoche.co.uk](http://www.MarshallRoche.co.uk) for more details.

### **Loss relief**

Losses made by small businesses during the twelve months commencing 24 November 2008 will be available to 'carry back' up to 3 years. Normally losses can only go back 1 year, but up to £50k of losses will qualify for the extended relief. This will enable losses during the recession to be set off against profits made in the past and so get some tax back.

### **Problems paying your tax?**

Call the H M Revenue & Customs helpline on 0845 302 1435 and they say they will allow you to spread your payment. You can also save late payment penalties (although not interest).

### **Capital allowances on business cars**

As from April 2009, the allowance for the cost of a business car will be linked to the CO2 emissions.

### **Income shifting**

Good news here – they are delaying further the new rules on this, so for the time being, there will be no major attack on dividend payments – this year...

### **NI and tax threshold**

From 6 April 2009, the level at which someone pays NI rises to £110/wk, whilst the tax threshold rises to £124.50/wk.

Self-employed people with earnings under £5,715 can avoid paying Class 2 NI by applying for exemption, but if you have fewer than 30 years' of payments in your working life, you may lose out on your state pension, so it may be worth paying the £2.40 per week.

Tax and NI percentages remain unchanged.

### **Corporation tax rate**

This will now be held at 21% (having previously been set to increase to 22%) from April 2009.

### **Higher tax ahead for high earners**

From April 2010, anyone earning more than £100k will lose £1 of their personal tax allowance for every £2 of income, so their effective top tax rate will be 60%...

Note: The content of this newsletter is necessarily of a general nature and no liability can be accepted for any action or inaction on the part of any person without first consulting us.

**Merry  
Christmas**

*and*

**Best Wishes for the New Year**

*from everyone at*

**Marshall Roche**

*Chartered Accountants*

As has now become our standard practice, we are not sending Christmas cards, but instead have incorporated our newsletter into this seasonal greeting and shall be donating the money saved to Cancer Research.

**Thank you**

