

EXCLUSIVELY FOR CONTRACTORS

MONTHLY GUIDE APRIL 2002 ISSUE 55



The Future For Company Cars?

When individuals receive tax breaks which either seem to be getting out of hand or causing a significant loss of tax revenue then you can expect the Government to act to close the 'loophole'.

So it was with mortgage interest relief which we covered in our newsletter last month and company cars are fast going the same way. Seizing the opportunity provided by the very real worries that most people have about the environment, the Government have imposed swingeing new changes to the car tax benefit legislation commencing on 6th April 2002. These changes are particularly tough on powerful cars with high emission ratings. In some cases tax payable under the new system will produce a tax charge on the company car driver of up to three times that of the year just ended (year ended 5th April 2002).

When company cars first came on the scene it was accepted that they were used by the employee for the benefit of the business and the ancillary benefit provided to the driver of the car was not taxed. As this produced a very tax advantageous way to run motor cars more and more people did it and the Government introduced rules to tax the benefit arising to the employee.

Over the years the tax payable has increased significantly and it has now got to the stage where according to a survey by Godfrey Davis 25% of company car drivers are considering either purchasing or leasing their own cars and taking a salary increase from their companies to compensate.

The problem for most people is that it is not terribly easy to wean oneself off the company car,- in fact it's about as easy as giving up smoking! Where do you find the capital necessary to dump the company car and run your own? Fortunately, we have come up with a solution and can help you make arrangements to avoid this penal new legislation by running your own car. For details please contact Ian Ross at ianr@wheawill.co.uk.

Set out below are the Inland Revenue approved mileage rates for the year commencing 6 April 2002. Employees who use their cars on company business can charge these

rates to their employers without having to provide any evidence of cost but make sure that a log of journey details is maintained.

The rates are:-

Cars and Vans	Rate per mile
Annual business mileage up to 10,000 miles	40p
Each additional mile over 10,000 miles	25p
Each passenger making same business trip	5p
Motor cycles	24p
Bicycles	20p

TERM ASSURANCE – WORTH A LOOK!

Term assurance provides cover for a fixed period of time based on the perceived health risk of the insured at the time the policy is taken out.

It has always been known as the 'cheap and cheerful' way to have life cover because it will provide a specific lump sum if the insured person dies within the period of the cover but lapses at the end of the period. So, it is not a savings plan but a way of making sure that your dependants have a lump sum if you die.

The reason that the cover is worth looking at now is because with people living longer and the market being so competitive the rates really are inexpensive. The Aids worries of ten years ago which caused a big hike in the rates at the time have now receded.

Because women statistically live longer their rates are cheaper and a 40 year old non smoker taking out £100,000 cover for 15 years can expect to pay between £100-150 per annum for the cover. Smokers can expect to pay about twice as much as this.

Cover of this kind can help provide against the unexpected ie. to pay an inheritance tax liability in the event of a premature death or a lump sum to help the finances of a family where the breadwinner dies at an early age, but it should always form part of your financial planning and not something to be relied on exclusively. Don't forget that at the end of the period of cover the safety net disappears entirely which is why the cover itself is so cheap.

COMPUTER CONTRACTOR SALARIES ON THE UP?

You may recall that in a recent newsletter we forecast that not only was it likely that demand for computer contractors would recover but also that as many IT specialists had found permanent employment that it would recover much quicker than it may have been reasonable to forecast. We also commented that the shortage in personnel could well lead to an unexpected increase in contractor pay rates.

Well, according to the findings of a survey carried out by silicon.com the upturn has already started with a dramatic increase in contractor earnings. Apparently approximately 50% of contractors who were surveyed are currently earning in excess of £55,000 per annum compared with just 20% last year. Over 30% of contractors say that they are earning more than £70,000, much more than last year and very significantly more than those with similar skills in permanent employment.

Because of the dramatic change that has occurred some are treating the survey with a great deal of caution but it doesn't surprise us at all because it is just what we predicted only two months ago!

PROBLEMS LOOM FOR CONTRACTOR TRAVEL COSTS

As if Computer Contractors did not have enough problems on the taxation front, it seems as if an unfortunate slip of the pen when the IR35 legislation was drafted has made things worse for them.

The authorised mileage rates laid down by the Government allow employees of companies to claim business mileage at a fixed rate. Unfortunately the system does not interact with IR35. The Inland Revenue are tight-lipped about the problem but it is thought likely that this anomaly will be corrected in the forthcoming budget.

STOP PRESS:

It's all alright now! Dawn Primarolo has confirmed that the legislation will include contractors with personal service companies.

CHANGE OF COURSE FOR PCG

Our fairly robust articles in previous newsletters trying to persuade PCG to change its approach has certainly struck a chord with many contractors. With the exception of one or two who have solidly supported PCG the opinion of the vast majority of the contractor community is that they were delighted when PCG was formed but had become increasingly disenchanted with its confrontational approach to the Government.

Now however we are very pleased to see that from now on PCG will cease attempts to have the legislation branded as illegal and will concentrate instead on financing individual cases that go to the tax commissioners and which will hopefully either result in removing most contractors from the clutches of IR35 or at least in drawing its sting. In fact, PCG's Press Officer has actually talked about working with the Inland Revenue rather than fighting them.

We hope that this new approach which is long overdue will be successful as will everybody who reads this newsletter.

DOMAIN NAMES

The Office of Fair Trading is currently urging both consumers and businesses thinking of purchasing a domain name to check whether it is recognised by ICANN (Internet Corporation for Assigned Names and Numbers).

Most web addresses or domain names such as .com or .net are accessible by the general public but there are many which are not eg. .brit, .usa, .sex and these will not be found by a search using normal, unmodified web browser software, so take care!

Last month we mentioned the improvements that we had made to our own website. One of the new features is that through a partnership with a leading business internet provider we are able to offer domain registration from only £20. Please see www.wheawill.co.uk for further details.

Also, many thanks to Richard Griffiths of Lucid Solutions for emailing us to tell us about a very helpful mortgage calculator that he found on the internet. We have put a link to this on our website at the top of our links page.

If you do have any comments on our website or any suggestions as to how it may be improved we welcome them. Please mail evanj@wheawill.co.uk.

GORDON MORRISON / RICHARD HAYNES / PAUL CROZIER / IAN ROSS
LONDON OFFICE
MOUNTBARROW HOUSE, 12 ELIZABETH STREET, LONDON SW1W 9RB
☎ 020-7730 8995 FAX: 020-7824 8108
EMAIL: gordonm/richardh/paulc/ianr@wheawill.co.uk
WWW: www.wheawill.co.uk

THAMES VALLEY OFFICE
CAVERSHAM HOUSE,
4 GOSBROOK ROAD,
READING,
BERKSHIRE RG4 8BS
☎ FREEPHONE 0800-590873

MARY HURST
COMPANY SECRETARY
12 ELIZABETH STREET,
LONDON SW1W 9RB
☎ 020-7730 0883
FAX: 020-7823 5953

IAN HEMSWORTH
HUDDERSFIELD OFFICE
PO Box B30,
35 WESTGATE,
HUDDERSFIELD HD1 1PA
☎ 01484-423691
FAX: 01484-518803