

Am I affected by current tax breaks?

I run an online tack sales business and, while it has been making a profit, I have been paying considerable tax. I have been affected by the economic downturn and my sales have dropped off, creating a loss, and my stock is worth much less now than in 2007. Do the new tax breaks affect me?

TN, Kent

THE tax loss for your business under a recent change in rules in the pre-budget report can now be carried back three years, and set against earlier profits — the tax paid can then be reclaimed.

This will help with your cash flow, according to



Tax breaks may provide welcome relief to businesses

Julie Butler of chartered accountants Butler & Co, in Hampshire.

"To take advantage of these tax opportunities, the business in question has to be currently at a loss, and it must have been in profit previously," explained Julie. "In many

cases, stock is being valued at the lower of either 'net realisable value' or 'cost', the former being the item's sale price, and the latter being what the item cost you.

"In order to take advantage of this situation, you must produce your accounts as soon as possible, and ascertain the exact loss of your company. Write down any examples where net realisable value — what you can sell it for — is less than what the item originally cost you.

"This tax break is a one-off opportunity for this tax year, so you should act fast. We await the Budget on 22 April for more detail, but in the meantime, produce those accounts and see where

you stand. You will then have to restructure the business to try to move forward in profit — an accountant can help with tailored advice," said Julie.

Colin Davison of Cranleys Chartered Accountants, also in Hampshire, agrees that if you do not want to carry forward your losses into the following year, carrying back your losses for three years is a viable option.

"Clearly, if your losses are substantial, this can help your cash flow position, as you will obtain a rebate very quickly," he said.

INFORMATION

THE tax loss must be incurred in the year to 2008-09 for the unincorporated business,

and after 23 November 2008 for the incorporated business. It is not necessary to wait until the 2008-09 return submission date, and a standalone claim can be actioned from budget day on 22 April 2009. **H&H**

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