

Sterling Accountancy – jargon free TAX



Capital Allowances (CA's)

Depreciation of business assets is not allowed as a deduction against business profits. Instead CA's are calculated each year based upon a proportion of the cost of eligible business assets.

Capital Gains Tax (CGT)

Payable on the disposal of a capital asset where the proceeds exceed both the allowable expenditure and annual exemption.

Corporation Tax

Payable by companies on their taxable profits and gains.

Income Tax

Payable on an individuals earned and unearned income and can be reduced by one individual to another. Applicable on transfers made both during lifetime and on death.

Stamp Duty Land Tax (SDLT)

Applicable to all transactions involving land and property in the UK and is self-assessed by the purchaser.

Taper Relief

A reduction of the gain subject to a CGT liability of up to 75% depending on the length of ownership and whether the asset is used for business purposes.

UK Domicile

Acquired at birth or changed later through choice. A UK domiciled individual pays UK CGT on gains made throughout the world.

UK Resident

An individual who lives in the UK for the majority of the tax year and pays UK income tax on their worldwide income.

Value Added Tax (VAT)

Charged expenditure at each stage of the supply chain and is self-administrated by VAT registered business.

Sterling Accountancy – jargon free VAT



Taxable Supplies

The supply of goods and services, which are subject to VAT at any rate, including zero-rate.

Exempt Supplies

Business supplies other than supplies on which VAT charged.

Output & Input VAT

OUTPUT VAT is charged by a VAT registered person on taxable supplies made (sales).

INPUT VAT is paid by a VAT registered person on taxable supplies received (purchases).

Exempt Input Tax

Input VAT resulting from exempt supplies. Exempt Input VAT is only recoverable when it is within certain limits (de-minimis limits).

Partial Exemption Method

Method agreed with Customs for businesses incurring exempt input tax, to determine recoverable input tax.

Exempt Input Tax

Input VAT incurred by a business, attributable to exempt supplies. Exempt Input VAT is only recoverable when it is within certain limits (de minimis limits).

De-minimis Limits

Exempt Input tax is recoverable by a business when:

1. The exempt input tax is no more than 50% of all the input tax for the period concerned and
2. On average the exempt input tax is less than £7,500 per annum.

Registration Threshold

A person has to register for VAT if at the end of any calendar month the value of taxable supplies for the past year exceeded the current limit.

Mixed Supply

Where one single inclusive price is charged for a mixture of supplies with different VAT rates.

Cash Accounting

A business may, subject to conditions, account for VAT on the basis of cash paid and received.

Flat Rate Scheme

A simplified scheme to account for VAT whereby a business below a certain turnover threshold can apply a fixed % to total turnover generated to calculate the net VAT due.