What Is Ayurvedic Medicine

By Swami Sadashiva Tirtha

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According to a new survey carried out by Alliance & where ID_NUM=9270; Leicester, one in five small business owners view tax as their greatest concern. The Chancellor has announced in his last budget that companies with profits below oe10,000 will not have to pay any corporation tax with effect from 1 April 2002. The question to be asked is: does that announcement make incorporation a more attractive option compared to being a sole trader?

The answer is that from a tax point of view, it is advantageous to trade through a limited company as long as the income is drawn from the company by the owners as dividends from their shares and the amount of dividends drawn is restricted below the 40% band rate (i.e. oe31,063 for tax year 2002/03). That way, the owners have no further personal tax ("income tax") to pay. Moreover, dividends are not subject to national insurance contributions. This is excellent news of course. But, if dividend income falls within the higher rate bracket of income tax (i.e. above oe34,515), they will be taxed at 22.5% on the excess, which of course will increase the tax burden. The company profits are subject to corporation tax rates. Those are lower than income tax rates.

The most catastrophic scenario is when the director takes his reward from the company as salary. Then his/her salary is taxed at income tax rates (like a sole trader's income). That is because, unlike sole traders, the tax system treats companies as separate from their owners because a company is a separate legal entity. The problem is that the income taxes are higher than corporation tax rates. On top of that, they will be subject to employee and employer national insurance contributions, which of course increase the tax burden and render his position worse than even an unincorporated business ("sole trader"), because NIC Class 1 on payroll are higher than NIC Class 2 paid by self employed.

In contrast, a self employed person ("sole trader") is taxed at income tax rates on the profits from his business, which are added to his other sources of income. As it has already

been mentioned, income tax rates are overall higher than corporation tax rates. On top of income tax, national insurance contributions class 4 are payable on the business profits within a specified band (7% on profits between oe4,615and oe30,420). National insurance contributions Class 2 are also paid by self−employed people, although those are lower than those payable by company directors on their salaries.

To illustrate the above, let's take a simple example. We have a limited company and a sole trader. They both make oe60,000 profits each in the tax year 2002/03. We assume that the company director takes a salary equal to the amount of his personal allowances (untaxed income) of oe4,615 and the balance as dividends. The company will pay corporation tax at 19% equal to oe10,523 and nothing else. The sole trader will pay income tax oe16,542, National insurance Class 2 oe104 and National insurance Class 4 oe1,806. Total oe18,452. The bottom line is that the person that has incorporated his business into a limited company will make a tax saving of oe7,929 compared to a sole trader! Isn't that fantastic?

Somebody might be wondering: why is this entire happening? The official explanation is that, this government, to help the economy grow, encourages people to leave as much profits within their businesses to be reinvested, instead of being taken out and spent.

The "unofficial line" is that, as a matter of fact, for years the Inland Revenue has tried to reclassify the self−employed. The 1% in NIC hike on staff salaries above the NIC threshold from next April adds to both the employees' and employers' tax burden and may more than offset the saving from the corporation tax zero rate on the first oe10,000 of profits.

Aren't there any other matters to consider in deciding whether to incorporate or not?

Higher administration costs to comply with company law, payroll and bookkeeping is one factor. Another issue is pension planning. Extracting profits out of the company as dividends rather than salary means that there will be no "net relevant earnings" and therefore pension contributions can't be made. But the advent of stakeholder pension plans has meant that contributions up to oe3,600 per year can be made without the need for any earnings. If a person does not wish to transfer funds in existing plans into stakeholder because of high charges, there is a way out: the best net

relevant earnings (i.e. salary) in five consecutive years can be used for making contributions for the next five years, even if there were no salaries in the remainder four years. It is comforting to know that entitlement to basic state pension is not affected by taking a salary from the company at the level of a person's personal allowances i.e. oe4,615.

Furthermore, an individual may decide not to bother with pension plans and instead invest in ISA. Often, these can be more efficient than pensions but that's beside the scope of this article. If that option is taken, no salary is necessary.

Another factor is business motoring. It might be tax advantageous for an unincorporated business that owns many cars not to incorporate because if these cars have some private use there will be benefits in kind taxed on the users. These are generally higher than the straight apportionment between private and business for all car running costs in the case of sole traders.

The conclusion is that there can be considerable tax savings waiting the sole trader who decides to go down the road to incorporation. But, one needs to proceed with caution and careful planning. And don't forget the biggest advantage of incorporation, which is Protection from Personal Liability. Incorporating is one of the best ways to protect a business owner from personal liability. Shareholders of a company are generally not liable for the obligations of the company. Creditors of a company may seek payment from its assets, but not the assets of the shareholders. This means that business owners may engage in business without risking their homes or other personal property.

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Swami Tirtha is the author of the Ayurveda Encyclopedia, founder of the School of Ayurveda and Ayurveda Holistic Center. With 26 years of counseling people in Ayurveda, Vedic astrology and spirituality, Swamiji offers whole−life advisement programs on a one−to−one basis. For more information visit his site at http://ayurvedahc.csom. Read chapter 1 of the encyclopedia online.

Herbal Medicine For A Modern World

By Lucy Bartlett

Using herbs to benefit from its medicinal or therapeutic value is commonly known as herbal medicine. Chemical substances contained in the herbal plants can be induced to act upon the body of the person consuming it.

Humanity has known of this form of healthcare based on herbs since ancient times. History is replete with details of cultures benefiting from herbal medicines. It played a vital role in the progress of modern civilization. The early primitive men discovered that the herbs provide not only a cure but also food, shelter and clothing.

Many of the common drugs used by us today are derived from herbs. According to various sources at least one basic ingredient from plant materials form part of some of the prescription drugs available in the United States.

According to WHO - World Health Organization - nearly 80 percent of the worlds population or 4 billion people currently use some aspects of herbal medicine in their health care process. The common element in Native American Indian medicine, traditional oriental medicine, naturopathic, homeopathic and Ayurvedic medicines is herbal medicine.

Today, for the treatment of high blood pressure, heart disease, asthma, pain, and other problems, a large proportion of commercial medications use substances derived from plants. To treat symptoms of asthma and other respiratory problems, Epedrine is used. This is an active ingredient in ephedra, a traditional Chinese herb.

The foxglove plant is another example pointing towards the use of herbal extraction by modern medicine. The leaf from this plant is powdered to stimulate cardiac digitalis and provide relief to a large number of heart patients.

Traditional Chinese Herbalism, Ayurvedic Herbalism and Western Herbalism are some of the various systems of herbal medicine prevalent today. Ayurvedic and Chinese Herbalism developed into a successful system to treat various health disorders. Western Herbalism is yet to achieve this level of advancement and remains a system of folk medicine.

Some of the herbs used in Ayurveda are successful in reducing diabetes and cholesterol. In recent years, there is a growth in the use of herbal medicines due to the success stories of St. John's Wort, which replaced Prozac to treat mild depression. In the United States, the popularity of Ginseng and Ginkgo Biloba is rising due to is curing effects.

Herbal medicines can be marketed in US only as food supplements. Without FDA approval, herb manufacturers or distributors cannot make specific health claims.

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