tlp - news

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We want you to succeed. We know our products and services have helped clients' success in the past. Our intent is always to find a solution that exactly meets your needs. This helps to ensure a good fit between what we do and what you need. If there is a good fit, let's work together.

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Quotes

"Successful people form the habit of doing what failures don't like to do. They like the results they get by doing what they don't necessarily enjoy. "
-- Earl Nightingale, Motivational Speaker

"Genius is 1% inspiration and 99% perspiration. Accordingly a genius is often merely a talented person who has done all of his or her homework."
-- Thomas Edison, Inventor

"I have found that being honest is the best technique I can use. Right upfront, tell people what you're trying to accomplish and what you're willing to sacrifice to accomplish it."
-- Lee Iacocca, executive

"Those that can, do. Those that can't, teach."

This is an old saying, so don't get upset with me about it. I first heard it many years ago and, as it was never my intention to become a teacher under any circumstances, it gave me the feeling of being on the next rung on the ladder. However, I recently heard the expression again but accompanied by a very strong rebuttal from a teacher's point of view. The teachers response came after the question was posed to them - but what do you make?

Now, it raises an interesting question about who makes what in a modern civilised society because fewer and fewer people seem to actually make anything, and frequently just get in the way by imposing regulations and then monitoring them, obstructing those people who actually want to make something.

To get back to our teacher, the lengthy and robust reply boiled down to "I make people and what they are and what they are going to become." I must admit that the response that I heard set me thinking. You trust your children to these complete strangers in the expectation that they will make them into well educated and rounded adults with good attitudes towards work, learning and other people. But what can teachers teach? I am not having a go at teachers because I would include within this discussion all trainers and lecturers and anybody else that is responsible for the learning process whether in an academic or more practical environment. But one of the problems with teachers, particularly if they can't do and haven't done, is that they can only teach what they have learnt from another teacher. They have never tested it in a business environment and so their knowledge and their attitudes have been learnt in a vacuum.

We have seen this over many years with tax inspectors. Over the years we have got to know the local tax inspectors quite well and it has always been interesting to hear how their careers developed and what sideways steps they have taken which ended up with them working for HMRC as tax inspectors. I have known ex-teachers, ex-bankers, and others who have worked for large companies such as Shell.

Very few, if any, have any practical experience or knowledge of running a business. Now, if you have a business, you understand cash flow worries, bad debt worries, equipment failure worries, staff worries and the rest. You understand the administrative burden of statutory maternity pay, sick pay, holiday pay and the rest. Tax inspectors have no real understanding of such things. They have never woken up at 4AM worrying about cash flow.

It is the same with most teachers. They are passing on attitudes and a body of knowledge which they themselves have learnt in a class room. So, where is this leading us? After all, these teachers who have no practical experience of business, have taught everyone who is now in business whether successful or not. Are we perhaps misjudging teachers and their value to the business community? Could be.

However, there is a basic body of knowledge that everybody needs. You can argue that those coming out of education now do not have adequate language or numeracy skills but that is another question. After that, I would say that business attitudes and skills do not come from teachers but from life's experiences and business mentors, people who have the practical experience to pass on. So, to produce somebody who can run a business properly, you need the foundations that are provided by teachers and you then mould and build onto these foundations with hard learned business experiences from people who have been through the mill.

You cannot expect somebody, whether they be working for a bank or HIE or any other similar organisation to be able to talk real business. They can only pass on what other people have told them. Rarely can they pass on their own experiences.

And when it comes to passing on those all-important attitudes towards hard work and business, most people leaving full-time education initially lack the mental skills and toughness that they need to be in business. Is this because of the teaching they have received, or lack of it? You decide.

Left behind by technology?

Feeling old? Read on and make it worse........

4000BC - Sumerian scribes, the earliest bookkeepers (I think I know a couple) use clay tablets to keep the first known records of financial transactions.

1909 - Dublin accountant Percy Ludgate designs one of the first programmable mechanical computers.

1951 - United States Census Bureau installs first commercial computer UNIVAC1.

1954 - Arthur Anderson automates payroll and manufacturing at General Electric with a UNIVAC1.

1977 - The launch of the first personal computers, the Apple ll and PET 2001, and the first microcomputer the TRS-80.

1979 - First spreadsheet, Visicalc, launched for the Apple ll.

First cell phone network opens in Tokyo.

1987 - Microsoft launches Excel and modern accountancy was born!

1989 - Motorola MicroTAC personal cellular telephone launches, then the world's smallest mobile phone, 9 inches long and weighing 12.3 ounces.

1989 - First release of Microsoft Office.

1992 - First commercial internet service launches in UK.

1997 - First filing of electronic tax return with HMRC.

2001 - Lord Carter reviews payroll services and transition to mandatory efiling of statutory returns begins.

..... And so progress marches relentlessly onwards.

New Sage 2011

The latest version of Sage 50 Accounts 2011, introduced this month, answers some long-standing customer requests with new automatic bank reconciliation features and support for the VAT flat-rate scheme. The new bank reconciliation module will have the biggest impact. See what you think.

Capital Gains - Replacing Business Assets

With the potential rate of tax on capital gains rising to a current maximum of 28% attention is being focused on how to reduce the tax burden on realising assets. Here is a reminder of some useful reliefs that properly planned and implemented can save you a load of cash.

Rollover Relief into replacement assets

Rollover relief is given where qualifying business assets are sold and replacement qualifying assets purchased between 12 months before and 3 years after the qualifying disposal - a 4 year window of opportunity. So, you can rollover the gain into an asset you have already purchased.

Qualifying assets include:

- land and buildings
- milk and other agricultural quotas
- Ships, aircraft and hovercraft
- Satellites, space ships and space stations.
- fixed plant machinery

Depreciating assets do not qualify. A depreciating asset is one with the useful life of 50 years or less or will become so within the next 10 years. Gains can still be rolled into depreciating assets but the gain is only deferred and will crystallise on the earlier of:

- the data of disposal of depreciating asset
- the date the depreciating asset ceases to be used in the business, or
- the tenth anniversary of acquisition

There is nothing to prevent a subsequent rollover claim when the depreciating asset becomes chargeable provided the qualifying requirements are met. You can therefore use a depreciating asset to extend the reinvestment period by up to 10 years if you are not yet ready to make a more permanent purchase.

The asset must be used in a trade carried on by a person, partnership or company and the acquisition of the new asset must be by the same person, partnership or company.

The gain available to roll over can be restricted if the asset has not been used for the whole time for business purposes or when the total proceeds received on the disposal are not reinvested in a new qualifying asset.

Gifts of business assets to other people

There is a specific exemption from capital gains tax for transfers of assets between spouses or civil partners. Gifts to other relatives may still give rise to a gain as they must be accounted at market value. Relatives includes brothers, sisters, parents and children but not uncles, aunts, nephews and nieces. It also includes the spouse or civil partner, a relative and a relative of a spouse or civil partner.

If the business asset disposal is for less than market value gift relief may be of assistance. The deferral comes about by deducting the gain made by the seller from the base cost of the assets held by the new owner. The gain will become taxable on the new owner on a subsequent sale of the asset. Any cash received by the vendor in excess of the original cost is subject to tax.

The conditions for this relief are:

- the transfer is not arm's-length
- a claim is required by both individuals within five years from 31st January following the tax year of disposal
- The asset was used for the purpose of trade

As the gain is deferred, entrepreneurs relief is not available unless a gain arises because the asset was sold for more than it cost the seller and so an actual gain becomes taxable.

This is a simplified reminder of some very useful and totally legal ways to avoid paying Capital Gains Tax but if you want to make sure you get the planning right, speak to us before you do anything.

Changes to the rules on Re-organisations and Loan Notes

Paper for paper transactions were very popular but the rules have now changed. If you are thinking of selling a business in return wholly or in part for loan notes, come and speak to us because it is not as favourable as it once was and care is required.

European Tour discusses tax rules with HMRC

Current UK tax rules are discouraging stars from taking part in The Ryder Cup. The European Tour is therefore conducting talks with HM Revenue & Customs over its frustration with UK tax rules, set to discourage top seeded golfers from competing in the prestigious Ryder Cup in October. According to HMRC's rules, foreign stars are taxed on their winnings from UK events they participate in, as well as other income connected to their UK performance, including sponsorship and endorsements, which they may receive after they leave the UK.

The Ryder Cup is particularly problematic for players, since there is no prize money, as stars rely on sponsorship and endorsement arrangements.

'These tax rules are discouraging leading sportsmen and sportswomen from competing in Britain,' said Mitchell Platts, European Tour director of public relations corporate affairs. "Our aim is to attract the best players to provide the best entertainment for our audiences in the UK. This tax rule is seriously hampering our efforts. Discussions continue to take place with HMRC and these discussions include the Ryder Cup.'

Women's rights group to challenge emergency Budget

The Fawcett Society, the women's rights campaign group, is to take the government to court over the recent emergency Budget. The group has filed papers with the High Court in order to get a judicial review. It says it believes the government should have used an equality impact assessment to determine whether its Budget proposals would increase or reduce inequality between women and men.

The society says a top line assessment of the Budget measures shows that 72% of cuts will be met from women's income with the remaining 28% from men's, due to many of the cuts being to benefits that more women than men rely on.

Additionally, the changes to the tax system will benefit far more men than women. Samantha Mangwana, employment solicitor representing the Fawcett Society, said: 'Although public authorities have been subject to the gender equality duty for several years now, there is widespread ignorance not only about how strong these laws actually are, but also what specific steps are required to be undertaken.'

Rise in illegal dividend payments to directors

HMRC is asking insolvency experts to focus on the problem because of the escalating rate in the number of directors taking illegal dividends or loans from their companies, which is causing concern among HM Revenue & Customs and other creditors.

The temptation by directors of businesses to pay themselves an abnormally large special dividend before the increase in the highest rate income tax band to 50% on 6 April 2010 may have triggered the spate of illegal dividends.

HMRC is usually one of the largest unsecured creditors to insolvent businesses and has begun asking insolvency practitioners to specifically look for this problem. 2,169 directors of insolvent companies faced disqualification proceedings in the year to 31 March 2010, up 17% from 1,852 the previous year.

Directors need to be careful not to treat their business as a personal piggybank and especially if the company's financial future is uncertain. Illegal dividends can arise inadvertently, if insufficient care is taken when extracting money from your company. If this is a concern, give us a call.

Modernising HMRC debt collection

Debt collection agencies will be used by HM Revenue & Customs (HMRC) during 2010–11 to collect an additional £140m of tax debt.

The contracts have been signed with Commercial Collection Services Ltd, Credit Solutions Ltd, Fairfax Solicitors Ltd and iQor Recovery Services Ltd.

In the June 2010 Budget it was announced that, following a successful pilot, HMRC would use Debt Collection Agencies (DCAs) operating under industry and HMRC standards to boost HMRC's debt collection capacity and help the pursuit of lower value debts.

Before the debt is referred to a DCA, HMRC will write to the debtor providing a final opportunity to pay or reach an agreement with the department.

The Sales Prevention Department

"I write regarding your recent stay here at H*n Dundee and thank you for taking the time to highlight the issues you had during your visit.***
I am extremely grateful to have received your comments and recommendations regarding your experience.
Please accept my sincere apologies for the shortfall in service which you received on this occasion. This is not the standard you have come to expect from H*n Dundee.***
I look forward to welcoming you back to H*n Dundee in the near future.***

Yours sincerely
Deputy Manager"

This email has virtually guaranteed that I will never want to stay at the H****n in Dundee again. Why?
Well, let me explain. I have found that Dundee is an excellent stopping off point when I have meetings in Edinburgh. It has a range of hotels and restaurants to match a poor accountant's means and above all, easy parking and is only a short drive away from Edinburgh. There is also a child that needs constant feeding and watering!
On this occasion I thought I would try a new and very slightly more expensive hotel, the H****n.
Room was ok but we arrived just as the restaurant was closing. Not a problem, we could have something in the bar. The child, being attracted by food, joined us but a little late. Our drinks order was lost. Problem no.1. Then the child's food order was lost. Problem No.2. This was re-ordered with apologies. When the food order finally appeared, the mozzarella, red onion and roast vegetable Panini was missing the roast vegetables and the cheese and red onion were raw. It was accompanied by frozen chips. Is this the H****n?
Do you think they were having a bad kitchen day. Anyway, you can forgive any of these things as possibly a one off incident and so I duly completed their customer satisfaction form.
In the circumstances I think they should have made a significant gesture to try to retain a possible regular customer. Instead I get the email. There should have been the offer of a discount if we returned, or a free dinner or something to make us feel that our custom was important to them and to persuade us to give them a second chance. Their problem is not in the kitchen!
I can recommend the Holiday Inn Express in Dundee. Enough said?

Tax tips and tricks .....

It shouldn't happen to a vet ....

There has been considerable recent publicity regarding HMRC's national compliance strategy and in particular the focus on professionals which began with barristers and hospital consultants and could now be switching to Veterinary practices with an extensive pilot in South West England.

The focus of the enquiries is on status and benefit in kind issues and the main areas being examined include:

- Local veterinary inspectors - Status/Class 1 NIC
- Locums and Local Veterinary Nurses - Status/ engagement through agencies or direct.
- Accommodation provided - Cost paid/potential benefits in kind, P11D issues.
- Cars provided - "Pool" vehicles or otherwise, potential benefits in kind/P11D issues.
- Motoring and other costs reimbursed - were full records maintained /expense justified.
- Telephone provided/paid for - potential benefits.
- Third party payments/incentives from suppliers - were these accounted for correctly.

You may not be a vet but could you be next. If you are worried about any of these issues, get in touch and let's see if anything needs to be done to safeguard you in case you are next in the taxman's radar.

VAT and Cars

When you buy a car you generally can't reclaim the VAT. There are some exceptions - for example, when the car is used mainly as a taxi, for driving instruction or for self-drive hire.

You can reclaim all of the VAT if you meet one of these conditions:

- The car will be used **exclusively** for business purposes and you can show that it's not available for private use by your employees or anyone else. For example, your employees' contract of employment excludes private use including travel from home to the place of work.
- You intend to use the car **mainly** as a taxi, a driving school car or a self-drive hire car.
- You're a car dealer and the car will be part of your 'stock in trade' that you intend to sell within the next 12 months.

You'll normally be able to reclaim the VAT on a commercial vehicle like a panel van or truck that you buy for use in your business, so long as you follow the normal rules for reclaiming VAT.

However, sometimes it can be difficult to determine what is a car and what is a truck or van particularly where the van design is based on that of a pre-existing car.

HMRC have therefore issued new guidance on their interpretation of the definition a motorcar. The guidance refers to a list of car-derived vans on which VAT may be deducted (subject to the normal rules) as they are not seen as cars VAT purposes. The list has been compiled by HMRC and is based on information supplied by manufacturers and at any one time it may not be complete or up to date where models change or information has not been provided. But it may still help.

Entrepreneurs Relief (ER) Changes - QCBs and EIS

There have been some small but, to some of you, very significant changes to ER.

Changes to the rules relating to reorganisations involving the acquisition of qualifying corporate bonds or after 23 June 2010 mean that where the ER qualifying conditions are met at the time of the reorganisation but not when the QCB loan notes are disposed of, it is no longer possible to benefit from both deferral of the gain and ER.

If ER is to be claimed you must make an election such that the disposal crystallises in the tax year in which the reorganisation takes place. If the gain is deferred and the ER provisions are not met when the QCBs are disposed of, then ER is not available and the deferred game will potentially be subject to tax at 28%.

Changes have also be made to the interaction of ER and the Enterprise Investment Scheme (EIS) such that for qualifying ER gains realised after 22 June 2010, it is no longer possible to benefit from EIS CGT deferral relief and ER. In other words, to benefit from ER on the disposal, the qualifying ER gain cannot be deferred. Only amounts not qualifying for ER can be deferred as a result of the EIS investment.

There have been a lot of EIS capital gains deferrals as people realise capital to invest in renewable projects. In future, there may not be the same scope for sheltering games following the sale of businesses where funds could be invested in EIS based renewable projects.

Capital Gains Tax in 2010-11 - 18% or 28%

In relation to gains made on or after 23 June 2010, there will be two rates of Capital Gains Tax for individuals – a standard rate of 18% and a higher rate of 28%.

The higher rate will apply to individuals whose total taxable income and post 22 June 2010 chargeable gains exceed the Basic Rate limit for Income Tax purposes of £37,400. Broadly, this means that Higher and Additional Rate taxpayers will pay CGT on gains realised after Budget day at a rate of 28%, whereas for Basic Rate taxpayers the rate remains at 18%.

All gains realised by individuals before 23 June 2010 are taxed at 18%, regardless of the level of the individual's income.

When working out which rate of tax to apply for post-Budget Day gains, it is important to note that any gains realised before 23 June 2010 are **not** taken into account in working out whether the Basic Rate limit is exceeded.

Further, losses for the year and the Annual Exemption, which remains at £10,100, can be used in such a way as to minimise the overall Capital Gains Tax bill and set off against any gain during any part of the year.

The losses and the annual exempt amount should therefore be used against post 22 gains first where that gain is subject to 28% tax.

Business disposals will now qualify for a 10% rate rather than the gain being restricted by 4/9ths and the aggregate lifetime limit for Entrepreneurs' relief is now £5million.

That should be enough for most of you!