

# tlp - news

February 2008

The monthly newsletter of The Long Partnership

## **L**et's Get Real or Let's Not Play.

Come and talk to us about the value we can add to your business and then, lets agree a fair reward for delivering that value. We will not do work we do not think adds value and we will tell you if we cannot bring value to you.

## Quote

**"Failure is the opportunity to begin again, more intelligently."**

**Henry Ford,  
Founder of the Ford  
Motor Company**

## February Dates:-

20/21 - Alan is in  
Caithness

19 - Jan PAYE due

29- Corporation Tax  
due (March 07 year  
end companies) + CT  
Returns (Feb 07 year  
end companies) +  
Account to  
Companies House  
(April 07 year end  
companies)

February at last! That was fun. January is a very interesting month for us as it is for most accountants. The impending deadline of 31 January helps to focus everyone's minds on getting their books into us. Some do it earlier than others, but that's just human nature.

However, it does help to highlight a shift that seems to be taking place amongst small businesses. Many are now turning to us to "do everything" from writing up the books, completing Vat returns and then completing accounts. The whole job is outsourced and we are happy to do it. What we are finding is that we can do the whole thing for little more than we previously charged for the accounts because we can produce better accounting records and as it is all up to date and fully reconciled on a regular basis, any queries can be dealt with quickly as they are still in recent memory. We expect this trend to continue and are actively gearing up for the surge in demand.

Do you like our quote this month? Just for good measure, we threw in a few more on page 3, just because they took our fancy. The Henry Ford quote is a good one. We could also add the one that says "failure is just a step on the road to success". So many people try, fail and give up. That is a waste of the experience gained and lessons learned. Most people fail at something. It is not the failing that matters. Embarrassing, expensive, and frustrating it may have been. No, the important thing here is your attitude to the failing. Learn from it, understand why it happened, fill that gap in your

entrepreneurial armoury, take that course, read that book and do whatever is necessary, and then move on. Try again, and keep trying. Never give in!

## **Oh my Darling, Oh My! Darling....**

I wonder if Gordon Brown checked Darling's references before giving him the job. Capital Gains Tax, residence rules and changes for non domiciles all amended at short notice with minimal consultation and being changed all the time. You would expect a village shop is to be run better. Planning, consultation, forecasting seems to be missing. Do you think he needs an accountant? Sounds like one of those clients that only a brave or foolish accountant would try to advise. After some (very short) consideration, we will not be applying for the job.

## **New Year , yet more changes!**

Yet more changes to keep on top of, whether you are an employer or employee.

On returning to work in the New Year, many will be reaching for the travel brochures to plan their next holiday getaway. Now would be a good time to ensure that your employees (or your own) holiday entitlement has been correctly calculated. The minimum statutory holiday entitlement was raised from 20 days to 24 days per annum from 1 October 2007. This entitlement is inclusive of Bank Holidays.

Where the holiday year end is not 30 September, then employees are entitled to a pro-rated entitlement. The further increase in entitlement from 24 to 28 days applies from 1 April 2009.

As always, we are here to help if there is anything you need. Just call.

Alan, Helen and everyone at TLP

## Residence and Domicile

Following the Pre-Budget Report announcement that HMRC would be reviewing the rules on residence, HMRC have issued some draft legislation which is expected to take effect from 6 April 2008. The proposed legislation includes:

- amending the residence rules, so that days of arrival and departure to and from the UK will count towards establishing residence

- individuals who are resident (but not domiciled or not ordinarily resident) will generally have to make a claim to be taxed under the favourable remittance basis. There will be an exception to this rule where the unremitted foreign income and gains are less than £1000.

- individuals who are taxed on the remittance basis will not be entitled to the personal allowance or capital gains tax annual exemption, and

individuals who are resident (but not domiciled or ordinarily resident) for longer than seven out of the past 10 years will only be able to use the remittance basis of taxation on payment of an annual charge of £30,000.

This charge will not apply where unremitted foreign income and gains are less than £1,000.

HMRC confirm that the legislation is draft at present and should be regarded as 'work in progress'.

## Budget Day

**The budget will be on  
Wednesday 12 March**

## The new CGT regime: Where are we now?

From 6 April 2008 substantial changes to Capital Gains Tax (CGT) will apply to individuals, trustees and personal representatives, but not for companies.

- ◆ A main rate of CGT of 18% will apply to all gains other than those covered by the new entrepreneurs tax relief or the CGT annual exemption.
- ◆ A lower rate of 10% will apply to gains on certain business assets which are covered by the new entrepreneur's relief (see below).
- ◆ Capital gains will no longer be taxed by reference to income tax rates and bands
- ◆ Taper relief and indexation allowance (currently frozen at April 1998) are abolished.
- ◆ Rebasing of cost to 31 March 1982 value will be compulsory for assets held at that date.
- ◆ Simplification of the rules for matching certain assets (mostly shares) disposed of with assets acquired.
- ◆ The new Entrepreneur's relief will be available in respect of gains made on the disposal of certain business assets.

### Entrepreneurs' relief

Similar to CGT retirement relief which was phased out in 2002/03 but the qualifying holding period will only be one year.

The first £1 million of lifetime gains on qualifying business assets will be charged to CGT at an effective rate of 10-ish per cent. Gains in excess of £1 million will be charged at the normal 18 per cent rate.

An individual will be able to make claims for relief on more than one occasion, up to a lifetime total of £1 million of gains qualifying for this type of relief.

Applies when an individual:

- ◆ disposes of all or part of an unincorporated business or partnership,
- ◆ disposes of assets following the cessation of a business,
- ◆ disposes of shares and securities in a trading company (or the holding company of a trading group) provided that the individual making the disposal has been an officer or employee of the company, owns at least 5% of the ordinary share capital, and is entitled to exercise at least 5% of the voting rights.

### What is a 'business' for entrepreneurial Relief

A business will be any trade, profession or vocation, excluding property letting business, but furnished holiday letting is treated as a trade for this relief.

### Other existing CGT reliefs still available after 5 April 2008

- ◆ Principal private residence relief and letting relief
- ◆ Business asset roll over relief
- ◆ CGT relief under the VCT and EIS schemes
- ◆ Business asset gift hold-over relief
- ◆ Losses may still be carried forward

### Planning points - Banking v. losing indexation

Indexation will no longer apply from 6 April 2008 and some spouses have an opportunity to consider 'banking' their indexation allowances through inter-spouse transfers. Come and speak to us about your options.

### Deferred gains

Where a gain has been deferred say, under Enterprise Investment Scheme (EIS), indexation accrued up to 5 April 2008 will not be lost when the gain becomes chargeable after that date. Taper will not apply to deferred gains from 6 April 2008.

### Capital Gains Tax changes may be breaking European Law

European regulations which rule that changes to tax legislation must provide taxpayers with a reasonable period of time to assert their right to claim reliefs means the government's capital gains tax (CGT) reforms could be breaking the law.

Responding to the chancellor's readjusted CGT changes announced recently, the Institute of Chartered Accountants of Scotland (ICAS) said the reforms go against previous legal decisions which indicate that a transitional period of 90 days is required which is more than the time period proposed by Darling.

ICAS' Derek Allen said: "Taxpayers now have less than 10 weeks to rearrange their assets and, if necessary, try to arrange a disposal to protect some of the indexation relief which may have accrued because of inflation between 1982 and 1998. It is wrong to tax inflationary gains and it would be contrary to European Law to deny taxpayers sufficient transitional time to rearrange their affairs before the new legislation is enacted."

"At the very least, the chancellor should defer the implementation of this legislation for up to two years. If this is not possible, he should still allow taxpayers who owned assets at 6 October 2007 a period of up to two years to sell those assets and gain the benefit of indexation allowance."

### **The 10 cardinal sins: Entrepreneurial errors you must never commit—*From an article by Ty Freyvogel***

I've never known an entrepreneur who started a business without making a few mistakes. Certainly, you'll be no exception. You'll make them, try to fix them, and then move on. However, some entrepreneurs fall into traps that are bigger than mistakes. They are, in effect, entrepreneurial sins. Some of these sins will harm your personal life; others may irreparably damage your business, and still others will do both. Many entrepreneurs have committed these acts and, predictably, suffered their consequences.

In the interest of saving your entrepreneurial soul, here are the ten cardinal sins that you must never commit:

1. Not learning from your own mistakes.
2. Trashing your personal life.
3. Expecting customers to come to you.
4. Losing your soul. Success can change people, and not necessarily for the good.
5. Maxing out credit cards.
6. Keeping your idea a secret.
7. Thinking you don't need written contracts.
8. Starting a business without the passion factor. If you don't have it, you are far less likely to be successful. Being an entrepreneur is hard work, so you'd better want to jump out of bed bright-eyed and bushy-tailed every morning, anxious to get to it.
9. Choosing a bad location.
10. Trying to go it alone.

Of course, committing one or two of these sins may not kill your business, but it will certainly make things more difficult. Remember this list as you start to develop your business and pay careful attention to each sin. You, your family, friends, and business partners will be much happier if you avoid committing these sins. It will mean the difference between being a happy businessman (or woman) or being one who is wracked with worry and unnecessary pressures caused by bad decisions.

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We thought you might be interested in Ty Freyvogel's list. We did not have space to print it all. However, the lesson is to come along and speak to us if you are thinking of embarking on a new venture. We have seen other peoples mistakes (and successes) in action and can help to guide you through the entrepreneurial minefield.

**C**ommunication—Just because we speak the same language.....

A woman seeking a divorce went to her lawyer. The first question he asked was "Do you have grounds?"

She replied "Yes, about two acres."

He said, "Perhaps I'm not making myself clear. Do you have a grudge?"

She responded, "No, but we do have a carport."

Impatiently, he tried again, "Does your husband beat you up?"

She smiled and said, "No, I generally get up before him."

The lawyer switched approaches in one last effort, "Ma'am, are you sure you really want a divorce?"

She replied firmly "I don't want one at all, but my husband does. He claims we have difficulty communicating."

*Is there a lesson here for us all? Lawyers and accountants beware!*

#### **Quotes - risk & investment:**

"If no one ever took risks, Michelangelo would have painted the Sistine floor." Neil Simon—playwright

"October is one of the peculiarly dangerous months to speculate in stocks. Other dangerous months are July, September, April, November, May, March, June, December, August and February." Mark Twain.

"The best time to plant a tree is 20 years ago. The second best time is now." Anon

"There are more fools among buyers than among sellers." French proverb.

# What are the 5 most painful aspects of running a business?

There are a number of possible answers to that question. Here are the five that we hear most often.

Bookkeeping

VAT Returns

Loneliness, working on your own and making decisions in a vacuum with little or no support.

Worry, sleepless nights (generally about cash flow)

Large accountancy fees (and you only get them after the work is done!)

We have been listening to what you have been telling us and working on solutions to these problems. Here is what we can do to ease the pain that you are feeling. What if we were to:

Give you free, easy-to-use accounting software and show you how to use it at no extra charge, and

Give you a fixed fee (in advance) for the next 12 months work with the guarantee that you would not be charged any extra unless you specifically authorise us to do extra work, and

Set up a standing order so that you pay your fixed fee monthly over 12 equal instalments, and

The software, at the touch of a single button, allows you to send us a copy of your records over the internet so that we could discuss them with you.

Would that help?

Alternatively, why not just let us do all your bookkeeping, vat returns and accounts on a fixed annual fee as set out above payable by 12 monthly instalments. We have found that the keeping your records up to date in this way means that your year end accounts can be done quicker and more efficiently, and that this almost pays for the bookkeeping.

And then there is the peace of mind. What is that worth.? VAT and Income Tax records kept up to date and in good order. Never needing to worry who might want to look over your accounts.

In the event that the Revenue do call in your records, the records themselves are good, the accounts produced from them are more reliable and in addition, our fee protection insurance will pay any fees for dealing with HMRC, so no accountancy fee either. Peace of mind indeed!

Some of our clients have already signed up to the new way of working. We will be discussing these opportunities with many more over the course of the next year. If you wish to implement the system sooner, give us a call. We like it and we think you will too.

## **Advance warning of forthcoming event**

We are in the process of organising an evening event in Kirkwall in April

The event will include:

A brief overview of our new free accounting software

A short presentation on investments and tax by Graham Burns and Mike Burrowes of Clarkson Hill, Independent Financial Advisers.

There will be an opportunity to talk to Graham, Mike and us over some light refreshments following the presentations.

More details in our March newsletter