

tlp - news

February 2009

The monthly newsletter of The Long Partnership — www.thelongpartnership.co.uk

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

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.

Call us on:

01856 878600

or **01847 890304**

Quotes

"You make the world a better place by making yourself a better person."

Scott Sorrell

"We must take change by the hand or rest assuredly, change will take us by the throat." --

Winston Churchill,
Former British prime minister

Dates:

Tue/Wed - Alan & Helen in Thurso

How was it for you? For most people January is a quiet month, following all the activity and excesses of Christmas and New Year.

It is certainly not quiet for us at The Long Partnership. January is our lambing or calving. It is a challenging time when our organisation and nerves are tested to the extreme. But we came through it and every client's tax return was filed before the deadline, even ones who only gave us their books in the last few days of January!

We must at this stage say our thank you's. Firstly, we have to thank all our clients and everyone else that we deal with for their patience over the last few months. Opening the office in Thurso and merging our existing client list in Caithness with Stuart Whiteley's has taken a lot of our time and resources and this has meant that we have not always been available when you wanted us, and some things have taken a little longer than we would have liked. Therefore, thank you for your patience and understanding. Things should be starting to get back to normal now.

Secondly, we must thank the TLP staff in Kirkwall and Thurso for their hard work and dedication. Without them we could not have got through the work that we did in the run up to 31 January.

As we start to settle into a more normal routine after the mayhem of January we find that there are certain fundamental questions akin to the meaning of life that come to mind.

Question 1 – If a ship is built specially for a particular route and the piers are built specifically for that ship to operate, why is it cancelled for tides? Are these new tides since P&O operated the routes with their old second hand vessels?

Question 2 – Have you heard the new safety broadcast on the Hamnavoe? Is it me or does he sound as if he is taking the mickey in the way that certain words are emphasised?

Question 3 – If we ask questions 1 and 2, will

we ever be allowed back on the Hamnavoe? We'll just have to wait and see.

There are very few businesses now that do not use computers. Some business owners don't like a computer because they can't get it to cringe. Whatever they say or do, however emotional or angry they get, that machine just sits there and blinks, and emotionally they don't like that. But successful people have faced the fact that they have to use technology. The time for computer illiteracy has gone. You're going to have to get with that in order to keep pace, but control it and not let it control you.

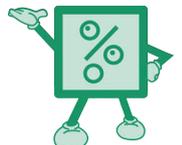
People are doing a better and better job of blending new technology with keeping control. Now there are a lot of businesses and a lot of people who get trapped, being controlled by the technology. One of the things we find when people get computers is they begin to use them for more than they ever intended to use them for, just because it has the capability to do it. Don't get caught in this trap.

Another important element in achieving success is getting better and better at being a great organiser of people, of time, of money, of energy. When you consider the cost of doing business today you can't afford to waste any of these. You can't afford the slump. A little bit of waste could kill your business. Margins are tighter than they have ever been so you need to run a lean and tidy ship.

For many reasons there are more demands than ever on your time. If you run your own business you will find that the demands on your time are very pressing, so use your time well.

You know there are some people for whom a desk is a wastebasket with drawers and there's a problem with that. We may joke about that kind of thing and we think that's funny and we say that a clean desk or clean office is the sign of a sick mind. But, I defy you to find a highly successful person in business who actually is not supremely well organised. Food for thought.

Alan, Helen and the teams at TLP in Kirkwall and Thurso



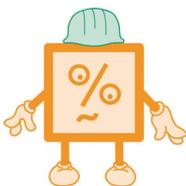
All Change Ahead!

Tax returns over for another year, the next task in practical terms is to prepare for payroll year end, with online process once again the focus. All employers with 50 or more staff have to submit their year end returns online, and small employers can still get a financial incentive for doing so voluntarily, although the amount reduces to £75 for this, the last year of voluntary online filing.

Also on the horizon are a number of developments in tax administration. Most immediate is the commencement of the new penalty regime for inaccuracies on returns which result in an underpayment of tax. This regime is in the run up to full implementation, with taxpayers now subject to the penalty regime in respect of errors made currently, if they affect a return due to be filed on or after 1 April this year.

April also sees the commencement of the new compliance procedures which were legislated for in the Finance Act 2008. There was widespread concern about the new powers that HMRC gained in the legislation, and the new process is swinging into place over the coming two months. HMRC has a huge task to retrain all compliance staff in the new process, but have produced an online training resource which all staff working in compliance will be required to complete before using the new powers.

It is true to say that 2009-10 will be a year like no other before in tax, with wholesale changes affecting almost every aspect of practical tax work. There are more powers and penalty changes to come, and the coming year will bring challenges on every front. And that was before the economic conditions became so bleak. Looking back, January now looks like a "safe haven" that we are leaving to sally forth on the tide of change. As always we will keep you informed about any new developments that might affect you..



Huge increase in online filing

HMRC benefited from the tendency of taxpayers to leave their tax returns until the last minute this year, as returns had to be made online to avoid a penalty for all but a handful of taxpayers. The number of taxpayers filing their returns online by 31 January this year jumped to 5.75 million – a 50 per cent increase on last year's figure, with 67% of all self assessment returns filed online by 31 January.

The peak filing day this year was Friday 30 January, with 390,000 returns filed in one day – up from the peak day last year of 185,000. If returns were filed round the clock on 30th this means HMRC were receiving 16,250 per hour; more likely, however, that the filing period ran for around 18 hours meaning that they coped with almost 22,000 returns an hour, or 361 per minute – that's 6 every second!

Over 50, then start your own business

Here is the proof. Age really is no barrier.

Ray Kroc - Founder of McDonalds

Raymond Kroc is best known today as the tycoon behind McDonalds, but he didn't hit upon the idea until he was **52 years old**. Having spent several years as a salesman for Lily-Tulip, a company that made multimixers for creating milkshakes, he heard about a small restaurant in San Bernardino, California that was doing a roaring trade serving only hamburgers, fries and milkshakes run by two brothers, Richard and Maurice McDonald.

Sensing an opportunity, he suggested a franchise arrangement and went on to open over 130 McDonalds restaurants. He bought out the McDonald brothers in 1961 for \$2.7 million and by the time of his death in 1984, owned 8,300 restaurants in 34 countries, with sales amounting to more than \$10 billion. The chain revolutionised (and some might argue, invented) the fast food industry as it stands today and its long chain of expansion continues its relentless pursuit across the globe to this day.

Colonel Saunders - Founder of KFC

Yet another fast food icon and probably the best known face in the industry, Harland Saunders, better known as 'the Colonel' founded Kentucky Fried Chicken (KFC) at the ripe old age of 65. Saunders had many jobs in his lifetime, including a stint in the US Army as a private posted in Cuba.

At the age of 40 he began working as a chef at a service station in Corbin, Kentucky where, among many other dishes, he perfected his legendary fried chicken recipe. In 1935 he was given the honorary title of 'Kentucky Colonel' by Governor Ruby Laffoon, and Saunders chose to use the title and dress in typical Southern gentleman style to promote his business.

The introduction of interstate roads reduced the level of traffic passing through his service station restaurant so, **at the age of 65**, he decided to use his first social security cheque to fund visits to potential franchisees. The chain expanded to include 600 franchises across the US and Canada. He eventually sold the KFC Corporation in 1964 for \$2 million, but retained the company's Canadian operations, which he continued to run until his death in 1980. His face remains the symbol of KFC around the world.

..... So, you cannot use age as your excuse! Think of another.

Warning! Taxman is watching you buy and sell on the internet

Accountants have been warned to probe clients on their online trading activity. The warning comes as a result of Revenue & Customs investigating businesses using social media sites.

The Revenue is increasingly monitoring the use of online trading activity in the form of social media and blogging sites as an extension of its practice to monitor small ads in local papers and online 'auction' sites such as Ebay. Mark Lee, Chairman of The Tax Advice Network, has warned accountants that the Revenue will be looking into their clients' online activities more closely.

'As a result of blogging or dabbling in social networks, clients could be generating income through affiliate links with Amazon, Google AdSense or other less well-known businesses that generate sales through affiliates,' he said. 'The point is to be aware that the Revenue are looking, or could be looking, and that they could check back later if they have reason to think a person has not been truthful,' Lee added. You have been warned!

Accountants are not professionally obliged to promote environmentalism.

We included a piece last month by Rob Lewis promoting this argument. Here is the reply by **Jairo Rojas, director general, BASDA - Source Accountingweb.**

Much of what Rob Lewis says can't be disagreed with – it's just that some of his conclusions don't necessarily follow. He states that "the only social responsibility of business is to improve its profits" and that "as trusted business advisors, accountants are only obliged to help their clients run better businesses" – absolutely, but neither of those statements goes against the case for accountants helping set and drive the green agenda.

Let's leave aside the scientific arguments and the debate as to whether organisations are doing this from conviction or more cynically. Let's focus on how embracing the green issue can be good for business.

How are profits improved? Simply by increasing revenues and reducing costs. At BASDA (The Business Application Software Developers' Association – the UK IT trade association) we have seen our customers falling into four broad revenue or cost-driven groups:

- Green leaders – those organisations embedding environmental concerns and CSR into their brand and using this as a business differentiator. Examples from near-history would be The Body Shop and The Co-op Bank. More recently Marks & Spencer and BP. The focus here is to create competitive edge to win more business. The green issue is being used to drive revenues.
- Supply chain followers – these are often suppliers to the leaders and their policies and actions are driven by the green promises of their major customers or the green demands of doing business with the public sector. The focus here is to keep clients and, over time, win more business – again a revenue focus.
- Cost savers – these organisations may dress themselves up as leaders, they may even win green awards but the focus is really cost reduction and this is often the business case used to sell the green initiative to the board. For example, The Post Office – they made significant fuel and hence cost savings by improving transport efficiency – they didn't focus on reducing the amount of junk mail that they had to deliver in the first place.

Legislation-driven – these companies will only act when changes in the law force their hand. The speed of reaction required depends on the industry. For example, power generators face more pressing green demands than the financial services sector. Unless a company decides to become a leader then the focus here is the cost of staying in business.

The accounting profession has a key role to play in guiding each of these types of businesses.

What is the definition of a "better business"? That takes in much more than just financial performance and evolves over time, taking in aspects such as health and safety, ethics, employee welfare and customer satisfaction. But given a choice aren't people more likely to buy from and work for better businesses? Following Rob's argument wouldn't we still have boy chimney sweeps, slavery and slum housing for workers? For example, didn't the altruism and pioneering standards of Cadburys and Rowntrees help them become "better businesses" and hence make bigger profits too?

Software is the engine which powers today's business processes from order taking, purchasing, manufacturing and distribution through to accounting and audit. It is in both the software industry and accounting profession's interest to make sure that the move to a greener global economy can actually be achieved in a timely, cost-effective, practical way – that doesn't impact profits and growth.

In effect that means helping set standards, lobbying for the right legislation, demanding consultation and practical implementation times and minimising unnecessary differences in country-specific requirements. Whether an individual or organisation views these as ways to drive revenues, reduce costs or to become a better business does not really matter. As Rob says, "environmentalism is a personal moral choice (unless it becomes law)". Everything that BASDA is hearing, from the EC down, is that legislation will not be far away.

Ministers unveil £20bn small firms bailout

The government has unveiled a multi-billion pound package of support aimed at helping small companies survive the economic downturn.

Business secretary Peter Mandelson revealed up to £20bn of short term bank lending is to be guaranteed to firms with a turnover of up to £500m.

The measure is aimed at encouraging banks to increase the amount of money available to SMEs as the guarantee removes the risk associated with loan defaults should businesses go bankrupt.

It is hoped that as a result of the scheme companies hit by the downturn which would otherwise be turned down for funding will be successful at securing finance.

"UK companies are the lifeblood of the economy and it is crucial that government acts now to provide real help to support them through the downturn and see them emerge stronger on the other side," Mandelson said.

At the same time, the government also unveiled the Enterprise Finance Guarantee Scheme (EFGC) securing up to £1.3bn of bank loans to small firms with a turnover of up to £25m.

The Federation of Small Businesses (FSB), which has campaigned for such a scheme, welcome the EFGC's launch but said banks must now actively promote it to their business customers.

FSB national chairman John Wright said: "The banks now have no excuses and we will be encouraging our members to apply for these funds while keeping a beady eye on the banks to ensure that they are lending actively and fairly."

Source - Accountingweb



Crunchers
WE LOVE BOOKKEEPING

Tax Planning Tips and Tricks....



Some Quick Tax Tips for Directors

The National Insurance system works differently for directors. NI for directors is calculated on a year to date basis, therefore a director can earn £5,435 (08/09) before either the director or the company are due to pay any NI.

Directors are **not** usually subject to the minimum wage unless they have a contract of employment with the company.

If a director leaves an employment where NI has been calculated in the usual fashion, a NI rebate may well be due.

Directors have to pay tax on Benefits in Kind no matter how high or low their earnings (the £8,500 lower limit does not apply to directors).

The Directors Current Account is used to track how much is owed by the company to the directors (or vice versa). Often when a company is formed the directors introduce cash or equipment to the business, the value of which should be put into the directors current account for repayment.

If the company owes money to the directors it can be paid back without any tax being due (as it is simply a repayment of a loan) and, if appropriate, should be repaid in advance of salary or dividends.

If the Directors owe money to the company, repayment should be made within 9 months of the year end, otherwise tax is due on the benefit of the loan.

Some Tax Tips for Employees

Check your tax code - Your tax code should be - 603L. Your code would only usually be lower if your company provide you with any benefits (i.e. Car, Medical Insurance etc.), or if you have underpaid tax from previous years.

Keep all your tax related paperwork i.e. Change of tax code forms, End of Year P60 and P11D, and your P45 if you change Jobs (your new employer will need your P45 when you start a new job).

If you have children living with you, you may be entitled to Children's Tax Credit.

Company Cars can really hit your tax allowances and leave you with a lot less money in your pocket. The Fixed Profit Car Scheme lets your employer pay you to run your own car. The rate per mile is 40p for the first 10,000 miles and 25p per mile thereafter. Often a better option and tax free!

Mileage Allowances can be set against tax on your tax return at full Fixed Profit Car Scheme rates even if your employer pays mileage at a lower rate. This is a simple claim and could result in a refund of tax previously paid. Alternatively the business proportion of the actual costs can be calculated, including some Capital Allowances. Even some interest can be claimed on a car loan - see booklet IR125 available from the Inland Revenue website.

If tax has been deducted on Emergency Tax Code or at Basic Rate there is a fair chance that you could be due for a tax refund at the end of the year so speak to us..

Advantages of a Limited Company - a Quick Guide

There is less risk to personal and family assets than there is with sole traders or partnerships.

These days a company only needs one shareholder who can also be a director, and a company secretary who does not need to be a director.

Shareholder Directors can select a package of Low Salary and Higher Dividends aimed at reducing Tax and National Insurance both for the individual and the company. Savings can easily be over **£1,000 per year** if sole trader profits are as low as £20,000, and **over £3,200 per year** compared to a sole trader with £45,000 profit but there are additional costs and you have to be both organised and disciplined in your approach. We will keep you right.

Shareholdings can be split between family members to spread the dividends and reduce higher rate tax liability (or eliminate it all together) but speak to us about this first.

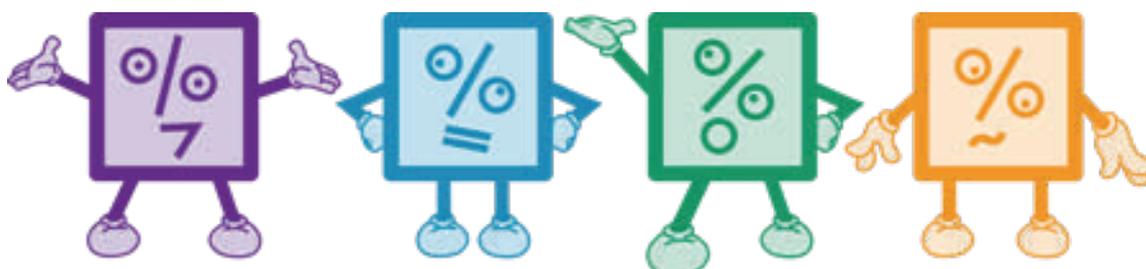
Companies with profits below £300,000 pay tax at just 21%, rather than basic rate of 20% or higher rate of 40% personal tax and Self Employed National Insurance of 8%.

Limited Companies can be easier to sell than Sole Traders or Partnerships.

There are a few disadvantages, but as long as the company does not trade whilst insolvent and there is no fraud there is very little risk to the directors.

There is a higher paperwork burden with a company but the advantages will often outweigh the disadvantages, but some people want a simpler life. It is up to you at the end of the day to decide on your priorities. Come and discuss it with us.

The **Crunchers** are coming!



Contact Cruncher Calum Reay on 0845 077 3877 or 07525 324898 to find out more now.