

tlp - news

January 2010

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

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Quotes

"The starting point of all achievement is desire. Keep this constantly in mind. Weak desires bring weak results, just as a small fire makes a small amount of heat."

-- Napoleon Hill, author

"Every man, however wise, needs the advice of some sagacious friend in the affairs of life."

-- Plautus, Playwright

Date in January

31 Tax Return
Filing Deadline

Happy New Year and may 2010 exceed your expectations in only the best ways. It's going to be an interesting year for us, but then we say that every year.

How was Christmas for you? We had a great day with four generations of the family in one room all having too much to eat, and all the rest. Woke up next morning feeling like there was a turkey sitting on my stomach. Another family day followed with other children and more to eat, more presents, etc.

I had a look in the fridge the next morning before anyone else was up and saw all the leftover meat and puddings as well as the cheese, etc that we have bought for the teas that no-one could manage and wondered who was going to eat it all. And we thought we had done quite well this year and not bought too much. Does this sound familiar? Anyway, it all seems to have disappeared although at least some is in the freezer.

So, what's next? If you have your own business, you are never really on holiday. We started again immediately after Christmas and then had a brief break at New Year. This is Scotland after all is said and done. The weather was a bit of a trial and roads south of Inverness were difficult but we did not let that stop us. I hope your New Year was as good for you as it was for us.

Our plans for 2010 are starting to take shape. We always need to know where we are going, We need to be moving forward and building, creating, doing the best we can with the resources available. I think that everyone of us owes it to ourselves to play our best game with the cards we have been dealt.

So leaving aside the cash flow projections, the projected sales figures, staff planning and all the detailed stuff we do, what are the broader life changing resolutions that are going to colour your 2010?

I don't think that New Year resolutions work. Everyone expects them to fail and so that is what they do. If you do not absolutely believe that something is true or that it will happen, then the doubts in your own mind will justify

why you can give up. So don't make any. Take a few moments, hours or days and think about the direction of your life and what "change of lifestyle" decisions you have to make.

I find New Year is a good time to implement these but I don't call them New Year Resolutions. It's just that Christmas is a good time to unwind, step back and think and to decide how you are going to take your life (and business) forward. 2010 is a blank canvass on which you can paint whatever you want. You are in control. So, what pictures do you want to paint?

You are never too old to make changes or start something new. There are plenty of examples of people who have kept hustling and made it at an age when so many are thinking of retirement.

One of my favourites is Raymond Arthur Kroc who is responsible for bringing us the Big Mac. Born in 1902 in Illinois, he dropped out of school and at the age of 16 enlisted as an ambulance driver in the First World War. After various business ventures he came upon The MacDonald Brothers Restaurant in San Bernardino and set about making this into the Macdonalds that we now know. He was 52 at this time. Within 10 years he had sole control of the business and never looked back.

"The two most important requirements for major success," said Ray Kroc, "are first, being in the right place at the right time, and second, doing something about it".

Simple as that. But here is another telling quote from Ray Kroc:

"I believe in God, family and MacDonald's, and in the office, that order is reversed".

So, take your business seriously, take action and move forward and don't use the R-word (yet). But first we have January, and getting tax returns completed. That is something that I don't think will ever change. We now give a discount to people who put their records into us promptly to mitigate the annual January frenzy but it will never entirely disappear. I think it's the challenge we enjoy.

Alan, Helen and the teams at TLP in Kirkwall, Thurso & Inverness.

Football clubs under threat from HMRC

Several football clubs, including Premier League Portsmouth began the New Year in a state of financial limbo, with reports circulating that HMRC had issued a batch of winding-up orders against clubs to recover unpaid tax liabilities.

Notts County and Cardiff have also been caught in the spotlight.

The Times reported that HMRC's case against Portsmouth's is odd, as the club is reportedly only two months behind on its payments of VAT, PAYE and NIC payments.

A number of other clubs including Cardiff City and Notts County are reported to have been threatened with winding-up petitions in recent weeks.

With the January transfer window now in operation, the Times speculated that HMRC may be reminding clubs about their outstanding tax bills before they decide to buy or sell players.

An HMRC spokesman said the department was unable to comment on specific cases, but denied that there was a concerted campaign against football clubs this January.

Winding-up orders are only used as a last resort if repayment agreements are not adhered to, he added, and the department would seek wherever possible to give taxpayers time to agree repayments.

Meanwhile, if Portsmouth manages to negotiate these financial hurdles, it then faces the prospect of an HMRC tax evasion case against its chief executive Peter Storrie over tax allegedly unpaid on defender Amdy Faye's £250,000 signing on fee.

Lawyers acting for former manager Harry Redknapp and former chairman Milan Milandarić said they had been informed by HMRC that their clients would also be charged during the week of 11 January.

The End of Furnished holiday lettings (FHL) — HMRC Guidance

Furnished holiday letting activities will terminate in April 2010. Some interesting and quite generous transitional rules have been published.

HMRC guidance on the change includes:

- **Capital allowances:** Capital allowances are not available in respect of plant and machinery in a dwelling house which is let. So the move to classifying FHL activities as normal lettings will mean that capital allowances cannot be claimed in respect of expenditure incurred on or after 6 April 2010 (1 April for companies). However, the guidance document states that capital allowances **will be available** on the remaining expenditure in the pool for businesses which have commenced prior to the date of change but no additional expenditure can be added to the pool of expenditure after April.
- **Wear and tear allowance:** FHL operations are excluded from claiming the 10% wear and tear allowance, but will be permitted to claim this in future in addition to any residual capital allowances.
- **Landlords Energy Saving Allowance:** There is a tax allowance of £1,500 per property in respect of certain energy saving expenditure (such as insulation) which will now be available on FHL properties.
- **Losses:** Unused losses for income tax which are carried forward from 2009/10 will be treated as property business losses incurred in that year and will be available to set off against other property business profits in 2010/11 and subsequent years.
- **CGT entrepreneurs' relief (ER):** The business will cease to be a trading activity after 5 April 2010 and the business will be deemed to have ceased for the purposes of Entrepreneurs' Relief, even though the business may continue as an ordinary property business. This means that any disposal of assets in the three years following will be treated as the disposal of assets of a business which has ceased, and Entrepreneurs' Relief will be available in respect of the disposal, provided other relevant conditions are met.
- **CGT rollover relief:** Rollover relief will no longer be available on the reinvested gains arising on FHL assets disposed of after 5 April 2010. Generally speaking, gains rolled into FHL assets are not affected, but of course these gains cannot be further rolled over on subsequent disposal. Where a gain has been held over into an FHL depreciating asset (special rules apply) the change will not trigger an earlier charge to tax.
- **CGT holdover (gifts relief):** There will be no relief for FHL assets gifted after the date of change, but assets which have been obtained subject to a hold over election will not be affected. Any latent gain will be taxed on eventual disposal as normal.
- **Relief for loans to traders:** Loans made before 6 April 2010 which have qualified for relief under the loans to traders provisions will not be affected by the change, and will continue to be a qualifying loan.
- **Substantial shareholding exemption (SSE):** The relief available to exempt the gain on the disposal of a substantial shareholding in a trading company will terminate on 31 March 2010, but there is a transitional rule which will allow certain disposals to attract the exemption if sold within 2 years of the date of change.

How the Noughties Changed Business

The last decade has seen seismic shifts in the business landscape and one of the big changes has been an eastward migration of economic power and influence. Social networking has changed the way businesses interact, working patterns have shifted and the environment has moved up the agenda. Search engines have delivered the sum of all human knowledge to the fingertips of anyone and everyone. There has also been a proliferation of information outlets including 24 hour news. Blogs and online feedback have altered the way that businesses market to and interact with customers. You can now find us on Twitter!

Business networking sites, such as Linked In, have provided a low-cost way for entrepreneurs and others to market their skills and services. This, combined with the free availability of open source, integrated 'office' software has induced the birth and growth of new businesses and business models.

And these changes are going to continue. It's inevitable, you cannot stop it.

UK technology leads 'driverless' car pilot – From Times Online 3 January

UK technology and planning has been put at the forefront of a revolutionary traffic system that allows cars to 'drive themselves'. The Sartre (Safe Road Trains for the Environment) pilot scheme, co-ordinated by a UK company, uses innovative navigation systems to form 'roadtrain' convoys that are led by a lead vehicle, such as a bus or taxi, which pursuing cars then follow.

The system, which offers similar benefits to cruise control functions already available in most cars, has been designed to increase road safety while reducing the environmental impact of motorway driving by 'pooling' groups of cars together.

A large group of vehicles travelling at similar speeds creates a slipstream of 'clean' air that reduces the impact of drag on each car, saving fuel over long distances. A convoy of cars will also allow for better utilisation of the roads by reducing the amount of overtaking that is otherwise involved in independent travel.

The aim is to encourage the development of safe and environmentally effective roadtrains. By developing and implementing the technology at a vehicle level, Sartre aims to realise the potentially very significant safety and environmental benefits of road trains without the need to invest in changes to road infrastructure.

If initial testing of the pilot scheme proves successful, the long-term roll-out of such a system could become a reality across the continent within 10 years.

Do you think it will work on the A9 in the snow? What about Berriedale?

Anaerobic digestion biogas to provide 10% of UK energy by 2020

The Anaerobic Digestion and Biogas Association (ADBA) predicts that farmers, commercial operators and local authorities will build 1000 anaerobic digestion biogas plants in the next five years at a cost of £5 billion, mostly funded by the private sector. The anaerobic digestion biogas plants could meet two thirds of Britain's renewable energy targets by 2020, ADBA says.

Anaerobic digestion, which is already widely implemented in EU countries such as Germany and in the water industry in the UK, uses micro-organisms to break down agricultural and household waste to produce methane gas, which can then be converted into electricity or heat or injected directly into the gas or electricity grids.

ADBA believes the industry will employ 20,000 - 40,000 people producing up to 20% of Britain's domestic gas supply.

Lord Redesdale, Chairman of ADBA says: "At a time when the cost and security of our gas supply is in jeopardy, when there is so much public support for renewable technologies, and when we do not look like we are going to hit our renewable and recycling targets, it is surprising that anaerobic digestion is not one of our top priorities. Anaerobic digestion will convert waste into power, with the added benefit that the residue is a fertiliser that can be put back on the land."

At present there are only a small number of anaerobic digestion biogas plants in England, however over half a billion pounds has already been committed to anaerobic digestion biogas plants that are currently being built or awaiting planning.

ADBA predicts that 75% of anaerobic digestion biogas plants will be in the agricultural sector, helping farmers to diversify into energy and reduce their overheads. 25% of plants will deal with municipal or household green waste helping councils cut their waste bills and meet their waste targets

ADBA says it will be producing a waste map of England over the next year to facilitate the construction of anaerobic digestion plants regionally.

Biogas could heat 50% of UK homes. Up to half the UK's domestic gas heating could be met by turning waste into biogas, according to a report from National Grid.

Could biogas be used to power fuel cells? One of the major problems for fuel cells is the fuelling infrastructure itself. Hydrogen – the fuel of choice from an environmental or energy efficiency perspective – is not yet widespread enough to drive fuel cells towards the mainstream, and other fuel choices such as natural gas are equally problematic. But one fuel cell company in the USA has found an answer by powering fuel cells with biogas derived from a number of different applications.

To find out more about installing an anaerobic digester contact Colin Risbridger or Sam Marcus on 01857 677 888 or email to info@heatandpower.ltd.uk

Tax, not cuts to plug public deficit

The Public and Commercial Services Union estimates a £2.7 billion rise in uncollected taxes last year and attributes this rise to staff cuts at HMRC. It says that HMRC should focus less on spending cuts and more on chasing the £130 billion in uncollected, evaded and avoided taxes.

The PCS estimates that £70 billion is lost through tax evasion, while £25 billion is lost through avoidance. 25,000 job cuts at HMRC and plans to close 200 offices by 2011 are the reason for the £2.7 billion rise in uncollected taxes last year.

While the PCS was keen to link this with staff cuts, many in the profession feel it's a symptom of the recession.

"The amount of uncollected tax is something which is highlighted every year in HMRC's report. Inevitably one of the key reasons it has gone up this year is that the economy has been struggling - but it does need to be pursued, just as any business needs to pursue its debtors", commented John Whiting, tax policy director at the Chartered Institute of Taxation (CIOT).

Online banking failures at Halifax and Barclays

Barclays, Halifax and Bank of Scotland customers reported problems online on Monday 4 January due to the high volume of people checking their accounts on the first working day after the festive break.

Does that mean that they waited till they got to work before going online to check the festive damage

"The important thing is to learn a lesson every time you lose." John McEnroe, tennis champion.

P.S Remember, you never have failures, only experiences.

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Tax Planning Tips and Tricks

FHL and Capital Allowances

Any business intending to continue in the FHL activity would be wise to spend as much as they can now afford replacing items of furniture and white goods for the property. In addition to being permitted to claim AIA of up to £50,000 in the current period, plus 40% FYA on the balance, the residual expenditure in the pool will provide a trickle of allowances for the foreseeable future, as allowances on the existing pool will continue. If owners are considering selling up this presents a challenge, as they may incur a substantial balancing charge on disposal if they have claimed allowances on expenditure in the last year or so. Note that wear and tear allowance will be available in addition to capital allowances!

FHL and Entrepreneurs' Relief—Update

It was originally suspected that owners would have to sell by 5 April 2010 to secure ER, but the deemed cessation rule permits the subsequent sale of the assets within a three year period after the change which will qualify for ER under the "cessation of business" rules. This will apply to both individual property owners and partnerships, and whether the FHL activity continues for a while after April 2010, as the cessation is "deemed" by the change in the rules in April 2010. This means that owners effectively have a further 3 years to decide whether to sell up or not. However, watch out for possible changes in the rate of CGT.

Do you export to EU countries

At present, any trader who is registered for VAT in the UK and supplies goods to traders registered for VAT in other EC Member States is required to provide lists of their EC supplies. As of Jan 1 2010 this now also includes services as well as goods. This change to legislation will affect any business who:

- Supplies services to or receives services from overseas business
- Supplies goods to other EC countries
- Reclaims VAT incurred in another EC country

Online VAT Returns from April 2010

This will affect:

- All VAT registered businesses with a turnover of £100,000+
- All businesses who registered for VAT, from 1 Apr 2010

If your business falls into either of these categories, you must file your VAT returns online and pay any VAT due electronically. This applies to all returns covering accounting periods beginning on or after 1 Apr 2010 and paper returns will no longer be issued for these periods.

Small Employers and Year End Payroll

New regulations introduced on 13 August 2009 mean that virtually all employers are required to file their Employer Annual Returns (P35 and P14s) online from the 2009/10 tax year onwards.

HMRC has updated its online guidance, including all year end guides. The key guides relating to end of year will also be published on the Employer CD-ROM which is due to be issued in February.

Integral Features

Finance Act 2008 introduced this new category of plant and machinery qualifying for capital allowances. It includes:

- An electrical system (including lighting)
- A cold water system
- A space or water heating system
- A lift, escalator or moving walkway
- External solar shading

Capital allowances are available on the provision or replacement of such items. A repair becomes a replacement when the expenditure exceeds 50% of the cost of actual replacement of the item. These rules do not apply to dwelling houses (e.g. rented accommodation) but a 10% wear and tear allowance is available in those circumstances.

Where there's muck there's tax relief

HMRC have agreed that silage clamps and slurry pits will qualify for capital allowances and so any expenditure on these is likely to qualify for the Annual Investment Allowance at 100% of cost up to the limit of £50,000.

Small Companies rate stays at 21%

The rate of tax paid by companies with profits of less than £300,000 is to stay at 21% until 2011.

This continues the advantage of using a company as your preferred trading vehicle. However, it is not the right thing for everyone and you need to discuss the pros and cons with us.

Remember, this advantage could disappear in a very few years so grab it while you can but keep arrangements flexible so you can easily dis-incorporate if necessary.

Capital Gains in the last 3 years

If you have sold property or other assets in the last 3 years and paid tax at more than 18%, consider the possibility of rolling over this gain into a new qualifying asset so that the gain when it is eventually taxable, suffers tax at a potentially lower rate. You can also invest through the Enterprise Investment Scheme and achieve the same result.

Entrepreneurs' Relief

As we approach the end of another tax year, review the ownership of your trading premises to ensure that you maximise your entitlement to Entrepreneurs' Relief and BPR (Inheritance Tax). If you are not sure, get in touch and we can have a look at this for you and advise on the most effective structures.

Companies and Groups

If you have been suffering with the recession and have had to "lend" money to your company, consider converting this loan into share capital to maximise the loss relief available should your company go under.

Also, consider setting up a group of companies to quarantine vulnerable sectors and protect core activities. Look at the possibility of partial incorporation and using a company or mixed LLP and corporate structure. As always, if you are not sure, or would like more advice before making a decision, get in touch.