

tlp - news

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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 right now!

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Quotes

"If you believe you can, you probably can.

If you believe you won't, you most assuredly won't.

Belief is the ignition switch that gets you off the launching pad."

-- Denis Waitley, motivational speaker

"The future has several names. For the weak, it is the impossible. For the fainthearted, it is the unknown. For the thoughtful and valiant, it is the ideal."

-- Victor Hugo, writer

Glossy brochures and helpful emails. Don't you just love them at budget time. You may not even know how they got your name or your email address but yet they come. Someone has bought a publication, had their name printed on it and is passing it off as their own work, and probably only once a year, right after the budget.

Not us! Read our newsletter, see the typos, the spelling mistakes and bad grammar, not to mention the off the cuff, libellous opinions. You know we have written this ourselves based upon our own research and reading about the budget. Not only that, but we send it to you 12 times a year so that you are always being fed tit bits of information about tax and other relevant matters that may be useful to you in your business or occupation.

You know why they do it, don't you? It is a marketing opportunity and you should all be taking every opportunity to market your business. We certainly do, and that is why our business continues to grow, organically.

Now, I bet you did not think that you could get Organic Accountants, grown without chemicals, additives or preservatives (hence the gray hairs and wrinkles). Well, now you know. Perhaps we should start an ad campaign....

The Long Partnership **"Organic Accountants"**

On the whole I do not think I would get that one past the editorial board and anyway, in most cases advertising is a waste of money. Anyway, enough of that.

I have been on my travels again and I had the pleasure of being in what must be one of the nicest locations in Scotland. You have to travel one hour west of Thurso but I would recommend it to anyone. I am speaking about the area west of Bettyhill, around Tongue and Melness. Go there and see what I mean. It probably helped that the sun was shining both in the evening when I arrived and also in the

morning when I left. I could do with a few more excuses to visit that area so if anyone would like a tax presentation, prepare financial projections, discuss tax planning and you are between Bettyhill and Cape Wrath, just give me a call and I'll be there, as long as the sun is shining. After all, I am a fair-weather (organic) accountant.

What was I doing there, I hear you ask. I was giving a presentation. It is something we quite like doing. We do not charge for presentations, in case you were wondering, even if you are not existing clients. I was discussing financial planning for a small but significant development in the area for which we have produced a financial model, based upon some detailed financial planning spreadsheets we have developed over the last couple of years for that type of business. I seem to live in Excel spreadsheets these days, so if you have a project that needs a financial plan, it is likely that we have the bones of a fairly detailed plan that we can quickly adapt to your project. It may be a turbine development, buying a boat, constructing a building or just modelling the cash flows associated with your business. Just give me a call if you would like to discuss what we can do. If you thought you knew what accountants do, we may surprise you.

Inevitably we have included a lot of material about the budget. The back page is a budget free zone, but scary if you are an employer!

It seems that government is going on a diet, getting rid of all those useful but extraneous bits and cutting down to a leaner and fitter body. And what of the £33M ploughed by the Scottish Government into one of the three ferry services serving Orkney and Shetland. Stop it now, and let the fares be allowed to adjust so that passengers pay the true cost and the ships compete on a level playing field. That money is better spent elsewhere! Does that mean that my least favourite ferry will be more expensive. Presumably, as more than 50% of the revenues of the company come from the subsidy, the fares would need to double at least, to make it commercial. So be it. That has to be the way of business.

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

Budget 2010: the winners

Income tax payers

Around 880,000 workers will no longer pay income tax after the Chancellor raised the personal allowance by £1,000 to £7,475 from £6,475. Basic-rate taxpayers will be £170 a year better off as a result. Those earning more than £40,000 will not benefit because they will be hit by a rise in National Insurance contributions, a Labour policy that Mr Osborne has decided to retain.

Investors

The Chancellor has watered down his plans to raise capital gains tax to 40% or even 50%. Basic-rate taxpayers will continue to pay CGT at 18% and the annual exemption of £10,100 will remain. Higher-rate taxpayers will pay 28%. Mr Osborne said the Treasury believed that any greater increase in CGT would have led to a fall in revenues.

The retention of the annual CGT free allowance will be very welcome as most gains are quite small. Small investors and savers, many of whom are retired, will continue to manage their portfolios according to their circumstances, utilising the annual exempt amount and paying CGT at only 18%.

Drinkers

There will be no new increases in duties on alcohol, while the proposed 10% rise in duty on cider will now not be introduced.

Drivers

Fuel duty is to be frozen.

Entrepreneurs

Anyone who sets up a new business will be exempt from £5,000 of National Insurance contributions for each of the first 10 employees they hire.

Pensioners

Increases to the basic state pension will be in line with earnings from April 2011. Pensions will rise by at least 2.5% every year.

Smokers

There will be no rise in tobacco duty.

Budget 2010: key points

The Chancellor called the measures in this historic Budget "unavoidable," and announced a raft of changes to tax and spending.

The Headlines:

VAT to go up to 20% from 17.5%

Capital gains tax for higher-rate taxpayers rises to 28%

Child benefit to be frozen for next three years

Two-year pay freeze for public sector workers

Basic state pension linked to earnings once again, from April next year

No new tax increase on alcohol, tobacco or fuel

Details and our Commentary (aka libellous opinions):

VAT

Standard rate – the standard rate of VAT will increase from 17.5% to 20% from 4 January 2011. Anti-forestalling legislation will be introduced to prevent artificial arrangements which seek to take advantage of the change in the standard rate. Shame on you for even thinking of trying to avoid the rise in VAT! But you will.....

Flat rate scheme – as a consequence of the change in the standard rate of VAT, the percentages used in the flat rate scheme will be recalculated. The threshold turnover at which you must leave the scheme rises to £230,000. With the rise in VAT, the scheme is worthy of consideration especially if you serve the public and compete with non VAT registered traders.

Lennartz accounting – if you have never heard of it or used it, you are too late. It is being abolished. If you are using it, you can carry on for now.

Charities – The Government has recognised the benefits of charities pooling resources so has started discussions to remove the VAT barriers to charities sharing services.

VAT free for now - Food, children's clothing and other VAT-free items remain free from VAT for the current Parliament, but what then?

Corporation Tax

Main rate – from 1 April 2011, the main rate will be reduced from 28% to 27% and then by a further 1% pa until it reaches 24%. This will not affect many businesses in our neck of the woods, but is nonetheless very welcome.

Small companies' rate – from 1 April 2011, the small companies' rate of corporation tax will be reduced to 20% - I feel some incorporations coming on! We can do them online in a couple of hours. Give me a call!

Corporation tax reform – the government is set to reform of the corporate tax system. Watch this space! Could that mean the end of the small company rate in the future. Worry about that later, the rates are good just now. If you incorporate in such a way that you can back out again easily, this is not a problem.

Capital Gains Tax

Capital Gains Tax – from 23 June 2010, a new rate of 28% will be introduced for those individuals whose total taxable gains plus income exceed the upper limit of the basic rate income tax band of £37,400. Trustees and personal representatives will pay 28%.

The annual allowance remains unchanged at £10,100 per person per annum.

Entrepreneurs' Relief – from 23 June 2010, the lifetime limit of gains which can benefit from this relief and therefore pay a reduced rate of tax is increased from £2m to £5m. That's only really going to impact on people selling quite substantial businesses and business property.

Income Tax and National Insurance

Income Tax – from next April, the personal allowance will be increased by £1,000 to £7,475 but the basic rate limit will be reduced by £1,000 so that higher rate taxpayers do not benefit. The basic rate limit will be frozen until 5 April 2014.

National Insurance – The upper earnings limit is being reduced to bring NI and Income Tax limits into line. Both the 1% rise for employees and employers will be introduced as planned by Mr Darling from next April. This will be mitigated by an above inflation rise in the employer threshold for NIC at the same time, April 2011.

Employer's national insurance – for 1 year from 22 June 2010, any new businesses will not have to pay the first £5,000 of employer's NI due for each of the first 10 employees. How many new businesses can you start in the next 12 months. Surely it cannot be that simple. Incorporations anyone? How can we use this to your advantage? Is this "avoidance" thinking, surely not.

Pensions annual allowance – from 6 April 2011, pensions tax relief may be reduced to an annual allowance somewhere in the region of £30,000 to £45,000. This would replace the complicated high income excess relief charge previously proposed.

Non-domiciled individuals – The taxation of “non doms” is to be reviewed. These rules have impacted on a surprising number of people locally especially US nationals.

Furnished holiday lettings – the FHL rules will not now be withdrawn from April 2010. The Government will consult over the summer about plans to change the regime from April 2011, so you are not off the hook yet.

Other

Landline Duty – the duty of 50p-per-month announced by the previous government on all telephone land-lines will be abolished.

SDLT – the SDLT relief for first time buyers is to be reviewed as will the SDLT anti avoidance rules on high value property transactions.

Annual Investment Allowance (AIA) – from **April 2012**, the AIA will be reduced from £100,000 per annum to £25,000 pa. So, you need to be thinking about any large items of equipment that you need and buy before 2012. Plenty of time, so no rush. If you are a company you will want to use the higher allowances before April 2011 however, to get the higher tax relief. If you are not a company (yet) then you need to look at your marginal tax rate to plan what is best for you.

Capital allowances – from April 2012, the rate of writing down allowances will be reduced from 20% to 18% for plant and machinery, and from 10% to 8% for long life assets. This will impact on local wind farm projects.

Insurance Premium Tax – from 4 January 2011, the standard rate of IPT will increase from 5% to 6%, and the higher rate from 17.5% to 20%. So, all your insurances are going to cost more! Just as well insurance is exempt from VAT.

Managed payment plans – the Government is to defer the implementation of managed payment plans so that if you want to spread the cost of your tax burden you will have to use a commercial lender, if you can find one.

Collection of tax – HMRC will use debt collection agencies to collect £140m of additional tax revenue from existing tax debtors. Ouch!

General anti-avoidance rule – the Government will look at whether there is a case for developing a general anti-avoidance rule, but who decides what is avoidance and what is tax planning. Who draws the line? Well, you know the answer to that. See you in jail.

PAYE – the Government wants to improve the PAYE system, reduce costs and make the system easier for employers and HMRC to operate. Is this like the “simplifications” of yester year when cost cutting and making the rules simpler meant more work for hard pressed businesses and penalties for getting it wrong. I reckon that’s what it means.

Child benefit— frozen for next three years.

Tax credits - reduced for families earning more than £40,000 and child element of child tax credit increased by £150 above inflation.

Housing benefit - restricted to maximum £400 a week.

DLA - Medical assessment for Disability Living Allowance from 2013 for new and existing claimants

Furnished holiday lettings reprieve

The legislation to remove the favourable tax treatment for FHLs that was included in the Finance Bill 2010 but held back as part of a pre election deal between the parties has been “shelved”, and the generous tax treatment of holiday letting activities will continue, but for how long?

HMRC has released a question and answer document indicating that, while the current form of reliefs will continue for 2010/11, there will be a consultation over the summer of 2010 to establish the appropriate treatment of furnished holiday letting activities from April 2011. Amendments to the existing rules that may be considered include:

- Ensuring that the FHL rules apply equally to properties in the EEA.
- Increasing the number of days that qualifying properties would have to be available for, and actually let as a commercial holiday letting.
- Changing the way in which FHL loss relief is given.

Remote working?

Practical considerations

When considering or agreeing to a request to work remotely, employers need to bear in mind the following:

A specific right to require employees to attend office premises (for example, for team meetings, etc) should be included in the contract.

- **Monitoring hours/supervision:** Consideration should be given as to the regulation of working hours and the quality of the work produced.

- **Expenses and tax:** Who will pay travel expenses to attend the office, heating and lighting costs, insurance premiums and what will be the tax considerations.

- **Equipment and IT systems:** Who will provide equipment . How do you monitor communications systems which may need to be adapted for remote workers.

- **Insurance:** Company equipment used at the employee’s home.

- **Confidential information and data protection:** Additional security requirements, eg locking away confidential information at night.

Right to enter: Employers should reserve the right in the contract to enter the employee’s home, for example to carry out health and safety checks, to install or maintain equipment or to recover company property.

Legal considerations

Employers are responsible for ensuring that employees’ places of work are safe and (as far as possible) free from health hazards. This responsibility does not stop just because an employee works from home. Therefore, risk assessments should be carried out.

Some remote workers may become isolated and suffer from not having the same support mechanisms as those in the office. Employers need to ensure that appropriate steps are in place to deal with these issues.

Remote working is likely to be for the minority of employees. However, there are real potential benefits for both parties so don’t rule it out just yet.

More on the next page

The Non - Budget page. Tips and Tricks back next month...

.... when we have digested the budget and overcome the indigestion.

An Employers' quick guide to flexible working

If I were you, I would not tell any of your employees about this. However:

The Statutory Right to Request Flexible Working came into force for parents of children aged six and under on 6 April 2003. This was extended to parents of children aged 16 and under and to adults with caring responsibilities on 6 April 2007.

Employees do not have automatic rights to work flexibly, instead only qualify to request for flexible working. Employers then have a duty to give serious considerations to these requests. An employer that receives a request has a duty to give it serious consideration and follow a set procedure.

Any flexible working practices agreed will be a permanent change to the employee's contract of employment, unless otherwise agreed. Employees have no right to revert to their original working arrangement, and similarly, employers have no statutory right to require the employee to revert to their previous working pattern.

1. Right to Request Flexible Working

Employees must have continuous service of 26 weeks and either have responsibility for a child aged 16 or under (18 if the child is disabled) or be the carer of an adult aged 18 or over.

2. Flexible working

Qualifying employees are entitled to ask for a change in their terms and conditions of employment, including the number of hours, times and location, eg flexi-time, job sharing, part-time working, home working, shift working, etc.

3. How to submit an application

An employee must apply to the employer in writing and must:

- be proposed before the child's 17th birthday (or 18th if disabled)
- be dated
- specify that it's made under the right to request flexible working
- explain how the employee's relationship with the child or person being cared for meets the qualifying conditions
- must outline details of the proposed change and when it would ideally come into effect
- explain the effects it is likely to have on the employer and suggest how it can be dealt with
- specify if a previous application has been made

4. Employer procedure:

- Within 28 days of receiving an application - you must hold a meeting with the employee to discuss it
- At the meeting, the employee has the right to be accompanied by a fellow worker who cannot answer questions on the employee's behalf
- Within 14 days of the meeting, the employer must write to the employee with a decision
- If the employer refuses the request, the letter must give reasons why, including such matters as:
 - the burden of additional costs
 - inability to reorganise work among existing staff
 - a detrimental impact on performance and quality
 - an inability to recruit additional staff.

The letter must also state the appeal procedure.

So, if you are an employer, who are you going to tell?

The Art of Negotiation - The two sisters

It's Sunday and the shops are shut. Each sister wants an orange but there is only one left. Rather than argue they decide to cut the orange in half. One takes her half and uses the peel to bake a cake, throwing away the fruit. The other eats the fruit and throws away the peel.

We tend to assume that we are looking for shared interests in a deal, and indeed a shared interest may help. However, it is often the differences that allow a deal to proceed. The seller sells because the value is going to go down, while the buyer buys because the value is going up. Who's right?

Can you relate to this?