

tlp - news

May 2008

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

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Quote

"My interest is in the future because I am going to spend the rest of my life there."

-- Charles Kettering,
Social Philosopher

May Dates:-

14 Alan in Caithness
19 PAYE filing
20/21 Alan in
Caithness again!

We are late this month. We know we are late but we had things to do. All will be revealed over the next couple of months. No, we are not retiring. Perish the thought! No, we are not selling up and moving somewhere warm. Why would we want to do a thing like that? We think it is better than any of these, but more about that in our next newsletter. You will be the first to know, probably! We think this will be a "first" for a firm of Orkney accountants.

Being in business is both challenging and rewarding, as long as the outcome is positive. Having a job is fine. Receiving a pension and having the time to enjoy it is good too, if that is what you want. However, as accountants, we are probably unemployable, so we have to live on what we earn from our business. That is no different from the majority of people we meet. The number of people we employ and the money spent within the local community are all a reflection of our economic activity.

Reading the local papers recently, you wonder where our local economy is heading. Where is the lust for development, the will to take chances and see projects take shape and flourish? You would be forgiven for thinking that we are supposed to live in an unspoilt Neolithic landscape preserved for the benefit of visitors and people keen to preserve the Orkney they have known and loved for decades. These people, have no interest or need to generate profits, create local employment and build a sustainable and flourishing business environment.

Let's put business firmly on the agenda. "Business" is not a dirty word. The landscape around us has been sculpted by business. Without business there would be no farms, no shops, and no accountants ("every cloud has a silver lining" I hear you say), and certainly a lot fewer people employed by the local council and other agencies. Ultimately it is business that pays

the pensions, benefits, provides the schools, roads and everything else we take for granted.

Where would the revenues come from if there were fewer locally owned businesses to pay local rates, taxes and wages? Locally owned businesses should be applauded, encouraged and supported.

You only have to look at the downsizing of Orkney College to see what happens when there are insufficient revenues. Where will the revenues come from in future to support the local economy. The influence of farming is still substantial but reducing, tourism is great but fickle. Fishing, shipping and oil all contribute.

There are those who want to take the very real financial risks to develop renewables in Orkney and they should be applauded. These developments must be kept local and not left to big business from south to develop. Keep it locally owned and the local economy will benefit. Whether it is a turbine set up by a community development trust or by a group of local shareholders, surely it does not matter. Local shareholders means local benefit. Better than the Tescos of the renewable industry moving in and taking over.

"What" I hear you ask "do SEPA and others have to say?" Our answer is "far too much". Where is the local influence here? Keep it local and let the local councillors and local officials support and fight for local interests.

Where now the spirit that took Orcadians to Canada, Australia and New Zealand. Would those people recognise the Orkney of today? Do you want to end up living in a holiday camp run by government agencies? We would rather see a flourishing local economy under local control with all the economic spin offs of locally owned and profitable businesses.

We have an interest in having a strong and profitable business community. Don't you?

Alan, Helen and everyone at TLP

P11D deadline looming

The forms P11D, which report employees and directors benefits in kind and expenses, are due for submission by 6 July 2008 for the year ended 5 April 2008. The process of tracking down the information can take some time so it is important that you don't leave things until the last minute.

Some things to be aware of:

Company cars

The benefit is based on a percentage of the list price plus accessories – not what the business paid for the car. The percentage is linked to the CO₂ emissions of the car.

Provision of fuel

Employees provided with free fuel for private as well as business motoring will be assessed on a further benefit. This is calculated as a percentage linked to the CO₂ emissions of the car and a set figure of £14,400 for 2007/08. The set figure has increased to £16,900 for 2008/09. This is a good time to check whether or not the individual would be better off paying for their own private fuel. Don't forget that the employer also pays 12.8% employer only Class 1A NIC on the value of broadly all benefits in kind so there is a saving for the business as well.

HMRC have issued the usual guidance to employers on the completion of the forms P11D together with tips on how to avoid errors based on last years forms P11D.

If you would like any help with the completion of the forms P11D or a reminder of the information we require to complete the forms on your behalf please get in touch.

Homeworking

From 6 April 2008, HMRC has increased the tax and NIC free guideline rate that employers can pay home working employees without keeping records from £2 to £3 per week.

Marks & Spencer VAT win the battle of the teacake.

M&S have won a landmark victory in the European Court of Justice. The case concerned whether or not HMRC were correct to limit the amount of VAT they repaid to the company after their chocolate teacakes were reclassified as a cake rather than a chocolate biscuit. The issue of cakes and chocolate biscuits is an important one as it means they are zero rated rather than standard rated. The case dates back many years.

HMRC only repaid M&S 10% of the output tax it had overpaid on sales of chocolate teacakes on the grounds that the other 90% had been suffered by the customer and so M&S would be 'unduly enriched' if it got it all back. The European Court of Justice has ruled that HMRC cannot restrict the repayment if they would be treating M&S unfairly by repaying others 100% of the overpayment. The House of Lords is now expected to confirm that M&S have been treated unfairly.

Tax investigations: The taxpayer's story. By Nichola Ross Martin

The Sunday Times recently published "The 10 things you need to know about tax investigations." It was a list compiled by an unhappy "customer" of HMRC, called Nick Morgan following a two year tax investigation into his self-employment as a journalist. He was dismayed to find that tax is taxing and complicated despite the ad campaign. He was then caught out by what seems to be a combination of lack of familiarity with HMRC's investigation tactics and the discovery provisions in section 29 TMA 1970.

Mr Morgan's "need to know" list (abridged) is as follows:

Tax is not simple

Stick to your guns (i.e. don't be negotiated downward)

An enquiry into one item (an "aspect" enquiry) on your return can escalate into a full enquiry (covering all your income from all sources)

You are guilty unless you can prove otherwise

The interview is a trap (HMRC like to interview taxpayers to find out more about their circumstances)

The lifestyle questionnaire is given for a reason

Investigations take time

The complaints team is an arm of investigation

HMRC doesn't tell you about the power to scale back (discovery provisions and penalties)

HMRC is getting more power.

Tax can be very complicated as well we know. The taxes acts are now over 10,000 pages long and so the actual statute combined with the enormous volume of material available on the internet (including HMRC's manuals) means that your average tax partner in practice has a job keeping up-to-date.

A taxpayer doing a search on expenses on *google* is more likely to hit a reference to HMRC's Employment Income Manual. I always thought that the paragraphs on lorry drivers and stable lad's subsistence were particularly dangerous to the untrained brain and then the rules changed on employee travel too. In the blinking of a cursor a generation of self-employed taxpayers came to misunderstand the rules on lunch. So, in terms of the real basics – "What can I or can't I claim"?

Tax is most definitely taxing and the world wide web has made it more, not less, complex.

Locking down your Wi-Fi network—Wireless network security

Step one: understand risk. Risk is the value of any potential loss multiplied by the likelihood of that loss occurring. If you're a small business printing a few invoices across a Wi-Fi network, surrounded by nothing more than sheep for miles in every direction, then the risk associated with Wi-Fi may be negligible. If you're a financial services

company in the city surrounded by other offices and businesses, you might want to question whether you should be running Wi-Fi at all.

Step two: understand the business case. Why do you need Wi-Fi at all? Is it to cut down on the number of wires in the office, or is it for convenience, possibly on an ad-hoc basis for a handful of staff? Who needs access? What parts of the network do they need to access (for example, the whole of the internal network or just the printers, or just the Internet)?

Step three: implement appropriate controls. Don't be tempted to spend money on big changes to your network before trying out some simple ideas first.

So what should you do in practice?

- ◆ Run the highest level of encryption that your Wi-Fi network and devices will support, preferably WPA2 rather than WEP.
- ◆ Change, or upgrade. If your router/access point does not support the WPA2 standard, check the manufacturer's web site as there may be a free firmware upgrade to enable this. If not, change it for a more modern device.
- ◆ Use long non-dictionary shared secret keys to reduce the chance of a successful brute-force attack.
- ◆ Lock down any administrative interfaces. Most networking devices have some kind of web interface, and the default password is easy to find just by looking at the manufacturer's web site. Change the password to a strong one, and make certain that it cannot be accessed from outside of your network (ie the Internet).
- ◆ Consider moving your wireless devices outside of your network onto a VLAN or DMZ, if your switches or firewalls support it. A VLAN can control which parts of the network the wireless network can "see" – so for example only allowing access to printers or certain servers. A DMZ can be configured to protect your wireless network from the Internet, but still allow connection back into your network through your company's existing VPN. For most laptop users, this would simply require an extra click – which they'd do anyway if working from home.
- ◆ If you don't need your Wi-Fi network 24x7, turn it off. There is no point broadcasting your network to the world when you only need Wi-Fi for the one-day-a-month sales conference.

And finally, don't forget wireless hotspots. Even if your own network is secure, wireless hotspots are generally NOT encrypted (and what would be the point - you wouldn't be able to use them as a hotspot if they were!). Keep your laptop up to date, use a firewall, and remember that every web page you visit can be seen by anyone else on the same hotspot!

19th May: End-of-year PAYE filing deadline

HM Revenue & Customs (HMRC) is urging employers to file their PAYE end-of-year returns by the 19th May deadline, or they could face a penalty.

Employers with fewer than 50 employees will get a £100 tax-free incentive payment if they file online.

HMRC points out that if you want to file online for the first time then you must first register with HMRC's online PAYE service. It can take a week to get the activation PIN after you've registered, so it's important to register as soon as possible. Alternatively, you can ask an agent or payroll bureau to file your return online, and the filing incentive is still payable.

If you need help or advice, visit the HMRC website at <http://www.hmrc.gov.uk/payeonline>, or call the HMRC Employer Helpline on 08457 143 143. There's also a video podcast available which provides an introduction to employer filing online, which can be downloaded free from the HMRC website at <http://www.hmrc.gov.uk/podcasts>.

"You may not realise it when it happens, but a kick in the teeth may be the best thing in the world for you."

Walt Disney, Animator, Film Producer

LinkedIn for beginners

Thousands of entrepreneurs running small companies are using social networking website LinkedIn to make contacts. But can the service really benefit your business? Andy Headworth, founder of Sirona Consulting, investigates.

Most people have heard of LinkedIn, but do you know what it is and how it can help you with your business?

First, let me define what it is – LinkedIn is a professional networking group whose purpose is to provide its members a way to search for new contacts, jobs and business opportunities. Unlike sites such as Facebook, MySpace and Bebo, LinkedIn is primarily focused on the business community.

Your individual network consists of your immediate connections, and two further levels of people with links to any of your contacts. This means that your searchable network can expand very quickly. Just to highlight the power of this network, I currently have around 325 connections and my total network is over 6 million people!

When you start on LinkedIn, you need to build a profile of yourself, what you do, who you work for etc. This is like an online CV builder, and if you are serious about using the site, you need to spend some time getting this right and keeping it updated.

People can find you by searching so it is worth putting a smattering of keywords across your profile that reflect your key skills, products or services. It is worth spending some time filling your profile out fully, because you never know who can find you online – business contact, ex-colleagues, prospects and even potential employees.

I hate accounting!

Extract from comments posted on Accountingweb 15 April 2008.

“So, wanna guess what has occupied the majority of my time lately? Yep, reconciling the company’s books with the bank statements to make sure everything adds up right and all the numbers fit so that I can hand over to the auditor to do my tax filing.

I hate accounting. I mean, a few bits are complex at first- but it doesn’t even have challenge to keep it interesting. It is just a continuous repeat of the exact same steps... yet requiring utmost concentration every single time. Basically it seems to be almost exactly designed to stress the human brain to the ultimate extent.

Sure software engineers have been trying to write easier and easier accounting packages in recent years, but the reality is that accountants are clearly not engineers. We’ve had more than 4000 years of accounting history, during which it was frequently refined - not the least of which would be Pacioli’s revolutionary treatise on double-entry accounting - now the standard method for all but the most trivial of businesses.

But at no point, and this is radically clear, was the process of accounting ever engineered. From ‘writing down where the money went’ - which seems to date back at least as far as the Egyptians (and there is evidence the Sumerians were doing it even earlier than that) it was just always refined. One revolution in 4000 years - which was designed to make errors findable. Double entry accounting makes it easier to audit the books (you can pick up when the balances don’t zero out if every transaction has both a debit and a credit) - but it does not make it easier to DO the books.

In fact, as business has become ever more complex, accounting seems to have become a classic example of freeing creaturism. Today an accountant has to keep track of thousands of types of transactions, each with their own quirks and tricks, always subtly modified by local laws. Computers may make it a bit easier to enter -but frankly just from my books I now doubt very much that even the best accountants in the world could possibly keep track of any large corporation’s books. So it all gets fed into the computer and blindly trusted because any kind of understanding of what's in there is completely unfeasible. The auditors then check for accuracy to the best they can (assuming there is nothing Enron-esque behind the scenes) - and finally a bunch of financial statements are produced which bare about as much resemblance to the books they are a summary of as a hallmark card does to the KJV Bible.

No wonder we have massive corporate corruption - it’s practically impossible to actually do accounting that makes sense - and what could be easier than to cheat with numbers nobody understands anyway.”

Does this sound familiar? Are you fed up with bookkeeping? We have the perfect solution. Let us do your bookkeeping for you. Just think, you would never have to enter bank and cash transactions ever again. The best part though is that, if we do the bookkeeping, the cost of the accounts is usually less, and that goes a long way to paying for the bookkeeping. Add to that a monthly fee fixed 12 months in advance and paid by standing order and you have **The Perfect Bookkeeping Solution**.

10 worst jargon crimes

1. Calling a colleague a ‘404’ (as in the web error message 404: Not Found) for being completely useless.
2. Saying you will “knife and fork” a task - in other words, manage it bit by bit.
3. Claiming at an interview that you are “ready to plug and play” - that you are ready to start the job immediately without any support or training.
4. Offering to “bookmark” someone you meet at a conference, rather than taking note of their contact details.
5. Inviting colleagues or staff to a “thought showering” session - the supposedly PC term for brainstorming.
6. Referring to your PC as the “square headed spouse”.
7. Declaring that there is an “elephant in the room” or a “100lb gorilla”. What you actually need to do is admit that there is a big problem that everyone is ignoring.
8. Describing yourself as being “behind the curve” to demonstrate your grip on modern technology and life.
9. Talking about “swallowing the frog” when tackling a particularly horrible task.
10. Talk about spending the afternoon “in the field”, when everyone knows you are skiving.