

# tlp - news

May 2010

The monthly newsletter of The Long Partnership — [www.thelongpartnership.co.uk](http://www.thelongpartnership.co.uk)

## **L**et'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.

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01856 878600  
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## Quotes

**"If all misfortunes were laid in one common heap whence everyone must take an equal portion, most people would be contented to take their own and depart."**

-- Socrates

**"As for worrying about what other people might think - forget it. They aren't concerned about you. They're too busy worrying about what you and other people think of them."**

-- Michael le Boeuf

**W**e live in interesting times. That is not a question. I am not even sure it is an opinion. Would anyone disagree with me. So, is it a fact? For those of you running a business, you may not think of these as "interesting" but more as "challenging" times.

In these challenging times is your business expanding or contracting? It should be expanding and, if it is not, why not? Many people have listened to the media and battened down the hatches and are waiting to weather out the storm. But, in the storm are opportunities, and not least because so many of your competitors have taken shelter. There may be less business out there to chase but the competition has reduced faster, so there is more business out there for you.

So, what are the secrets to prospering in the current environment? If most businesses in your sector are struggling, you cannot afford to follow their example. You must do it differently to achieve different results. This includes the marketing, the sales strategies, the presentation of your products or services. Look outside your sector for strategies that you can apply. We have and it works!

The first thing to take on board is that people are still spending if the goods and services on offer are aligned with their wants. We still see new cars going out of the showrooms and shops are still busy. But, you have to be providing what the customer wants. Note that I do not say "needs", the word is "wants" and it is not what you think your customer should "want". It is what the customer wants, inside their own heads, for whatever reason.

You must be supplying what the customer wants in a way that they want you to supply it. Make sure all your staff understand the importance of this because otherwise you will be sending prospects and customers straight to your very own sales prevention department and then blaming the recession for your poor results. How many of your prospects walk away without buying? Reason?

When it comes to getting advice, listen to people who have done it in practice. No point taking advice from people who have not been successful themselves. You need good sound hard earned personal experience and not stories relayed from one "adviser" to another and based upon what some un-named other business has experienced. There is a place for that, but there is no substitute for the real thing. Experience is borne out of successes and failures, but that's life. We've done it and had our successes and our failures. We can tell you what we have learnt along the way.

What business are you in? What is it you do to make a living? Whatever you think the answer is, the truth is that you are in the business of marketing. Not only that, but your business has the same needs as any other. There are no new businesses, just different products and services to be marketed and sold. Agreed, you have to have something to market, but if you are not marketing what you have, you will have no prospects to pitch to and no customers to buy your product or service. Without marketing you will not be given the opportunity to sell and without sales you have no business however good your product or service might be. The art is finding the marketing that produces leads and the sales strategies that close sales at the right price to produce the profits on which you can live and prosper.

Advertising is easy but too expensive and of limited use. Most small businesses need to look at other methods and will probably need to use as many of them as possible. The website needs to be good but is where people go to find out about you, not to find you. You have to find effective ways of driving interested people to your website or direct to you. Herein lies your challenge and as in other areas of business, you need to take advice from people who have done it before in practice. Ask these question before you follow anyone's advice:

1. Have you actually been in business?
2. Have you used these strategies yourself?
3. What were the results?

That'll sort the wheat from the chaff!

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

## Watchdog asked to step into energy row.

Scotsman 07 May 2010

ENERGY regulator Ofgem has been urged to intervene in a row over grid connections for communities in the Western Isles who fear they could miss out on millions of pounds of income.

Seven small-scale wind and hydro projects say they were offered grid connections next summer by Scottish & Southern Energy (SSE) but have now been told this will be delayed until 2014 at the earliest.

It means the communities will lose £6.6 million in income which would have been put back into local projects.

The seven projects, from Lewis to Barra, will have a combined output of 21.5 megawatts and produce a projected net income of £2.2m a year.

Eco-Heb, the umbrella body representing community wind farms in the islands, has now written to Stuart Cook, who is responsible for transmission and governance at Ofgem, pressing him to step into the dispute.

Last night an Ofgem spokeswoman said it has asked SSE to look at the projects again.

An SSE spokesman said: "All of the applications mentioned have been given an offer of connection in accordance with our licence conditions, however these are dependent upon the completion of both distribution and transmission network reinforcement works."

## Wind Powered Cheese

Souters has been appointed by Lancashire cheese producer Dewlay to promote the installation of a 126-metre wind turbine at its site near Garstang.

The wind turbine is expected to be fully operational by September and will make the family-run cheese business the first manufacturer in the UK to be powered by renewable energy.

## David Cameron promised an emergency budget within 50 days of taking office, so get ready for more changes. - Source Gina Dyer on accountingweb.co.uk

Accountants are bracing themselves for further tax tussles as the new coalition government gears up for our second Budget of the year. Although no date has yet been announced (now 22 June), the Conservative party has already pledged to hold a Budget within 50 days of taking power; but it remains to be seen how the new Tory/Lib Dem power split will affect these plans.

Speaking outside Number 10, Cameron vowed to address the country's "deep and pressing problems", citing the public deficit as number one priority.

Cameron has begun appointing his first cabinet, which includes Liberal Democrat leader Nick Clegg as deputy prime minister, George Osborne as chancellor with Liberal Democrat shadow chancellor, Vince Cable working alongside him with a responsibility for 'business and banks' – potentially with the title of chief Treasury secretary, although this hasn't yet been formally announced.

The new deal between the Conservatives and Lib Dems is likely to produce several compromises on tax policy to bridge the gap between the two parties' divergent manifestos.

Commentators are already predicting an increase in capital gains tax paid on 'non business assets' such as second homes and shares, which will fund the Lib Dems pledge to increase the personal allowance income tax threshold to £10,000. Part of Labour's planned national insurance increase (referred to as a 'tax on jobs' by Cameron during his election campaign) will be scrapped.

"This change would mean that the current 18% capital gains tax (CGT) rate would increase to 40% or even 50%, with effect from Budget day," said Chris Maddock, head of private clients at Vantis.

"Whilst reliefs have been promised for business assets, this rate increase could significantly increase the tax cost of disposing of any capital assets, including a business or shares," he added.

The Conservatives are expected to capitulate on IHT, shelving plans to increase the threshold to £1m indefinitely, while the Lib Dems are likely to abandon plans for a 'mansion tax' on properties worth more than £2m.

It's also predicted that Cameron's proposed married couples tax break will be absent from the forthcoming Budget.

Cameron cautioned that "hard and difficult work" was in store for the government – the first peacetime coalition for more than 80 years – but vowed that he and the Liberal Democrat leader would "put political differences aside" in order to begin work on plugging the biggest public deficit since the Second World War.

Clegg admitted there may be "glitches" and that the public may have "many questions, maybe doubts" but tempered the potential for consternation by saying: "I want to assure you that I wouldn't have entered into this agreement unless I was genuinely convinced that it offers a unique opportunity to deliver the kind of changes you believe in".

## Accountants call on Cameron for urgent tax reform

*Critical decisions need to be taken on tax policy by the new coalition government – and there's no time to waste, warn accountancy professionals.*

David Cameron has been the UK's new prime minister for less than 24 hours, but accountancy groups are already urging the new coalition government to make tax policy its number one priority.

The Conservative Party leader promised an **emergency budget** within 50 days of taking office, but a change can't come soon enough, according to the UK200 Group, a body of independently assured accountancy and legal firms, which called on the government to move quickly to "remove the uncertainty surrounding its plans on tax".

The power sharing deal between the Conservatives and Liberal Democrats is expected to produce several tax debates over the coming weeks as the parties' divergent policies are harmonised.

"It seems to be more or less established that the rate of CGT will increase substantially, perhaps to be at the same rate as income tax, which will require a fundamental re-think of much tax planning that has been undertaken in recent years," predicted David Whiscombe, a partner at BKL Tax in London and member of the UK200 Group's tax panel.

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"It is now clear that the Lib Dems' 'mansion tax' plan will be dropped, which is obviously a good thing and I assume the hare-brained idea to levy VAT on new homes will also go. The dropping of the 1% national insurance rise is also good news for SMEs, while it seems the commitment to a £1 million inheritance tax nil rate band will not come in during this parliament," he added.

There are also high hopes for employee tax breaks, according to Bill Dodwell, head of the tax policy group at Deloitte.

"We hope that the 'generous exemptions' for profits related to business will stretch to include employees. At present, many employees do not qualify for the current entrepreneurs' relief – yet their involvement with growing companies is vital. Employee tax breaks help to make a big contribution towards getting good people to take reasonable risks with growing businesses.

"We also hope that the government will keep the current level of CGT annual exemption at £10,100. This benefits those on basic rate, as well as people who are further up the scale. Additionally, it substantially reduces HMRC (and taxpayer) administration."

"What will also be interesting will be to see the extent to which the Tories' commitment to support for the family is watered down as a result of the compromises inherent in coalition," noted Whiscombe.

"Given the ludicrous extent to which the current tax system penalises one-earner couples, one had hoped that a Tory government would have gone at least some way to remedying this but now I am not so sure. Any failure to do so would be a grave disappointment."

### **New powers for HMRC**

On 1 April HMRC implemented 6 pieces of legislation which enabled them to introduce their standard compliance systems. By applying these new powers across a range of taxes from 1 April 2010 they aim to make the tax system more consistent and easier for taxpayers to understand.

The changes include:

- A failure to notify penalty for people who fail to register for a tax, declare taxable income or notify a new activity on which tax is due.
- A new VAT and Excise wrongdoing penalty to deal with abuse of these systems.
- A new four year time limit for claims and assessments for Capital Gains Tax, Corporation Tax, Income Tax, PAYE and VAT.
- The Compliance Checks legislation and inaccuracy penalties have been extended to more taxes.
- HMRC have published a series of 13 factsheets dealing with the new framework for compliance checks. See - [www.hmrc.gov.uk/compliance/factsheets.htm](http://www.hmrc.gov.uk/compliance/factsheets.htm).
- HMRC will be able to publish the names of deliberate defaulters who evade more than £25,000 of tax if they do not fully disclose details and the extent of the evasion as soon as possible after the compliance check starts.

In addition, from 6 April 2010 there are new penalties for employers and contractors who do not pay PAYE, National Insurance contributions, Construction Industry Scheme deductions and student loan deductions on time and in full.

HMRC have also introduced the final planned upgrade to the National Insurance and PAYE Service (NPS). This took place on 6 April and will introduce additional automation to the process of checking the amount of tax paid by an individual.

Apparently, for most customers, NPS will automatically check the amount of tax paid on the individual's total income for the year against the allowances and deductions on their record. A calculation will then be issued automatically. Bearing in mind the usual computerisation problems we have to endure it will be interesting to see if this one actually works.

### **Tweet ruins accountant.**

A Doncaster finance supervisor has become an international cause celebre after being convicted and fined £385 (plus £600 costs) for sending a threatening Tweet.

The case was brought after Paul Chambers voiced his frustration at the closure of his local airport due to snow in January: "Crap! Robin Hood Airport is closed. You've got a week and a bit to get your shit together, otherwise I'm blowing the airport sky high!!" The post was discovered by an off-duty airport manager who told the court the Tweet was not taken as a credible threat.

Nevertheless Special Branch officers visited Chambers a week later and warned that he would be charged under the Prevention of Terrorism Act. He subsequently pleaded guilty to lesser offences under the Communications Act but changed his plea to not guilty in March, resulting in this week's court case.

Chambers, who lost his job as a finance supervisor as a result of the prosecution, was found guilty of sending a menacing message over a public telecommunications network and fined £385 plus £600 in costs and a £15 victim surcharge.

Though currently jobless, the incident has turned Chambers into a figurehead of free speech and online pal of celebrities such as Stephen Fry, who has reportedly offered to pay his fine for him. He continues to tweet [@pauljchambers](https://twitter.com/pauljchambers), where he said on Tuesday that he was avoiding the media while considering an appeal.

According to [@CrazyColours](https://twitter.com/CrazyColours), the girl he was going to meet, "Paul was half way through qualifying as an accountant. This conviction means he can't qualify now. His career is ruined."

### **VAT Online from April 2010**

If you turnover is >£100k or you are a new registration you must submit your VAT return and pay your VAT online.

## Tax tips and tricks ..... and other useful stuff

Q When is an employee's mobile phone not tax free?

A. When it is a PDA.

The reason for this is that a mobile phone is defined in the tax legislation (s319 ITEPA 2003) as a an apparatus designed for the primary purpose of transmitting and receiving spoken message. This does not extend to PDAs which are taxed as computers.

However, provided that the PDA is solely for business use and any private use is not significant the provision of the PDA will be exempt under s316 ITEPA 2003.

If two handsets are provided then this can cause complications. In this situation we recommend that:

1. The employer does not provide two PDAs but rather one mobile and one PDA or two mobiles, and
2. Any private use of a PDA needs to be "not significant" to avoid a tax charge.

This is the situation where the employer has taken out the contract.

Q. What happens when the employee takes out the contract and the employer pays it?

A. If the employer refunds the cost, the cost should be included in earnings for National Insurance. If the employer reimburses the employee, the payment should be included as earnings for tax and included in form P11. If the employer pays the supplier direct, the amount is included on the P11D rather than P11.

### New Minimum Wage Rates from October 2010

The following increases will apply:

£5.80 to £5.93 an hour - aged 21 and over,

£4.83 to £4.92 an hour - aged 18 to 20,

£3.57 to £3.64 an hour - aged 16 to 17.

There is also a new apprentice minimum wage of £2.50 an hour for apprentices under the age of 19 and also for apprentices aged 19 and over but in the first year of an apprenticeship.

### An employer may NOT need to submit a P35.

You do not need to submit an Employer Annual Return P35 if you have not had to maintain any form P11 deductions working sheets during the tax year. Typically this will be when you have paid no employees in the year through that payroll.

However, you must notify HMRC because otherwise they will continue to send reminders and then penalty notices. You can make this notification online. You will however still need to state whether you will be submitting form P11D by 6 July.

### Electronic P60 from 2010/11

For the year 2010/11 employers can provide P60s to employees electronically rather than on paper. Note that 2009/10 P60s must still be provided on paper.

### VAT Returns - Extended filing deadlines

If you file your VAT returns online you get an extra 7 days to submit your return. This now includes all payment, repayment and nil VAT returns.

If you pay electronically you will get up to 7 days extra to pay the liability.

This does not apply if :

1. You use the VAT Annual Accounting Scheme, or
2. You are required to make payments on account, unless you submit monthly VAT returns.

### VAT Flat Rate Scheme - 1% Incentive

There is an incentive for a newly registered business to immediately register for the flat rate scheme. There is a 1% discount on its relevant flat rate percentage in its first year of registration.

Note that this is not the first year of using the Flat Rate Scheme but the year following VAT registration, when repayment claims are likely to be at their highest. May not be such an incentive after all and it will depend on your circumstances, e.g. do you have any pre-registration VAT to claim on capital expenditure?

### VAT - Partial Exemption De Minimis Limits

Two simplified approaches have been introduced from April to augment the existing test. Remember , if your business falls below the de minimis limits you can reclaim VAT even on your exempt supplies.

The simplest test of all will be if total input tax incurred is less than £625 per month on average and less than 50% of turnover is exempt income for VAT.

If that test is failed then you strip out all input tax directly attributable to taxable supplies. If the remainder is less than £625 per month on average, then as long as less than 50% of your turnover is exempt income, you have passed the test.

If you fail both of these tests, you have to use the traditional test.

### Employees annual maximum NI Contributions

Employees with several employments may present one or more of their employers with a deferment notice enabling the employer to operate Class 1 employees contribution at 1% instead of the normal 11%. This applies where the employees earnings exceed the upper threshold for National Insurance.

If you think this may apply to you, get in touch so that we can check your position.

### Enhanced Annual Investment Allowance

With effect from 6 April 2010 (1 April for companies), the limit has been raised to £100,000. This means that for most small businesses there is an immediate deduction from profits of the whole cost of newly acquired equipment. That may create losses that can be carried back and set off against profits in earlier years . Tax refunds anyone?