

# tlp - news

November 2009

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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## **Quote**

**"Never be afraid to try something new. Amateurs built the Ark.**

**Professionals built the Titanic"**

**Dan S Kennedy**

**"We must all suffer to some degree from a choice of two pains: the pain of discipline or the pain of regret"**

**Jim Rohn**

## **Dates in November**

17 Alan in Westray

21 CIOT Annual Tax Conference

## **Dates in December**

9 Pre Budget Report

**B**efore you do anything else, look at the date on this newsletter. Yes, indeed this is the November newsletter. What does this mean? It means that once more I have a laptop. No doubt the twitching will now go away and life can return to its usual ebb and flow.

As we are so late this month (it will be December before you receive this), will we have enough material for a December newsletter. The Pre-Budget report will be delivered on 9 December by Alistair (can you lend me a fiver) Darling. So, don't be so silly. Of course we are going to have plenty of material, and it will be with you well before Xmas, honest! Trust me, I am an accountant.

Being so late, we have some interesting material from the Chartered Institute of Taxation's Scottish Conference that we attended recently and some interesting views from some of the best tax brains in the country. Now, I know that some of you will be wondering what sort of brain can spend day-in and day-out thinking about nothing but tax. It's an interesting question and quite valid. The present Chairman of the Institute has a PhD in music. He recently set the Institute's Charter to music and had it performed by a small choir and Orchestra. It's just as well we don't spend all our time thinking about tax. What would we end up doing? By the way, most Chartered Tax Advisers seem to be pretty good at Table Football and Pool. I would be interested to hear what sort of picture you are forming about Chartered Tax Advisers. Best keep that to yourself.

The next couple of years are going to be tough and taxes will rise. Rumour has it that Capital Gains Tax is set to rise substantially and also look out for reliefs being withdrawn.

If you are on a good salary or profit, you will be targeted for special pain. Of that, there is no doubt. You are going to need to speak to us about strategies to ease the pain. I doubt if we can relieve it completely, but we can perhaps reduce it, sometimes quite significantly.

I think we are going to see a lot more incorporations over the next few months and income splitting is definitely back on the agenda.

On the lighter side, we now have a blog; not a very exciting blog, but a blog nonetheless

[www.tlpaccountants.blog.com](http://www.tlpaccountants.blog.com).

You can also follow us on Twitter

[www.twitter.com/tlpaccountants](http://www.twitter.com/tlpaccountants).

Follow us and we'll Tweet you. If you don't understand, ask one of your children to explain. There is a special prize for the first person to spot our "other" Twitter page. No clues!

I came upon this recently and I must admit to wholeheartedly agreeing with it. You may not. It's a free country. But I'll share it with you anyway.

"There is a barn sign: I am so busy, I don't know if I found my rope or lost my horse.

That is the way you are supposed to feel. That's the way it is supposed to be. If you aren't always running out of time with more to do than time to do it, with deadlines to chase and meet, with difficult choices to make about abundant opportunities and competing priorities, battling the world's conspiracy to slow you down - why not? Success is rarely cooked up anywhere but in a messy kitchen. And I am deeply suspicious of anybody who is ahead of schedule, with free time on their hands. I still occasionally fall into the trap of trying to be caught up. But what terrible thinking this is. What a silly aspiration to entertain. Of course you want to move a lot of things to DONE today, but you don't want DOING to be emptied out. Being all caught up means being emptied of opportunity."

This same author and professional speaker and successful businessman always has time for lunch with friends, does not have a mobile phone or email. Something to think about. Busy but not stupidly stressed.

One final thought - "All things come to he who waits, as long as he hustles like hell while waiting!"

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

## **Savings Gateway regulations made**

The Saving Gateway Accounts Regulations provide for relief from tax on income, maturity payments and death payments derived from Saving Gateway accounts, which the Government has announced will be available from 2010.

The Savings Gateway is a cash savings scheme designed to promote saving for working age people on lower incomes. The Government will contribute 50p for each pound that account holders save in the scheme.

## **HMRC launches new Charter**

A new Charter setting out what individuals, businesses and other groups dealing with HM Revenue & Customs (HMRC) can expect from the department, as well as what it expects from them, was launched on 12 November 2009.

Under the Charter, HMRC gives a commitment to: respect you; help and support you to get things right; treat you as honest; treat you even-handedly; be professional and act with integrity; tackle people who deliberately break the rules and challenge those who bend the rules; protect your information and respect your privacy; accept that someone else can represent you; and do all it can to keep the cost of dealing with HMRC as low as possible.

In return, HMRC expects you to be honest, respect its staff, and take care to get things right.

The Charter also provides pointers to further information on your rights, where you can get help and support, and HMRC's role.

"The Charter's key aim is to improve the relationship between HMRC and our customers, and we obviously have a crucial role in making that possible. But we can't do it all on our own. Both parties have a part to play, and that's why the Charter sets out people's rights and their responsibilities."

[www.hmrc.gov.uk/charter](http://www.hmrc.gov.uk/charter).

## **SMEs with audited financial statements and close ties to their accountants are more likely to receive credit from banks, says IFAC survey.**

Small and medium sized enterprises (SMEs) will have to pass more rigorous tests to demonstrate their creditworthiness in future, and accountants (that's us) will have a crucial part to play in influencing lender decision making, according to a global banking survey conducted by the International Federation of Accountants (IFAC) and The Banker magazine.

The survey showed that over 20% of the more than 350 bankers who answered questions about the future indicated that they would raise the number of new loans and increase loan amounts to existing SME clients over the next two years. Just 2% of respondents said they would restrict loans to SMEs.

However, banks expect SMEs to provide more comprehensive information in their loan applications. Survey respondents indicated that they will increasingly look at cash flow information, collateral, and customer history with the bank when considering loan applications. Financial statements, key risk indicators, and industry trends are also among the key information banks are focused on when making loan decisions.

Lenders also highly value **audited** financial statements. Two thirds of the respondents indicated that their lending policies require some form of assurance on the entity's financial statements from an external accountant, and audited financial statements are preferred by most respondents. In addition, another 60% of respondents said that accountant involvement in an SME's business would significantly and positively influence their lending decisions.

"Accountants have a long-standing history as the trusted advisors for SMEs. To continue to fulfil this role, accountants should be proactive in advising their SME clients about lending options and requirements," states IFAC chief executive officer Ian Ball.

## **Credit card payments regulations made**

From 14 December 2009 the regulations increase the fee payable when payments to HMRC are made by credit card from 0.91 per cent of the payment to 1.25 per cent of the payment. So, you had better be quick!

## **October RPI published**

The value of the retail prices index (RPI) for October 2009 is 216.0. This represents an increase of 0.7 (0.32 per cent) since September 2009 and a decrease of 1.7 (0.78 per cent) since October 2008.

## **'Electronic lottery terminals': HMRC rule on VAT status**

HMRC have made clear their view that certain machines being marketed as 'electronic lottery terminals' are gaming machines. Gaming machine income is standard-rated for VAT purposes.

Operators who do not agree that their 'electronic lottery terminal' is a gaming machine are advised to contact HMRC with full details of the game. If HMRC still think that the 'electronic lottery terminal' is a licensable machine, they will issue a default licence and assess for the outstanding amusement machine licence duty and VAT. It is then up to the operator to appeal if dissatisfied with the decision.

## **New Threat to Charities' VAT recovery**

A new action brought by the European Commission threatens to reduce charities' VAT recovery by excluding 'non taxable' companies from the benefits of VAT group registration.

The European Commission has formally asked eight EU Member States, including the UK, to change their legislation in respect of VAT group registration. The action against the UK concerns its practice of allowing 'non-taxable persons', or companies that are dormant or do not make taxable supplies in the course of business, to join a VAT group. The Commission says that these companies are not eligible to register for VAT as a member of a VAT group.

But don't worry, this will not affect the vast majority of charities. The ones that may be affected will be those that are part of much larger organisations, and then only if they have opted in to a vat group arrangement. If you are not sure whether this affects you or not, get in touch with us.

## What Stops you Getting Your Office Jobs Done? Anti Time Wasting Tips.

When it comes to being efficient in the office, there are several things that might interfere with your ability to complete tasks on that never-ending To Do List. Learning how to minimize these common distractions will help you optimize your productivity.

### 1. Email

A typical office worker who sits at a computer checks email more than 50 times a day. That's once every 9.6 minutes. Begin immediately to control the number of times you go to your inbox. Turn Outlook off for periods in the day to avoid distractions.

Set a goal to check your email only 3-5 times throughout your day. Also, keep in mind that while many emails are important, few are urgent.

### 2. Interruptions by Co-workers

There's nothing worse than someone who asks for just a minute of your time but takes 15. You might feel you need a stoplight or yield sign to manage the flow of people coming by your office door. While interacting with others is a requirement, it doesn't have to take up most of your day.

Start by communicating to others your need for focus time. Hanging a sign/symbol on your doorknob will signal to others that this isn't a good time to interrupt your work.

Be creative! For example, with yellow caution tape across your door. This will send a firm message with a little humour.

### 3. Attending Unnecessary Meetings

We are a "meeting" culture. We've all been part of a meeting in which our attendance seemed pointless or a waste of our time. If your name appears on an invite list unnecessarily, challenge the meeting planner in a constructive way. Offer to review the meeting recap notes in order to stay in the loop of things.

### 4. Mixing Business with Pleasure

It's easy to get into the habit of handling a few personal items while at work. Many workers are spending too much of their time tending to personal things (such as checking personal email, texting, monitoring an eBay auction, or scoping out the best holiday deals) and most bosses are totally unaware of it. By the way this does not apply to anyone who works for us!!

### 5. Social Media

Ever lose track of time with Facebook, Twitter, LinkedIn or YouTube? Online socializing-even when used for business purposes-can be a time waster if it interferes with other projects.

Begin by giving yourself permission to check in online with others. Next, designate a set amount of time each day for online social sites. In 15-20 minutes, you can update your status or send a few tweets; setting a limit makes you more aware of your time and less apt to waste it.

### 6. Distractions

Small, everyday things contribute to big distractions without us even realizing it. For example, you might be lucky to have a window in your office, but outside activities like wildlife, people or even traffic interfere with your ability to focus. Being close to the place where people congregate when fetching coffee can cost valuable time.

Rearrange your office so you're not directly facing the window or foot traffic going by.

### 7. Working from Home

If you work from home, you need to clearly define working hours as well as specific time for doing washing or running errands with the kids.

## Glass ceiling remains unbroken for female board members

Only 113 women hold FTSE 100 directorships, compared to 834 men. There are only four female CEOs in the FTSE 100. A new report has revealed that the number of directorships held by women on FTSE 100 corporate boards has stagnated in the past year, causing many to ask whether the UK is failing female leaders.

The 2009 Female FTSE report from Cranfield School of Management that details the number of women directors in the top 100 FTSE companies has revealed a discouraging picture for women with only 113 women currently holding 131 FTSE 100 directorships compared to 834 men holding 947 directorships.

The number of companies with female executive directors is also down to 15 (from 16) and there has been a drop in the number of boards with multiple women directors to 37 (from 39). In addition there is a decline in the overall number of companies with women on boards resulting in one in four companies having exclusively male boards.

Well, that's not us. In case you have not noticed 50% of our board is female.....

## The Tax Crystal Ball

Some of the forecasts made at the recent Chartered Institute of Taxation Annual Conference.

### Capital Gains Tax

Watch out for this rising after 5 April 2010 to perhaps 25%.

### 50% Tax Band

The 50% tax band is set to start at £150,000. However, personal allowances are abated from £100,000. Expect the 50% band to also commence at £100,000.

### "Quickie" Budget

It is expected that the budget will be held earlier than normal in 2010 and the Finance Bill rushed through Parliament before the anticipated General Election. So expect chaos while the legislation has to "bed" in and follow up legislation to sort out the mistakes.

## What is the highest rate of tax that can apply in 2010/11?

As the rules stand at present it is **200,000%**. Now tell me they know what they are doing!

This rate only applies if you earn more than £150,000 and are considering placing large sums into a pension. For example you earn £170,000 and want to put £20,000 into a pension.

So it will not affect everybody. But if they can introduce such absurd inequities into the tax system for other people, how long until they do it for you?

And, why aren't our elected representatives raising these issues? Could it be that they don't understand it sufficiently well themselves.

Let's see, who can I send this newsletter to this month? Our local MP and MSP are already on the mailing list..... Let me see...

## Something to think about....

*"Don't fear your competitor - they'll never send you money...Fear your customer."*

Jeff Bezos (Founder, Amazon)

*"Never allow a crisis to go to waste ....they are opportunities to do big things."* Rahm Emanuel - White House Chief of Staff.

# Tax Planning Tips and Tricks

## How to avoid the 50% rate band after 5 April 2010

- Advance income into current year by paying dividends and bonuses before 6 April 2010.
- Consider paying 3 year's salary and bonuses before 6 April 2010 and lending it back to the company to be repaid to you over 3 years.
- Pay salaries in the form of interest free loans which may then be written off if the top rate of tax returns to 40%. The loans attract only a 25% charge payable by the company.
- Equalise income between spouses by transferring income producing assets to the spouse with least income, taking them into partnership, or incorporating the business and sharing ownership (i.e. share capital).
- Watch out for the new rules to stop you advancing income and putting an unusually high contribution into pensions.

## Reclassifying IBAs as plant and machinery claims

Allowances for industrial (and agricultural) buildings are fading away and will soon disappear altogether. IBAs are finally phased out from April 2011.

For new claims, the partial solution is clear-cut. Some of the newly incurred expenditure will certainly qualify for plant and machinery allowances, whether as integral features (e.g. all lighting and general electrics, hot and cold water systems, heating and ventilation) or as standard-rated plant (e.g. sanitary ware, most other plant). The fact that cold water and general electrical costs have qualified as plant since April 2008 means that the potential value of plant and machinery claims has risen considerably.

## Plain Sailing for Yacht Owners?

HMRC appear to be leading a renewed attack on those yacht owners who seek to register and claim back VAT on the purchase of their boats. They are actively blocking applications from owners to register for VAT as yacht charter businesses on the basis that there is no substance to the business activities. If this has affected you, get in touch. We can help.

## Return of the standard rate of VAT to 17.5%

### Sales on or after 1 January 2010

For any sales of standard rated goods or services that take place on or after 1 January 2010 businesses should charge VAT at the new rate of 17.5%.

This means that where a business currently calculates their VAT using the VAT inclusive fraction of 3/23, they should, from 1 January 2010, revert back to using the VAT fraction of 7/47.

### Tax point

The rate of VAT that businesses charge depends on the date that goods or services are supplied. For VAT purposes this is generally when goods physically change hands (or a service is provided). However, this basic rule is modified in certain situations so that the effective supply date may be earlier or later. For example, one key exception where the effective VAT date is later is where a business invoices within 14 days of the supply. An example where a supply is treated as made earlier is where a payment is received or an invoice is issued in advance.

## VAT: Special rules for sales that span the change

The 17.5% rate generally applies to all VAT invoices issued by a business on or after 1 January 2010. However, if the goods were provided or the services completed before 1 January 2010 and the invoice is issued on or after 1 January 2010, you may apply the 15% rate.

### Deposits and advance payments

The normal rule is that VAT on a deposit or a prepayment is accounted for at the rate in force when you receive it.

### Planning

There would be an advantage to the business and the customer of making an advance payment in this situation. If the goods are sold on the basis that the customer will receive a 2.5% VAT discount for full payment before 1 January 2010 then the business benefits from a cash flow boost.

### Retail businesses

The reinstated 17.5% rate will apply to all takings received on or after 1 January 2010. The main exception to this rule is where a customer pays for something they have taken away (or the supplier has delivered) before 1 January 2010. In this case, the sale took place before 1 January 2010 and VAT must be accounted for at the rate of 15%.

### Welcoming in the New Year

HMRC will allow certain businesses operating beyond midnight on 31 December 2009 to account for VAT at 15% on takings received up to the earlier of: the end of trading of the 31 December session or 6am on the morning of 1 January 2010.

This treatment is restricted to those businesses open at midnight on 31 December 2009 that account for VAT at the point of sale, such as businesses on a retail scheme - pubs, shops, restaurants, etc.

### Input VAT on business purchases

It is generally up to the supplier to ensure that the VAT is correct on any invoice that they issue. The customer can only claim back the VAT charged on the invoice in the normal way. If a supplier incorrectly charges 15% on or after 1 January 2010 instead of 17.5%, the customer can only claim back 15%. In such cases the customer can request that the supplier issues a credit note to cancel the incorrect invoice and a new invoice to show the correct amount.

### VAT returns

For many businesses the period of their VAT return will span 1 January 2010 and particular care will have to be taken to allocate supplies and purchases to the correct accounting period and to use the correct rate.

This will particularly affect businesses using Cash Accounting and certain other special schemes.

### Cash Accounting

Receipts after 1 January 2010 should be correctly identified as supplies made at either the 17.5% or 15% rate. You may only reclaim VAT of 15% on pre 1 January purchases, even if you pay for them on or after 1 January 2010.

### Flat rate scheme

When the standard rate returns to 17.5%, the flat rate percentages will be revised. And the revised table of percentages to apply from 1 January 2010 is expected to be issued shortly.