

tlp - news

September 2008

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

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Quote

"Holding on to anger is like grasping a hot coal with the intent of throwing it at someone else; you are the one who gets burned."

-- Buddha

September Dates

5-7 Alan at CIOT tax conference

15 Crunchers!

16-18 Alan at AVN Masterclass

19 PAYE payments due

Have you ever travelled on the train from Thurso to Inverness. The mere thought of it sends a shiver down most people's spines. They either travelled it themselves or more likely have heard all the horror stories. There are indeed people who have got stuck in the snow, or the heating failed, or they had to catch the northbound connection in Inverness at 6am, having already travelled for hours.

But this must be one of the most interesting train journeys in Britain. Admittedly waiting at Forsinard because the northbound train is running late is a frustration, but the scenery along this line on a good day is fantastic. The train is clean, warm (could do with some air conditioning) and the tea trolley came around twice in the first 20 minutes (that's what I call service!). The staff were courteous and very helpful and there was plenty of space to move around (not to mention toilets!). Now, I wonder how often you have heard that perspective on the journey. What other things do you (or we) have preconceived notions about that if we properly examined them and took the trouble to experience them, would turn out quite differently than we expected. If we took the trouble would we be pleasantly surprised by the outcome of the experience. Something for you to ponder.

Did you like this month's quotation in the box alongside. Isn't it so true. You get angry with someone, but they are long gone and have no idea how you are feeling. But, the anger inside you stops you thinking clearly and you end up making mistakes and making things worse and you miss opportunities that would otherwise have been good for you. The only person who suffers because of your anger is you. There are plenty of examples of people who have held grudges for years while the person towards whom the anger is directed has long forgotten the episode and moved on. What a pointless way to spend the finite time you have in this world.

Have you ever found someone who would be very pleasant in public, very good company, of good reputation and standing but their dealings with some people show that there is a worm eating at the hearts of these otherwise respectable men and women that ultimately will consume them unless they can deal with it. The point here is, don't let that happen to you. There are many things in this life that are important but holding grudges is not one of them. By the way, have you ever noticed that people like this tend to surround themselves with like minded people justifying their actions to each other. Have you ever found yourself doing anything like this. If so, you need to change tack and free yourself from such negative thinking. Clear your mind and your thoughts and move on.

Speaking about tacking, the sailing season is coming to a close. Alan and Mairi at our Kirkwall office have sailed their last regattas (in different boats of course!) for this year and what a last one it was in Stromness. So, winter is now fast approaching. Sorry, is that negative thinking. No, winter has its own features and they can be as enjoyable as anything in the summer. It is just different, and without that contrast you would not appreciate either summer or winter. Roll on the cold dark winter nights when we can sit in front of a coal fire with a glass of wine, in the right company of course! Is it the same with people? Is it the contrast that makes us appreciate good people so much?

Here is something to think about. If you accept that another person's opinion is as valid as yours, just different, and that everyone does the best they can with the resources (material or spiritual) that they have available to them in any situation, you will probably be able to deal with any person in any situation. You will stay calm and positive and make the most out of any encounter.

Crunchers! It is almost time to get it going. 15 September is the launch date and Calum is getting ready to handle all enquiries. See the advert on the back page.

Alan, Helen and the team at TLP

An ASBO for the Council?

A Gloucestershire business owner is so fed up with the disruption caused by roadworks on his journey to and from work he has demanded that an anti-social behaviour order (ASBO) be served on the two officials responsible for traffic management in the area.

Andrew Barr, owner of 10 Yetis Public Relations, claims the commuting time from his home in the Forest of Dean to Gloucester city centre has tripled during the past few months as a result of roadworks on the A40.

Barr alleges that documents sent to local residents to explain the reasons for the work contain "computer manipulated" images which make "the situation on the old A40 road look more bleak than was really the case".

The entrepreneur had demanded that an official investigation be launched into the matter and ASBOs be served on David Sledge of the Highways Agency and Jo Walker, director of traffic management at Gloucestershire County Council.

"I fully accept that the work now needs finishing but it is vital that we discover if the information used to get the work agreed and underway was falsified in any way in order to prevent this from happening again." Barr said.

"I do think lessons need to be learned from what has happened and how we have arrived at the farcical situation where an entire community, and one which contributes greatly to the Gloucestershire economy, has been treated so poorly by the County Council that is supposed to be representing its best interests.

"If this is the case then I think that the best way to prevent this from happening again would be to serve an ASBO on the two people involved."

Are there any lessons for us in the North? What would you like to see happen to those digging up our roads and disrupting our travel and our businesses?

Starting up in Business - Initial Considerations

In order to make your business a success there are a number of key factors which should be considered:

- ◆ commitment - starting a business is demanding. Determination and enthusiasm are essential
- ◆ skills - you will need managerial, financial, technical and marketing skills. If you do not have these skills personally, they can be found in a partner or employee, or acquired through training
- ◆ your product or service should have a proven or tested market, but must not conflict with the patent or other rights of an existing business.

In addition to these general considerations there are a number of more specific matters.

The business plan

The business plan is the key to success. If you need finance, no bank manager will lend money without a sensible plan. Your plan should provide a thorough examination of the way in which the business will commence and develop. It should describe the business, product or service, market, mode of operation, capital requirements and projected financial results. You may have a plan in your head but it is important to set it down and allow others to scrutinise it before you commit yourself or your resources.

Business structure

There are three common types of business structure:

- ◆ Sole trader

This is the simplest form of business since it can be established without legal formality. However, the business of a sole trader is not distinguished from the proprietor's personal affairs. Assets will have mixed use and are at risk from creditors.

- ◆ Partnership

A partnership is similar in nature to a sole trader but, because more people are involved it is advisable to draw up a written agreement and for all partners to be aware of the terms of the partnership. Again the business and personal affairs of the partners are not legally separate. A variation on this that will give protection for your personal assets is what is known as a Limited Liability Partnership (LLP).

- ◆ Company

The business affairs are separate from the personal affairs of the owners, but there are a lot of legal regulations to comply with which can cause difficulties. They can be limited or unlimited.

The appropriate structure will depend on a number of factors, including consideration of taxation implications, the legal entity, ownership and liability.

Business stationery

There are minimum requirements for the contents of business stationery, both paper and electronic, which will depend on the type of business structure.

Books and records

All businesses need to keep records. They can be maintained by hand or may be computerised but should contain details of payments, receipts, credit purchases and sales, assets and liabilities. If you are considering purchasing a computer to maintain your records, take advice. We give you free accounting software! Or if you don't like bookkeeping contact Crunchers!

Accounts

If the records are well kept it will be easier to put together the accounts. Accounts must be prepared for HMRC and if you use a company there are strict legal requirements as to their format. Limited companies and LLPs must send accounts to Companies House.

Taxation

When starting in business, taxation aspects must be considered.

- ◆ Taxation on profits

The type and rate of taxation will depend on the form of business structure. However, the taxable profit will normally differ from the profit shown in the accounts due to certain expenses which are not allowed for tax purposes and the timing of some tax allowances.

- ◆ National Insurance (NI)

The rates of NI contributions are generally lower for a sole trader or partnership than for a director of a company but the entitlements can also differ. But in a company, it may be possible to avoid NI by paying dividends rather than salary. Ask us for an illustration.

- ◆ Value added tax (VAT)

Correctly accounting for VAT is an essential. When starting a business you should consider the need to register for VAT. If the value of your taxable sales or services exceeds the registration limit you will immediately be obliged to register.

Employing others

For the business to get off the ground or to enable expansion, it may be necessary to employ staff. This can be quite a responsibility and can be quite stressful.

It is the employer's responsibility to deduct income tax and national insurance, and to account for student loan deductions etc. The balance must then be paid over to HMRC. Payroll records should be carefully maintained. This is a complex area and one that we can easily help with. You will also need to be familiar with employment law.

Premises

There are many pitfalls to be avoided in choosing a property. Consideration should be given to the following:

- suitability for the purpose
- compliance with legal regulations e.g. disabled access
- local by-laws and planning restrictions
- physical restrictions such as access.

Insurance

Comprehensive insurance for business motor vehicles and employer's liability insurance are a legal requirement. Other types of insurance such as public liability, consequential loss, business assets, Keyman and bad debts should be considered.

Pensions

Putting money into a pension scheme can be a very attractive way of saving for retirement because of the favourable tax rules. Many companies have to provide access for their employees to a stakeholder pension. Ask us for more information.

New guidance from HMRC on subsistence, overnight expenses etc

HMRC has updated its guidance to employers in relation to expenses and scale rate payments for subsistence and incidental overnight expenses. The changes are significant and should significantly reduce the administrative burdens of expense claims for employers and employees alike.

These changes to HMRC's Employment Income Manual accompany the publication of tables of benchmark scale rates that employers can use to reimburse accommodation and subsistence expenses incurred by employees who have to travel outside the UK

There is generally a difference for tax purposes between a round sum expenses allowance and a scale rate payment:

- ◆ **A round sum expenses allowance** is an allowance which is paid to an employee irrespective of whether he or she spends it or not in a particular way, and so it is taxed as earnings and PAYE must be applied.
- ◆ **A scale rate payment** is a payment made as a reimbursement of expenditure actually incurred by an employee and this is tax free in the employee's hands. The significance of scale rate payments is that once a rate has been agreed by an employer, it may be paid to an employee as reimbursement of expenses without the need for ongoing receipts. The only employees who will need to provide receipts will be those involved in the sampling exercise (see below) used to determine the scale rate periodically.

Employers can fix the scale rate payments for some expenses using a test sample of expenses and so reduce the fiddly task of checking employee claims.

Sampling to establish scale rate payments - the method:

1. 10% of employees are chosen at random
2. each keeps full expenses for one month (i.e. subsistence/cleaning/clothing costs)
3. these expenses are then used as the basis calculating the scale rate paid to all similar employees.

Sandwiches

Common sense flies out of the window when it comes to sandwiches! HMRC say that they do not consider that the cost of a packed lunch prepared at home from items purchased as part of the employee's ordinary domestic shopping arrangements, or other food brought from home are allowable expenses for the purposes of the scale rate reimbursement. However, the cost of sandwiches, etc, bought on the way to a temporary workplace can however be included. Logic? None!

New Start - How We Can Help

Whilst some generalisation can be made about starting up a business, it is always necessary to tailor the strategy to fit your situation. Any plan must take account of your circumstances and aspirations.

Whilst business success can never be guaranteed, professional advice can help to avoid some of the problems which befall new businesses.

We would welcome the opportunity to assist you in formulating a strategy suitable for your own requirements.

We can also provide key services such as bookkeeping, management accounts, VAT return and payroll preparation at an early stage.

Ask about our free and easy to use accounting software.

Tax-free allowances for employees

Tax-free round sum incidental overnight expenses - For newspapers, laundry or phone calls home. £5 per night for overnight stays in the UK, £10 per night for overnight stays outside the UK.

Tax-free round sum home working allowances - £3 per week to employees who have a home working requirement.

Tax-free round sum flat rate deductions - A large number of different occupations are entitled to flat deductions - normally for cleaning of uniforms or working clothes. The round sum is added into the employee's PAYE code and is not claimed as a cash reimbursement from an employer.

Tax-free round sum mileage allowances - Employers may reimburse employees for mileage according to the approved mileage allowance payments scheme.

Miscellaneous scale rate payments - appropriate for expenses which are widely incurred, in broadly similar amounts, but for which it is often difficult to get receipts. For example subsistence, or the expenses of cleaning uniforms or protective clothing.

Ernst & Young dragged into Croc Dundee case - Source Accountingweb

Ernst & Young has been dragged into a legal dispute over possible tax evasion by *Crocodile Dundee* actor Paul Hogan.

According to Australian newspaper *The Age*, Hogan has been accused by the Australian Crime Commission of plotting 'a scheme or conspiracy'- along with his tax adviser Tony Stewart - to avoid paying tax by producing 'sham' travel movements, which allowed money to be paid to the star when he 'was not a tax resident of any country and therefore the payment was free of tax'.

The Big Four firm, which has an office in Inverness, was one of the key advisers Hogan and Stewart turned to for tax and business advice, according to documents released at the order of the Federal Court.

Hogan and Stewart have been fighting a joint investigation by the ACC and the Australian Tax Office's high-profile tax fraud and money laundering investigation Operation Wickenby.

The Age reports that, in a submission dated 2 December 2007, the ACC wrote: 'The issue is the steps taken by P (Hogan), with the assistance of A3 (Stewart), to misrepresent his tax residency status to authorities in Australia and the United States for the purpose of avoiding (tax) liability.'

Both Hogan and Stewart deny any wrong-doing and neither has been charged.

An E&Y spokesman told *The Age*: 'We are confident that all work undertaken by E&Y would not be a matter for Project Wickenby

Darling caves in over stamp duty

After a full month of apparent dithering, the chancellor of the exchequer, Alistair Darling has today announced that stamp duty land tax will not apply to purchases of residential property of £175,000 or less.

This will provide an exemption from stamp duty land tax for land transactions consisting entirely of residential property where the chargeable consideration is not more than £175,000.

This relief will apply to transactions with an effective date on or after 3 September 2008 and before 3 September 2009.

The announcement follows highly negative comments made by Darling in an interview over the state of the economy at the weekend. Many commentators were predicting that no announcements would be made ahead of the pre-budget report; it seems that the political pressure to be seen to be doing something proved too much, after all.

Small firms' payment pain 'getting worse' - Source Accountingweb

Just when small business entrepreneurs thought that it couldn't get any worse, new research reveals that late payment is proving increasingly problematic.

More than half of small firms questioned by the Forum of Private Business (FPB) said getting customers to settle invoices on time has become harder over the past year with 88% saying receiving payments within contractually-agreed period from bigger customers was particularly problematic.

According to the research, one in three small businesses are owed between £1,000 and £5,000 with 72% of entrepreneurs believing the delays are having a 'serious' or 'very serious' impact on their businesses.

Nick Palin, the FPB's finance and administration director, said: "The research shows that worrying trends are emerging. Supplier abuse appears to be widespread, and many smaller firms are in a catch-22 situation, fearing that, if they take action and use legislation to charge interest, these larger companies will simply refuse to deal with them again.

"The government should be doing more, both by paying on time itself and by implementing measures to tackle the problem without increasing the burden of legislation faced by small firms."

As well as other lobby groups, the FPB has accused many large companies of imposing unilateral changes to contractual terms, with little or no warning.

Last week, it added retailer Matalan to its 'Hall of Shame', a list of companies it says have squeezed their suppliers. The retail and homewares giant declared that, from 1 September 2008, it is to pay suppliers 2% less on each invoice in order to fund advertising and marketing campaigns.

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