

tlp - news

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The monthly newsletter of The Long Partnership and Graeme M Fraser & Co.

www.thelongpartnership.co.uk

Let's Get Real or Let'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!

Quotes

"Everyone who got where he is had to begin where he was."

Robert Louis Stevenson

"Opportunities multiply as they are seized"

Sun Tzu

"Talent is cheaper than table salt. What separates the talented from the successful is a lot of hard work."

Stephen King

"We are confronted with insurmountable opportunities."

Walt Kelly

We had a bit of fun on 30 August with the Inverness Chamber of Commerce. The new breed of Chambers, with their full time staff and focus on members needs, has been and no doubt will continue to be, good for us and any other small business looking for business links, either as strategic partnerships or as new customers or suppliers. The old image of the local Chamber winging about irrelevant issues is a thing of the past as far as we can see and we would have no hesitation in recommending any business with ideas of development and expansion to get involved.

Anyway, back to our bit of fun. The Inverness Chamber held a Members Hustings at the Ben Wyvis Hotel in Strathpeffer. 3 minutes to sell your business and get your message across. Not quite an "elevator pitch" but similar. There is not much you can say in 3 minutes so it is a real challenge to plan your presentation to get your message across. After 3 minutes you were hooted off. No over-runs! Thoroughly enjoyed the whole evening. 20 pitches in quick succession. I thought that after the first couple I would be nodding off, but none of it. Each one was different and in its brevity, was interesting in its own right. We were sung to, made to stand up to check out posture, and more. Great fun.

So, in 3 minutes what message should you be trying to get across? You cannot sell anything in that time. You barely have time to say who you are and what you do. The only aim of such a presentation or any brief encounter should be to interest the other person enough that they want to speak to you afterwards, when you will have more time to build that all important embryonic relationship. No other goal than that.

We cheated. We knew that 3 minutes was too short so we crafted a handout specially for the occasion. There were a number of handouts passed around but from memory, none had been specifically prepared for that event. We crafted it to suit that occasion.

As with all such events, only time will tell if

we have created the right impression that will lead to the next stage, a meeting with a prospect. That's all we want. The chance to get in front of a prospective new client and to speak to them. That is our sole objective in any marketing that we do. To meet prospective new clients, to discuss their needs and to see if our services will satisfy those needs at an appropriate price for both of us.

A price that is too high for the prospect or too low for us is not a sound basis upon which to build a long term relationship. People who just buy the cheapest will also move on when something cheaper comes along. There is always someone cheaper than you, so you should not play that game if you can avoid it. That meeting with the prospect is vital in determining whether we can build a mutually beneficial relationship. If not, it is better to admit it. Hence "Let's get real or let's not play."

Funnily enough, we were the only accountants that took part in this event. Well, I keep telling you we are different.

We have some new faces for you. Jacqui Steeple, a qualified CA from Sanday in Orkney has joined us in Kirkwall. Andrew Campbell, a qualified accountant from Evanton and Lana Worthington, part qualified, have joined us in Inverness. Lana is originally from Russia but has been in the UK for a while. Her grasp of English is excellent and she has been doing her exams in what is her second language. The exams are hard enough without having to do them in another language. If you visit or call Robertson House in Inverness, you will speak to Michelle Grant who is from Nairn, who looks after our front office.

We are still busy integrating our four offices so that they all run smoothly and efficiently. We use powerful software to control the work flow and to "keep an eye on things" and keep all our clients compliant. It takes a little time to get everybody set up but it is essential in these times when HMRC impose so many penalties for being late. Those of you familiar with our ways will already know the benefit of these systems but they will be new to our new contacts in Inverness and Elgin.

You will notice a difference.

Tarmac of a Farm Road

We are very familiar with farms. Those accountants not as familiar will make mistakes and we have recently seen our fair share of these, but we will not say where. The errors arise because the accountant did not understand the way that capital allowances work on farms or the correct basis of valuing livestock or what can be claimed against profit (and permanently reduce the tax bill).

Last month we highlighted a case that dealt with the correct tax treatment of the resurfacing a farm road. These can be substantial costs. They are a revenue expense and deductible from profit. We recently saw a set of accounts where such expenditure had been capitalised. This combined with some incorrect stock valuations meant that the profits had been overstated by over £20,000 in one year.

So, if we are dealing with your farm, you can be sure that we are on top of all these issues. If you have not yet joined us, maybe you would like a second opinion on your farm accounts and whether there is a possibility that claims have been missed.

We are happy to look over any set of farm accounts and discuss where we think errors could be occurring. You can even post them to us.

No charge, no obligations.

Try us!

Companies House post-pones mandatory online filing

An aim of Companies House is to become a fully digital registry as soon as possible and last November they announced their intention to make electronic delivery of most of their filing services mandatory by March 2013. They have relented and will now reconsider the issue of mandatory electronic filing of accounts and other submissions once the moratorium on new regulation for small businesses has ended in 2014.

HMRC Arrests Ghost Plumbers

HMRC has announced that five 'ghost' plumbers have been arrested and a further 600 are under civil investigation for failing to pay the right amount of tax.

The arrests and investigations follow a campaign targeting plumbers and are the culmination of months of work by HMRC.

HMRC's view is that they provided a chance for those arrested, and the 600 being investigated, to come forward voluntarily and put things right and that these arrests send a clear message that HMRC will take action against those who choose not to come forward and pay the tax they owe.

This is the start of co-ordinated action and more raids are expected to take place over the coming weeks across the UK, including Yorkshire, Kent, Cambridgeshire, Tyne & Wear, Midlands and South Wales. Scotland? Its only a matter of time.

Mike Wells, director at HMRC Risk & Intelligence Service, added: "These arrests are just the start. HMRC is considering hundreds of further cases for criminal investigation in the **plumbing and medical professions**. Some people may have thought we were bluffing when we said we have information that we will use to prosecute tax evasion."

Gary Ashford, who represents the CIOT on the Compliance Reform Forum, also noted "People should not underestimate the amount of data that HMRC is holding. What we are now seeing is HMRC starting to use that information. The net is tightening on those who break the law".

A campaign targeting VAT cheats was also recently launched and further HMRC campaigns targeting private tutors and e-marketplaces will start during the next year.

If this story affects you, get in touch and let us help you to sort out your tax affairs.

HMRC Changing the Way it handles Post

HMRC is moving towards a system where all incoming mail relating to enquiries will be scanned locally and allocated electronically to the case file. Over the last couple of years we have seen HMRC work moving around various offices and not always dealt with locally. By scanning post in this way, it makes it easier for HMRC to move cases around the country electronically.

Original documents such as P60s, etc. will be returned once the letter has been scanned.

Community Council Clerks

Guidance issued by HMRC recently suggest that they have changed their view on whether such clerks and people in similar positions should have PAYE applied to their earnings. It is now clear that HMRC expect PAYE procedures to be applied to all such payments and that if the payments are sufficient, both tax and NIC should be applied.

HMRC using Technology to Tackle VAT fraud

Each year some £11.5bn worth of value added tax (VAT) is lost to the state from people who fail to register for VAT to sophisticated 'carousel' fraudsters moving goods among networks of fake companies in a core process of serious organised crime.

HMRC has been using a new system called Connect which has been running internally at HMRC since 2008.

Some 90% of Connect is based on commercial software called NetReveal, a package developed by a specialist supplier called Detica, a subsidiary of defence giant BAE Systems.

Fraudsters often register under multiple false identities to carry out their crimes, so identifying and linking these identities together has traditionally been a complicated and time consuming process.

Connect instantly draws together information from across HMRC and displays it on a single screen which allows investigators to visualise and explore multiple VAT registrations linked by common threads of information, e.g. a common bank account used in multiple Vat applications or similar addresses.

The same technology, incidentally, will be used to police the coming shift to a 'Universal Credit,' the integrated system of welfare benefits and tax due to be

The Rooney 'tax dodge' complaint

In January, the Sunday Times ran the headline: "Top footballers dodge millions in income tax: Rooney pays 2% on some earnings". The article claimed that Rooney had saved almost £600,000 by receiving £1.6m from Manchester United in loans rather than taxable income over two-years.

Rooney had argued the headline was inaccurate and misleading because the loans were subject to corporation tax of 28%; were paid back the following year; and it was impossible for anyone to pay 2% tax on their earnings.

With the introduction of the 50% rate, a number of footballers launched their own companies to take image rights payments. The loophole involves players signing two contracts with their clubs - a player's contract and another contract for the royalties paid from merchandising and image rights. The latter is then paid into a separate company which is only liable to pay 28% CT. The player is able to take loans from their companies and pay just 2% tax on the sum, regarded as a "benefit in kind". The 2% is the tax on the benefit in kind charge. However, the loan must then be paid back to the club within nine months after the end of the year it was received. If not, they will be liable to pay an additional 25% in corporation tax on the outstanding sum borrowed. However, they can take out a new loan each year and then pay that back.

HMRC is looking at directors' loans from players' companies and is well aware of attempts to use image rights and other schemes to avoid the 50% rate of tax.

Rooney's tax affairs are no doubt designed to (legally) hide the bare truth of his earnings!

At some point the money has to be extracted from the company at which point Rooney will have to pay dividend tax at the marginal rate or CGT if the company is wound up, so there's no way his eventual tax bill would be as low as 2%, but Joe Public reading that article will not have understood.

Rangers FC under arrestment by HMRC

There are reports that Rangers Football Club is on the receiving end of an arrestment order from HMRC together with penalties amounting to £1.4m.

HMRC had been granted the authority to issue the arrestment order to Rangers. As a result, £2.8m HMRC believes it is owed by the football club was seized over the weekend, and would now be held in a holding account for up to 14 weeks. Rangers can appeal this decision, if not then HMRC keep the money and the £2.8m tax dispute is settled. RFC accounts have not been frozen.

Rangers contests the figure, arguing it relates to "a previous Rangers regime". The previous regime in question ended in May this year when former Rangers chairman David Murray sold his majority stake in the club.

VAT Registration tips and pitfalls

HMRC are starting a new crackdown on traders who have failed to register for VAT. In determining whether you have exceeded the £73,000 registration threshold there are some things to bear in mind:

The £73,000 limit is for "taxable" supplies, so you can exclude exempt supplies.

Is the description of the supply on your invoices accurate. It is important that the business does not incorrectly describe the income as exempt, for example.

Place of supply - some services provided to EU business customers outside the UK are treated as supplied in the EU and do not count as UK turnover for this purpose. Similar supplies to non business customers may count as part of the UK turnover for registration purposes. Place of supply is therefore important.

Expenses recharged count as turnover, unless they are disbursements (within the proper definition of disbursements).

If you operate a retail business and regularly report takings just below the VAT threshold, be prepared for HMRC to be curious. Also, if your annual accounts show turnover above the limit but you are not Vat registered, HMRC may send you an application form and late registration penalties may follow.

Companies House Update

Erroneous Accounts Rejection

All documents submitted after 1 September 2011 that have the name of the company incorrectly spelt or use incorrect abbreviations will be automatically rejected. Acceptable abbreviations include:

'Co' instead of 'company'

'&' instead of 'and'

the usual abbreviations at the end of a company name (for example: Ltd)

the word 'The' may be omitted but only at the front of the name.

Second filing

Second filing enables the amendment of certain errors on some forms previously submitted to Companies House, e.g. incorrect date of birth on form AP01 (Appointment of Director).

Second filing has only been possible since 6 April this year. The original (incorrect) form must have been submitted after 1 October 2009. The corrected second filing is submitted on paper and accompanied by a form RP04. Second filing is only possible for specific forms, e.g. the Annual Return and SH01 (Return of allotment of shares).

New 5 Figure SIC codes

From 1 October 2011 Companies House will be adopting the updated version of SIC codes. These codes are used to describe a company's principal business activity. All companies will be required to use the 2007 version on returns with a made up date on or after 1 October. Using the 2003 rather than the 2007 codes should be picked up by the Companies House computer on submission. On a paper submission this will probably mean rejection.

eReminders

This free service enables the receipt of e-mail reminders for filing of a company's accounts and annual return. The accounts reminder is sent at least one month before the filing deadline and the annual return reminder on or after the company's made up date and before the due date. You can register up to four email addresses per company. This replaces paper reminders.

Tax Tips and Tricks

Charities and VAT Registration

When considering if a charity needs to be VAT registered it is only taxable income that needs to be compared to the VAT threshold. So, bank interest, donations and fundraising events and many grants can be ignored.

However, not all grants can be ignored in this way. Where a grant requires the charity to provide a service to individuals or groups as a condition of the grant, these services could well be standard rated. If your organisation is not Vat registered, this could push you over the Vat threshold (currently £73,000) and if you are Vat registered you will need to charge Vat on the receipt, even though it may be called a grant.

Charities, trading subsidiaries and VAT

Charities benefit from a number of exemptions that a normal trading company cannot access, including its own trading subsidiary.

However, the trading subsidiary can organise a fundraising event and that will still be exempt from VAT if the subsidiary is wholly owned by a charity and it agrees to transfer its profits from whatever source to the charity.

The downside is that, as this income is treated as exempt, you cannot reclaim any input tax paid in respect of the cost of organising the event. The subsidiary can also not get the benefit of zero rating any adverts as it cannot produce a charity number to the advertising business.

Also, rent on which VAT might otherwise be charged (i.e. the landlord has opted to tax the building) becomes exempt when in it is in respect of a charitable use of the building by a charity. The trading subsidiary would still have to pay the Vat, as would the charity in respect of any head office/administrative uses of that building.

How little must you earn to get State Benefits!

What is the minimum amount to pay to get a contribution record for state benefits?

The answer is and always has been the Lower Earnings Limit for NIC, currently £442 a month. You must complete a form P11 or computer equivalent and a P35 at the end of the year.

At this level of earnings (above £5,304) the employee is deemed for State Second Pension purposes to have received earnings of £14,400 and so qualifies for the Benefit although no contributions are due.

Watch out if you are starting part way through a year. The regular payments may need to be increased except for directors who have different rules.

However, we recommend that you pay a little bit more if the salary is to yourself. The rate we currently recommend is £589 per month which is the highest you can pay without any NI contributions being due.

Remember to update this figure after 5 April each year.

Incorporation - alternative approach

Instead of incorporating your business, set up a company and then form a partnership or LLP. Get the benefit of the 20% company tax rate. Call us to learn more.

Do you have an exit Strategy from your business?

There are important issues to consider such as:

- Passing on to the next generation,
- Selling your share to your co-owners or key employees,
- Selling to a third party, or
- Winding up.

In any event you want to minimise the tax arising on the sale, so plan early.

If you decide to sell, when would be the best time? Consider:

- When do you want to retire?
- Do you have any health issues?
- Do you still relish the challenges of running a business?
- Does the business have an heir apparent?
- Will your income stream and wealth be adequate post sale?
- Current economic trends, is your business "fashionable"? Could that change?
- Does the business still have room to grow or is it at or near full potential?

Capital Gains Tax Planning will be very important. CGT is payable on the difference between the selling and acquisition price less the annual exemption and then the rate of tax can vary depending on whether you qualify for Entrepreneurs' Relief. If you do not, you could be paying 28% tax on your gain instead of 10%.

To qualify for the relief you must be selling all or part of a business that you have owned for at least 12 months. If you qualify, the rate of tax is 10% so we need to make sure you satisfy the criteria and make any necessary adjustments well before you actually sell the business.

The relief can also be claimed on the sale of assets post cessation, on shares in your personal trading company and on assets owned by you but used by the business where disposal is associated with a main qualifying disposal of all or part of the business.

If you are concerned about the availability of pensions post sale, we would recommend that you speak to an IFA.

Rent-a-room applies to B&Bs

If you are a homeowner with a spare room, you may be able to benefit from the Government's 'rent a room' scheme, whereby homeowners can charge rent of up to £4,250 tax free within a given tax year.

The rent charges have to remain below the £4,250 threshold if the payments received are to be completely non-taxable. Any amounts above this are taxed.

The scheme only applies to a property where it is your main or only residence and the person renting the room shares meals, e.g. breakfast and facilities with the rest of the household. However, as well as someone who takes in a lodger into their own home, it also applies if you run a B&B business in your own home.

Childcare schemes and tax credits

If you are an employee and pay for childcare, ask your employer if they have a childcare scheme. Salary sacrifice childcare schemes are easy to establish and can result in substantial savings for both employees and employers.