

tlp - news

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

Get in touch!

We like to provide you with information and strategies on current business and tax issues.

However, in these few short paragraphs we can only give you a summary or outline - a brief guide.

Many of these are introductions to otherwise quite complex issues and, if you are in any doubt, you should contact us so that we can advise you on your own particular circumstances.

Quotes

"Obstacles cannot crush me. Every obstacle yields to stern resolve."

-- Leonardo da Vinci,
Artist

"The most delightful surprise in life is to suddenly recognize your own worth."

-- Maxwell Maltz,
Surgeon

"We must all suffer from one of two pains: the pain of discipline or the pain of regret. The difference is discipline weighs ounces while regret weighs tons."

-- Jim Rohn,
Motivational Coach

"The chains of habit are too weak to be felt until they are too strong to be broken."

-- Samuel Johnson,
Lexicographer

Just pick up the b****y phone!
Have you noticed how so many conversations are carried out by your fingers i.e. email. And yet you cannot be sure that the email will reach the right recipient, that it will not drop in to a spam box or get trapped by a filter. But, then it is so much easier to interact with people with a sterile and emotionless email, than to actually engage in a conversation.

Yet the most effective means of communication is to speak to someone on the phone. You find out so much more, you get instant feedback and you develop a more personal relationship, that may yield rewards in the future.

So, why is it that so many people substitute email for a phone call. Are we losing the art of conversation and in particular in a business environment. Can we re-learn the art? I hope so, but it will take practice (and discipline).

I came across this online survey as I was compiling material for the newsletter. You had to vote before you could see the results. The question was:

How likely are you to open a business account with Lloyds Bank?

The results were as follows:
Definitely will - 3.5%, Probably will - 2.7%,
May or may not - 5.6%, Probably will not - 12.0%, **Definitely will not - 76.3%**. Ouch!

I did not register who was behind the survey but it does not say much for Lloyds. I wonder what the vote would be for the other banks. It's maybe time for us to repeat our bank survey that we first conducted in 2012. Watch out for it in your post in the next few weeks.

And what is HMRC up to these days? Apparently they are going to be shedding yet more staff and closing yet more offices. There has been criticism that the department was under resourced and unable to carry out its duties effectively. Thousands of PCS staff, including those in HMRC, went on strike

recently over pay and job cuts. It does not sound like a very happy place to be working.

I can think of a few HMRC people who should have been made redundant years ago but PCS general secretary Mark Serwotka said: this further attack on HMRC was political and economic vandalism, and especially when, even by the department's own modest estimate, tens of billions of pounds is lost to our public finances every year, largely through tax evasion and avoidance.

The loss of tax to the country is clearly not a priority while cutting costs certainly is a hot topic.

Turning to more successful organisations than HMRC, Andy Grove, Chief Executive of technology giant Intel, was reported to have said that there is at least one point in the history of any company when you have to change dramatically to rise to the next level of performance. Miss that moment, and you start to decline.

Having thought about this for a while I think I agree. You cannot usually grow your business without adapting and changing. You have to be flexible and responsive to the market in which you operate. In addition, you cannot operate in the same way as you did when you were smaller. Anyone who has tried to significantly grow their business will understand this. We do!

Over the years we have seen many small business owners struggle to grow and develop and then, just at the point that they start to succeed and achieve the growth they thought they wanted, find that they no longer feel in control and sell out.

It is likely that anyone running a growing business will never have run a business of that size before. We are all learning and growing, us included, as we grow our businesses. Nobody knows it all, so you need to tap into the accumulated knowledge and experience of other business owners who have travelled the same road ahead of you. They can point out the potholes and the shortcuts.

If you are in business, is it possible to have a day when you do not learn something new. Did you learn a lesson, overcome an obstacle (test) or find an opportunity and all possibly arising out of the same event. That's why experience counts.

Radical Simplicity

From an Article by Gary Ryan Blair

Decide to control your environment with an iron fist, or it will control you.

Reduce your options by creating a short yes list of key priorities, and then have the discipline to stick to it.

Set firm boundaries on what you will and will not tolerate from people and technology.

Enforce time rules and protocol of how and when you will utilize technology.

Inform and educate your staff, family and associates on these new rules.

Schedule quiet time each day to think, plan, and reflect.

Optimize your workspace and entire environment for what you need to achieve.

Exterminate productivity termites, which means the elimination of anything that does not support and strengthen your focus.

Have a deep reverence for the fundamentals, as success in any endeavour is built on a foundation of simple, timeless, universal, and pragmatic principles.

Set clear and compelling goals as not having a plan, goals or a system in today's world is dangerous because the default isn't neutral.

The goals you set must inspire you, seduce you, and challenge you so that you resist the temptation to cheat and to give into the beck and call of distractions.

Importantly, the simple life is not simple. Temptation will always present itself in new shiny objects, bigger and better features, greater speed, cool design, luxury, and other fascinating gimmicks.

But, if we are to create instead a significant bounce or leap forward in the quality of our lives and overall productivity, it will surely include a shift toward simpler, more sustainable and satisfying ways of managing our environment.

Remain paranoid and always remember that when it comes to simplicity...**Everything Counts!**

Stay Paranoid...They Are Out to Get You

From an Article by Gary Ryan Blair

Is there a conspiracy going on, are people really out to get you, should you be paranoid...perhaps even afraid? Yes, Yes, Yes! Just a few moments of reflection will provide enough evidence that we are all spending more of our time in environments that have their own agendas...agendas that are in direct conflict with your own.

Conflicting Agendas

The world is not acting in our long-term benefit, and it's highly unlikely that it ever will.

Phone calls, Email messages, Text notifications, Facebook updates, LinkedIn requests, Twitter feeds, and mindless YouTube videos all scream...LOOK AT ME.

TV ads, Magazines and Billboards all want you to stop what you are doing and FOCUS on them.

Colourful banner ads, pop-up windows, unwanted survey's, sensational and misleading headlines, as well as endless hyperlinks all BEG for your click.

Our new normal is the relentless, aggressive chain of siren songs from our environment. As to their agenda, it's actually very simple...to distract you just long enough to divert your attention so that what was once yours is now theirs. In other words...they actively work to pick pocket your focus.

We must all wake up to the reality that the wagons are circling and we are all being surrounded by scheming thieves: **thieves of our time, thieves of our attention, thieves of our money, thieves of our productivity, thieves of our privacy, and other forms of creative thievery.**

It's Time to Swallow Hard and Take Your Medicine

So what's the solution, how do you remain focused and deliver more, better and faster results in an environment which is bent on doing just the opposite.

Here's a simple solution to a difficult and systemic problem.

Engage in Radical Simplicity

Simplicity by its mention alone, creates a sense of relief and freedom in this increasingly complex world, and its reason enough as to why it must become your primary strategy for taking complete control of your environment.

Complexity is the curse of the digital age. It is a type of intellectual pollution that smothers clear thought and which has direct negative benefits on individual productivity, customer delight, and corporate profitability.

And, that is precisely why we must exert control over our environment and engage in radical acts of simplicity.

Simplicity is a good thing. **It does not precede complexity, but follows it. It removes waste of every type. It saves time and money. It improves decision making. It stimulates productivity. It empowers focus, and it is a sustainable competitive advantage.**

Simplicity doesn't just happen on its own. In fact, without conscious, sustained effort focused on simplicity, the opposite – increased complexity – is almost certain to manifest itself.

Two Choices

No matter how you look at it, you and I are left with two choices:

1. We can be swept along on this wave of complexity, becoming increasingly rushed, stressed, and unfocused as we try to fit everything in and absorb everything thrown at us.

2. Or, we can make conscious decisions and hard trade-offs to start simplifying our businesses and our lives, to start pruning away the unnecessary and getting back to basics.

We must engage in Acts of Radical Simplicity

Latest from the Office of Tax Simplification

Major structural changes to some UK taxes may be needed if there is to be a significant reduction in the time businesses take to comply with their tax responsibilities, according to an Office of Tax Simplification (OTS) report.

Key recommendations

The 100-page report set out almost 50 recommendations, including 10 “key recommendations”:

1. Review the rules for the basic corporation tax/income tax computation to align more closely with accounting and tax profits and eliminate many sundry adjustments; consider replacing capital allowances with allowable depreciation; and test whether [corporation tax on] corporate capital gains can be largely abolished.
2. Tax businesses on business profits rather than streaming trading and investment results.
3. Review debt cap and transfer pricing rules to test their effectiveness and reduce the burdens they impose.
4. Harmonise income tax and NICs and integrate as much as possible.
5. Review HMRC’s real time information (RTI) process particularly around the “on or before” rule.
6. Extend short term business visitor rules and easements.
7. Develop ways of giving greater certainty over VAT treatment for smaller businesses.
8. Build on the success of HMRC’s customer relationship managers by extending the coverage as far as financially viable.
9. Improve the assistance given to businesses, particularly through greater use of digital communications channels.
- 10 Consider streamlining tax payments through a single tax account.

The government is expected to respond at the autumn statement in December.

Dividends: Are minutes necessary?

Directors can agree the payment of interim dividends among themselves but final dividends must be approved by ordinary resolution confirmed by a simple majority of shareholders and this can now all be done in writing and even by email.

A dividend can only be paid if there are sufficient distributable profits out of which the payment can be made (shown as “Reserves” or “Profit & Loss Account” at the bottom of your balance sheet). If a dividend is paid that proves to be in excess of this then it is ‘ultra vires’ and ‘illegal’ and this can have adverse tax consequences.

Interim dividends

The financial status of the company needs to be considered each time a dividend payment is made. The accounts only need to be detailed enough to enable “a reasonable judgement to be made as to the amount of the distributable profits” at the date of payment.

If the directors correctly prepare basic interim accounts and a dividend is paid on the basis of those accounts, then that will be deemed lawful, even if, when the final annual accounts are prepared later, they show otherwise.

Even a sole director should record all director decisions in writing. Therefore every time an interim dividend is paid there should be a note made confirming that the director has considered the company’s financial position and is happy that a dividend payment may be made.

Final dividends

Every time a final dividend is paid a resolution for payment is required as passed by a majority of *shareholders*. There is no need for every shareholder to sign the same confirmation document provided that all signed documents are in the same format. The resolution will have effect as at the date when the last shareholder has signed.

Evidence

Something in writing is needed whether the dividend be interim or final so that it is clear what has been decided, when it was decided and so on.

The Sales Prevention Department

This is where we share stories of poor service or, as this week, a serious missed opportunity to generate more sales.

I would like to return to a perennial topic of this column and that is public toilets. Yes, its Golspie again. A missed marketing opportunity for all the local traders!

Golspie is a very attractive town which I pass through regularly on my way between our offices in Inverness and Thurso. It’s a nice place to break my journey with a Co-op, cafes and shops all close to the car park in which are also situated modern toilet facilities.

The other traffic that will all pass through Golspie is tourists on their way either around the North of Scotland or travelling over to Orkney, and there must be plenty of them.

How do you get people to stop in Golspie instead of Brora, Helmsdale etc.

The toilet facilities are quite new and were some of the best I have frequented. They even have hot water!

They are now shabby and dirty and have been neglected. There are signs selotaped on the wall telling you not to put “things” in the bin which is for paper towels.

If I was a trader in Golspie, what would I do?

Well, first of all I would take it on myself to get the facilities cleaned and refreshed. Then I would put a sign on the main road saying things like “hot water” etc. I would put signs up around the “facilities” advertising the local businesses that had participated in maintaining the facilities and keeping them clean and fresh for visitors.

There are 3 cafes close by. If more people stopped in Golspie, they would get more trade. What about the hotels along the street. The Co-op is about 100 metres away, they should be looking to get more trade. Why do these people not take matters into their own hands and make the sort of decisions that will to benefit them all. Are they already making enough profit? I doubt it!

Who or what are **you** waiting for?.

The peedie bits ...

HMRC Starts New Credit Card Campaign

HMRC said it has details of all credit and debit card payments to UK businesses. This information is used to identify individuals and businesses that might not have paid what they owe. People who are found to have undeclared income could face higher penalties or criminal prosecution, HMRC said.

Businesses with undeclared income from debit and credit card sales have been offered the chance to settle their tax affairs on the best terms.

The offer is HMRC's latest tax campaign, or task-force, against tax evasion.

Businesses that make the voluntary disclosure will have four months to pay what they owe from the date they receive an acknowledgement from the Revenue.

Proposed changes to CIS

1. **Mandatory CIS online filing** - HMRC considers that many of the benefits of system improvements would only be fully realised if all CIS returns were made online. It is therefore proposing to remove the option to make monthly CIS returns on paper and to mandate online filing.
2. **Appeals** - If a contractor fails to submit returns on time, HMRC charges penalties. To work alongside the new CIS online service, HMRC intends to adopt an automated system for processing CIS penalty appeals. Taxpayers would be notified by an online messaging service in real time if their appeal was accepted immediately or referred for manual review. HMRC anticipate this process will replace the current paper based appeals service from the date of implementation. The paper based service will still be available for legacy penalties.
3. **Nil returns** - Many of the penalties currently issued to contractors are for 'nil returns' where no payments to subcontractors have been made. In response to representation HMRC intends to remove the statutory obligation to report a nil return, removing the potential for a penalty to arise in these circumstances. However when a return is not received by the filing date, HMRC systems will not know whether the reason is because the contractor is simply late filing the return or there is no return due. Therefore HMRC intends to operate a simple nil voluntary notification to enable contractors to notify HMRC if they did not pay subcontractors and this will stop a penalty notice being sent out. Otherwise subcontractors will be able to use the online service to appeal against penalties received if no payments were made to subcontractors.

Scottish Carrier Bag Tax

The charge to be made on single use carrier bags in Scotland is 5 pence.

If you are vat registered this is the gross amount. You still charge 5p if you are not vat registered. The receipt is taxable and should be included in your profits.

VAT and "spot the ball"

In a recent case the question was whether 'spot the ball' was a game of chance, and therefore exempt from VAT or playing a game with an element of skill, which would not.

In all versions of the game, a photograph of a football match was taken. The football was then removed from the photograph (along with much of the rest of the background) and participants had to guess the exact location of the centre of the missing football.

A game is an activity under rules which provide for an outcome 'such that it can be said that a player has won or lost'. In a typical 'game of chance', the rules provide for some event occurring randomly after the start of the game to influence its outcome to a significant degree. The effect produced by the uncertain outcome of the random element is one of the purposes of the game.

'Spot the ball' i.e. looking at a picture and posting a coupon marked with an 'X' showing the location of the ball did not constitute the playing of a game. 'Spot the ball' was a competition involving an element of chance, not a game.

Corporate Farming Partners

A few years ago there was a rush to set up a company that would become a partner in the business. Sharing profits with the company meant the company's share was only taxed at 20% where the other partners might be paying higher rate tax. Does this still work? Yes, it does, but not as well as it used to do, because of new legislation and the fact that the business cannot benefit from AIA, presently available for expenditure up to £500,000 if the partnership has a company or trust as one of its partners.

So, what is the alternative? The company can be taken out of the partnership and is then able to trade on its own account, albeit still owned and controlled by the original partners.

This is particularly useful in a farming business where a part of the business, say all the dairy operations, can be isolated and operated through the company. No land is transferred into the company so no IHT issues. Another area that can be isolated and run through the company is contracting. The aim here is to take profits subject to higher rates of tax and place the trading and the resulting portion of profits in a company paying tax at only 20%.

Care must be taken when claiming AIA as all businesses under common ownership are limited to just one AIA between them.

If this is of interest to you, come and speak to us as there are other aspects to be considered depending on your own particular circumstances.

Share Buy Backs

Do you have a shareholder either retiring or wanting to sell out their shares? Wondering how you can finance the share purchase? Why not get the company itself to buy the shares using its own finance. This avoids you having to be taxed on taking money out of the company to buy the shares.

This is a big subject so come and speak to us.