



Budget issue 2005

What's New at



Last newsletter we said we would update you about on-line filing of Companies House information. Unfortunately our recent update of software still does not allow the electronic filing of company forms, but we hope that the facility will be available from May 2005. We will contact you as soon as we have the details.



Companies House
for the record

Kay Smith, below, continues to go onwards and upwards, passing another two papers in Part 3 of her Certified Accountancy exams. Now she has only three left to take in June. With fingers crossed she hopefully will be a fully qualified Kay Smith, ACCA in August!



Fancy a game of cards? We thought sporting supremo **Matthew Stevens**, a client of Rob Anderson like fellow player Paul Hunter, was just big into snooker! Not so - he's also as card-sharp as they come, recently winning the UK Texas Holdem Poker competition as well!



What's new with the budget and SERPS

Another Fox Evans newsletter - and so soon after the last one! Heavens - what on earth have our clients done to be treated so well, we ask! Christmas must have come early this year. Well, er, no - but the budget has, and we planned this newsletter just in case a host of new measures were introduced that you needed to know about, and which could affect your business. Quite often small changes can be made that do have an effect, but which don't grab the headlines.

In addition, announcements are increasingly being made a year or so in advance of when they will become operative. Again the immediate budget headlines can often fail to remind businesses of what's just around the corner.

This year, though, the budget was a pretty safe affair - inevitable with the general election just around the corner.

Another reason for this newsletter now is to draw your attention to the SERPS issue (page 3). Contracting back in to SERPS is a decision many of you and your staff are faced with making.

The information is applicable to all employees - so making them aware of the article might be good internal PR for you.

As ever, if you want more details on anything please contact us, or visit our website at www.foxevans.co.uk. We will endeavour to service your needs as best as we can.



Our SERPS article (page 3) is applicable to everyone who works, and could affect their pension decisions - why not pin it to your notice board?

Don't return returns - yet!

Soon you will be receiving your next tax return. While we would hate to discourage early filing, there is no immediate need to return these just yet. Please wait until you receive a reminder from us of all the information we believe needs to be entered on your return before sending any details to us. We hope to send the reminder in mid to late April.

Inland Revenue

Tax Return

What's good in the Budget?

What's good for everyone . . .

Income tax and national insurance remains unchanged. The income tax bands remain at 10%, 22% and 40%, with NI at 11%. The inheritance tax bands have been raised marginally. Currently

this starts to be paid on estates worth £263,000, rising to £275,000 in 2005, to £285,000 in 2006 and ultimately to a maximum of £300,000. Fuel tax rises have been deferred.



What's good for businesses . . .



There was good news in the form of a freeze on corporation tax, capital gains tax, air passenger tax, insurance premium tax, climate change levy, aggregates levy and company car tax. With that, the starting point for the tax scale decreases to 140 grams per kilometre for 2005/06, and will remain unchanged until 2008. The fuel benefit calculation remains unchanged for 2005/06.

With vans, the rules are changing on 6 April 2005 so that there will only be a taxable benefit where an employee has unrestricted private use of a company van.

On VAT, the Chancellor pledged to work with the Chambers of Commerce to encourage take-up of the flat rate VAT scheme among the 600,000 companies eligible to join it. So far 70,000 firms have done so.

The Government published its vision of how the integrated HM Revenue and

Customs (HMRC) will deliver "real improvements in its relationship with small business and minimise administrative burdens". The snappily titled *Working towards a new relationship: A consultation on priorities for reducing the administrative burdens of the tax system on small business* provides an opportunity to comment. As a result of the measures the Government says small businesses will "understand their tax liabilities more easily, be able to provide information to HMRC only once; spend less time dealing with inspections; benefit from a range of modern flexible payment options; enjoy a single point of contact with the new department; and have access to co-ordinated, clear and helpful support and education when and in the form they need it".

Time will tell. Critics have already said that the budget made little headway to help.

What's good for employees . . .

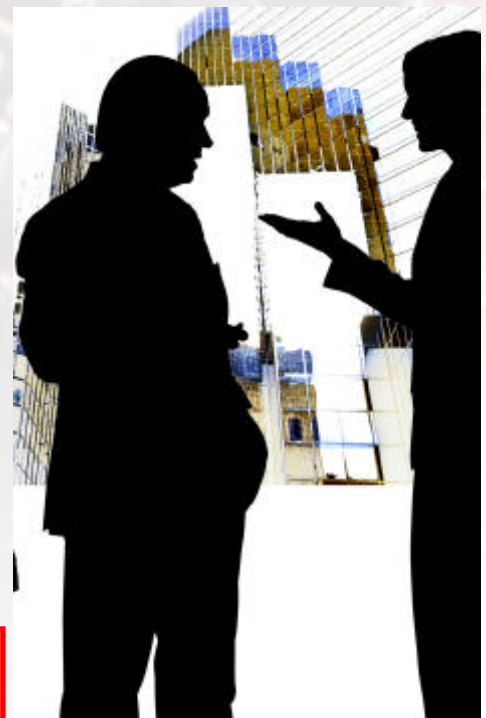
There are new incentives for incapacity benefit claimants to start work and changes to housing benefit will also create jobs. There will also be a £2,000 return to work bonus for single parents. £65m will also be spent in the coming year on employer training schemes.

Where an employee attends a full-time course at a recognised educational establishment for at least 20 weeks a year, and their employer helps to meet the costs of accommodation, subsistence and travel, these are currently tax exempt up to a total of £7,000 per academic year. This figure will increase to £15,000 for the

academic year beginning September 2005. The payment will also be exempt from NI.

When an employee loses their job their old employer may agree to meet some or all of the costs of counseling and retraining. The current tax exemption only applies to full-time employees, but this is being extended to part-time employees. It will also apply to retraining courses lasting up to two years, and the condition that the course has to be substantially full-time has been removed.

For more details visit
www.foxevans.co.uk



SERPS: should you contract back in or stay out for good?

What to do with pensions, eh? - what with poor investment returns, blackholes and almost daily warnings that we'll be paupers when we're old! While it's tempting to live for today and ignore the subject we can't!

Through our sister company Fox Evans Financial Services we can assist you in making the necessary decisions of course. One of the immediate issues is SERPS: should you or shouldn't you contract back in? The likelihood is that this is a decision you will be facing now - insurance companies should have written to all of their clients who were using personal pensions to contract out of the 2nd tier of the State Pension Scheme. The purpose of the letter was to highlight the risks of contracting out, and to suggest an appropriate course of action.

First though, a quick reminder of the State Pension Scheme for all of those where *Pensions Monthly* isn't the favoured bedtime read. The scheme consists of two components - the basic State old age pension, plus the 2nd tier of the State Pension Scheme, formerly known as the State Earnings Related Pension Scheme (SERPS) but; now known as the State 2nd Pension (S2P).

Everyone will be entitled to the first part, subject to a satisfactory NI contribution record. In addition employees and their employers pay additional NI contributions to build up an entitlement in SERPS, or the S2P scheme. Self employed people, or those people who are members of their employer's final salary pension scheme, can be exempt, however.

The State Pension Scheme is operated on a pay as you go basis, which means that current NI contributions are being used to meet today's State Pension and other Social Security benefits. Today's workers are thus relying on future generations paying into the fund to meet their State Pension promise.

The problem is, we're all living longer and are drawing higher levels of State Pension benefits than before. The birth rate is also falling, and increased part-time working means

fewer of us are paying full rate NI. Back in the mid 1970's, seven workers supported one pensioner, by 2050 it will reduce to two to one.

To reduce long-term liabilities the Government introduced the concept of contracting out of SERPS in July 1988. Here, employees and their employers continue to pay the full rate NI but have part of the contributions rebated into a personal pension. This money is then invested, and, at the point of drawing benefits, buys an annuity policy.

Obviously the better the investment growth the bigger the pot. Contracting out is thus a risk and individuals may be better or worse off as a result.

Lower investment returns and falling annuity rates also add weight to the argument to contract back in. As a result some insurance companies

have written to their clients and said contract back in regardless of age, while others have suggested "pivotal ages", after which it is probably best to do so. Therefore, financially, we can make no case for contracting out. But there's an emotional argument as well.

There are still tremendous strains on the State Pension Scheme, and it is believed the Government will have no option but to extend the scope of means tested benefits to include the second tier, and perhaps the basic state pension as well. There is a real prospect that people who have made adequate provision for their retirement could be denied some of their State Pension if economic circumstances dictate. Therefore, many people ignore the financial argument and continue to contract out in the knowledge that while they are likely to be worse off than contracting back in they have the knowledge that the monies built-up in their personal pension cannot be denied them by means testing. They also believe that at retirement, the profit or loss from contracting in or out will represent an extremely thin slice of their overall retirement cake. If you would like to discuss this in more detail then please contact us.

“Financially we can make no case for contracting out of the SERPS Scheme. But there's an emotional argument.”



The national pension piggy bank is broken. Whether contracting in or out of SERPS will fix it for the future is debatable. The decision is largely a personal one, however.

Wringing cost savings out of your telephone system

Does your firm's phone system or monthly bills leave you speechless?

Is juggling your separate landline, mobile and internet bills each month worthy of a Billy Smart circus act? And just how connected are you with your phone connector? Who would you call when you can call no more because your system is down?

If your service supplier is one of the big multinationals the chances are you wouldn't know. After a dozen or so automated options you may end up speaking to a human being, but it won't be one familiar with your company, system or requirements.

Go to Fox Evans client HBT Communications, based on the Foleshill Road in Coventry, and you'd know exactly who to contact. That's because you'll have your own dedicated manager who'll understand your business, provide hardware and service-provider support to match those needs. If there's a problem on the line you'll know exactly who to ring.

That individual account manager approach is one of the key points of difference between HBT and other companies, says sales manager Rene Wheeler. Another is that the account manager will also run your account to save you money - whether it is in primary calls, mobile or data communication. HBT makes its profits by saving money for its customers, rather than making money from them. At the end of the month a single bill which compiles all of the various communication costs makes monitoring simple and easy.

"Firms can have confidence that they'll be getting the best deal on their calls," plugs Rene.



Installing the new phone system at Fox Evans. HBT Communications estimates it will reduce landline bills by 20 to 30%, cut mobile bills by 12% and halve electronic communication costs.

"If there is money to be saved somewhere we'll tell you how and where to save it," he insists. The firm is, he insists a "total solutions provider" for all forms of communication, and for all types of business. The fact that it manages all of ToysR'Us and Fujitsus communications requirements shouldn't put off a small two man business, he insists. Savings of between 20% and 30% on landline calls, and 12% on mobiles can comfortably be achieved, he says. That's because the cost of lines constantly varies, and HBT passes the savings back.

It will also keep a client up to date with new technology, and advise clients where a newer, more efficient system will bring added savings and

efficiencies. The change from analogue phones to digital is one such example. Making the move can also be done at zero cost at times - with the savings made exceeding the monthly lease cost for the system.

"The telecommunications market is extremely fast moving and costs are coming down all the time - particularly bandwidth costs for internet access," says Rene.

"We can help a company keep pace with the change, and recommend systems that will maximise efficiency at minimal cost. We are confident we can save the majority of companies money."

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