



Spring 2006

## What's New at Fox Evans Chartered Accountants



Phew! They're over! Nope, it's not the Christmas holidays we're talking about it's Paul Lissaman's exams! Congratulations to him, who passed them all to become a fully qualified Chartered Accountant. Sincere thanks and apologies to Tim Poulter (above right), though. The hearty thank you is for 25 years of loyal service to Fox Evans, the apology is for making him look old! Jon Higgitt, lefts, presents his tankard.

# U -turns galore!

**D**o you want the good news or the bad news first, as the saying goes? There's a mix of everything in this issue. Let's start with the best news! Anyone potentially affected by the Arctic Systems legal case with the Revenue will be buoyed by news that the Revenue's case was "knocked for six", as one ebullient accountancy reporter stated. It was the third time the case, which tests the "tax legality" of husband and wife companies and salary:dividend splits that effectively reduce the tax burden, has been tested through the courts. The decision was "a bitter blow for the Revenue and Customs and a victory for common sense" said the journalist. The court refused the Revenue leave to appeal to the House of Lords, but sadly that doesn't mean it won't. And now the bad news. First pensions. Come April 1<sup>st</sup> new pensions rules would have made investing in pensions a whole lot more flexible and interesting! But there has been a Gordon Brown U-

turn that has affected things significantly. Second, if you regularly need an audit your prices will be going up soon - in some cases doubling. Also increasing will be the tax bill for companies with profits of less than £10,000, and the VAT bill on private fuel. Fortunately though, not many of our clients will be affected. There's mixed news for construction companies and workers since our last newsletter. We hope you find this one useful to bring you up to date with what's going on and what may financially affect you and your company. Finally, Christmas seems a long time ago now! Thanks to all our clients who sent us seasonal greetings. We don't send cards of course, but instead sent a donation to Myton Hospice, which needs to raise £5m for its new Coventry hospice. A worthy cause. Allow us now, therefore, to wish you all a happy, prosperous and, hopefully, a relatively Gordon Brown free 2006!



Over the last few years we've been expanding our book-keeping department, now under the watchful gaze of Donna Kiely. We expect that to continue to expand in 2006 as more companies outsource that part of their business! Remember - if you are strapped for time on book-keeping or payroll issues then why not ask us to quote!

### Action point

## "Free" £22,500 for our clients!

Last year Fox Evans made its clients £22,500 simply by ensuring they filed their P35 forms on line. If you didn't do yours that way then mark it down as lost money and make sure rectifying it is the first action point of the year! We can do all the paperwork for you, remember - so all you have to do is let us know you want us to do it! It couldn't be much easier!

# Brown rips-up new pensions rules

The pensions industry has been feverish in its anticipation of A day - 1 April 2006 - for many moons now. The day was going to transform the options for investment and revitalise saving for the future. Last newsletter we wrote about the superb new opportunities for diversifying pensions investment into residential properties, fine wines, vintage cars and antiques (right). It would, we said, revolutionise pensions planning.

And then came Gordon Brown's 11<sup>th</sup> hour bombshell. He decided the revolution was too fast, and the opportunities too good, especially on residential housing, so ordered a complete U-turn in the last budget. Where once there was tax relief on the above investment streams there won't be now. Where once these would have been attractive investments because of the tax relief, they aren't attractive now.

The reaction from the pensions industry against the Government has been swift and hard hitting - especially given the very late timing of the U-turn in relation to A day. There is a chance that the Government may backtrack a bit in the next budget because of the pressure it is under from some of the big investment companies, but no-one is holding their breath.

## No DVD from pensions seminar

Thanks to those clients who attended our pensions seminar. In the last newsletter we promised clients we'd send those who were interested in going but who couldn't make it, a DVD of the presentation! Alas, though, we haven't! Not that we didn't film it, edit it and produce it, though. We did so, and then Gordon Brown changed his mind, effectively making the DVD irrelevant!



In the last newsletter we explained the opportunities to be had from "A day", when the new pension rules were to come into effect. They've all disappeared now, after Gordon Brown ripped up the new rule book six months before it came into effect

# Low salary, dividend-taking directors should contract back into SP2 (SERPS)

Many directors on the advice of their accountant have reduced their salary significantly, and have chosen to remunerate themselves via dividends to minimise National Insurance liabilities. However, the National Insurance Rebate paid into a personal pension is calculated as a percentage of earnings between the lower earnings limit (LEL) and the upper earnings limit (UEL), and EXCLUDES dividends, which are classified as investment income.

The LEL is currently £4,264 and so a director drawing a salary of, say, £5,000 a year will receive very little National Insurance Rebate into their personal pension - thus guaranteeing that they will be worse off by contracting out.

Directors who have reduced their salaries should therefore contract back into the 2nd Tier of the State Scheme, which is designed to benefit "low earners" and takes no account of dividend income.

To do so you need to contact your pension provider and request a form APP2. If you act quickly and return this form you can elect to contract back in with effect from the start of the existing tax year, 6th April 2005.



Uncertain about what to do about your SP2 (SERPS) pension position, and whether to be contracted in or out? There are many factors that determine it, and advice can change depending on circumstances - especially for directors taking low salaries.

# Arctic sends chilly wind through HMRC

The long running battle between the husband and wife team of Arctic Systems and the might of Her Majesty's Revenue and Customs rages on.

The latest court case, held in the Court of Appeal in December, resulted in a significant victory for small businesses over the Revenue - good news for an estimated 20,000 businesses around the UK, and for several Fox Evans clients.

Although the legal and taxation arguments are complex, the principle of the case is pretty simple.

Arctic set up their company by issuing single shares to the husband - who does the majority of the technical work - and another share to the wife who does the admin. Like many businesses they paid themselves low salaries and took the rest of their income via dividends.

The HMRC objected to this on tax avoidance grounds, however, and believed that Mr Jones should pay more tax because he had effectively apportioned some of his income to his wife.

This resulted in the lengthy court battle being fought by Arctic as a test case. In the end the Judges decided that Arctic had not done anything wrong in the way it had set up the business.

Although the HMRC was refused leave to appeal it can still technically do so. Accountancy journalists described the court win as "a victory for common sense and a bitter blow for HMRC", but few believe the Revenue will give up on its arguments. Many expect revised guidance, and legislation changes as a result of the case.

We will keep you posted.

## New tax on small firms

Small companies who do not pay dividends and who have profits of less than £10,000 will pay more tax under new rules. In 2002 a 0% tax rate was introduced on companies with less than £10,000 profits. In 2004 the Government thought the system was being abused and has effectively scrapped the 0% allowance if dividends were being paid. Now this has been completely abolished and a company with an exact profit of £10,000 will thus pay £1,900 extra tax.

## CIS scheme rules delayed



In the last newsletter we wrote about changes to the construction industry scheme, and the "onerous new rules introduced for subcontractor employment". There's good news and not so good news on that, we're afraid. The good is that these rules now won't be introduced until April 2007, rather than April 2006. The bad, though, is that whereas before there was to be some "leeway" in the interpretation and a promised "light touch" by the revenue there won't be. Affected business will have to be ready. No excuses will be allowed!

## Company Laws to be reformed

In November 2005 a Company Law Reform Bill was published by Parliament which will affect nearly all of our incorporated clients. The objective is to simplify the law, and make it more relevant and easily understood. It is also designed to better reflect the needs of smaller companies, rather than it being biased towards public companies. Key changes are:

- The requirement to have a company secretary has gone;

- The deadline for submitting accounts to Companies House has reduced to nine months;

- Directors can use a service address rather than a home address;

- There are no requirements for Annual General Meetings.

The bill is still in progress through Parliament and it is not expected that changes will come into force before 2007.

The full text of the bill is available on the Companies House website - [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

## Audit demands and fees rise

A run of high profile corporate failures has resulted in a tightening of the rules and regulations surrounding auditing. Effectively the procedures for auditing financial records have been globally harmonised and tightened. They came into play at the end of 2005.

In essence, audits now require more time, and must be carried out by more senior accountancy staff. This, plus new ethical standards imposed on the profession, mean prices will

have to rise. In some cases costs may double.

Currently we undertake audits for companies who value the extra security, even though they are not legally required.

We therefore advise any client who currently has an optional audit to consider whether they need them in the future. Many won't, and can save their money.

We will be writing to "affected" clients in the near future with more advice on their individual circumstances.

# Any car and finance deal you like - best prices guaranteed!

**P**ark the stereotypic view and prepare to yank on the sexist joke handbrake about women and cars. Don't even begin to trundle down the "what do females know about motors" road. Especially not in the company of Helen Sargent and Tricia Smyth. That'll be ex-RAF jet engine mechanic Helen Sargent, see, and her co-director at Vixen Leasing, Tricia, also formerly of Her Majesty's Airforce crew. Around 600 companies in and around Coventry and Warwickshire certainly know not to argue with them when it comes to matters motor. Especially not over sourcing the best deal in terms of financing their purchase. Because that's the number of firms who trust the company to manage their vehicle sourcing. And that's because they're not only experts at the job, they say, but because they get the best price.

Helen has around 17 years in the business now, nearly ten of them running Vixen. Tricia has around 10 years experience. Cars and vans may be a man's world, but that hasn't prevented the pair from setting up what they say is one of the best vehicle sourcing companies in the region.

Apart from advising on all the various non-cash methods of financing new vehicle purchases - including contract hire, contract purchase, hire purchase, finance lease and personal contract purchase - they can also negotiate better discounts than many fleet buyers, and certainly most individuals, they insist. "We can



Not your typical car "dealers" - Helen Sargent (right) and Tricia Smyth of Vixen Leasing will source the best price and finance deal on any type of car, they say.

offer an individual the same buying power as someone who buys hundreds of cars," says Helen.

The success of the business is, they say, entirely down to the level of service that they provide. Customers, be they businesses or individuals - don't have to do anything but call them and state their requirements or budget, they say. They'll get the best advice, quotes, often arrange for a demonstrator car to be delivered to the client, prepare the documentation and ensure the vehicle is ultimately delivered to wherever you would like it too - be it to the office, home, indeed anywhere as long as its mainland UK. In the event of the occasional MAN-made problem - with the emphasis entirely intended, Helen quips - they'll also sort that out too. Problems such as when the delivery driver unloaded their first ever car

and failed to raise the platform higher than the car's roof - with inevitable consequences.

The pair also do whatever is possible to help people - even lending out their own vehicles when manufacturers let them down. Nor does the "we can get any car you like so long as it's a Ford or a Vauxhall" philosophy apply. For a mere £1,700 per month the latest and newest Aston Martin could nestle proudly on your driveway or for £1580 a month *less*, so could a Corsa, with every type of marque, model, shape, size and colour falling somewhere in between. Part exchanges aren't a problem either. The minimum finance or contract period is six months, the maximum five years. "We'll help anyone with their car or van buying," says Helen. "We'll get the best deal on the car, and on the finance." Vixen can be contacted on (01926) 858111.

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