

Fox Evans

Chartered Accountants

News

Spring 2008

What's New at

Fox Evans

Chartered Accountants

A big Fox Evans welcome to Amanda Borg (top), who is nearing the completion of her certified accountancy exams, who joins the gang in our ever expanding audit and accounts office. And also to Gill Bennett, (below) an experienced bookkeeper, who is a new addition to our bookkeeping and payroll team.



FE launches new software program

In the last newsletter we asked you to recommend us to potential new clients, as we're always keen to grow our business.

And we're doing so, we're happy to report, with several new clients coming on board. So a huge hearty welcome to them! And to ensure our new clients don't dilute our service we're announcing two new appointments, detailed in our *What's New* section. Thanks to all who recommended us, and please keep passing referrals to us. We are always happy to take on extra work. This month sees Fox Evans take-on the big guns in the computer software world! (A bit.)

Thanks to the noble efforts of our computer experts Dave McCabe, Kay Smith and Daniel Wheatley we've launched our own accounting software package. Based on an Excel cashbook style system, it is very easy to use, extremely informative, and ideal for small business because it should slim-line

the preparation of your year-end accounts.

It is also completely free to our clients. If any client would like a copy please get in touch with Kay Smith who will also be able to explain how to set this up and start using it.



Cometh the (quiz) hour . . . Cometh Fox Evans

Congratulations to our brain-boxes who won (yes, won!) a trophy in February for winning the Hays Quiz Night, in aid of the Marie Curie Cancer Care



Appeal. (And no, they weren't the only team who turned up on the night.) The winning team were (l to r) Jon Higgitt, Paul Cole, Paul Lissaman, Alison Hewitt, Mark McLean, and Jan Rendall (not in picture). From all at Fox Evans not bright enough to be in the team: well done! Great minds and useless information do come in handy at times!

It's P35 time !

Your employer P35 form must be submitted to HMRC by 19th May 2008. We can do the work for you if you'd like, but we need the information before 25th April to meet the deadline. Remember, statutory penalties apply if the deadline is missed. If you have not used our services in the past, but would like to do so this year, then please contact Donna Kiely as soon as possible. Our normal charge for a straight forward return is £100 plus VAT. You will receive a credit of £100 for filing on line this year.



Stability and opportunity: building a strong, sustainable future

Want to know, like *everything* to do with the budget? Go to www.foxevans.co.uk and click on the button on the right hand side

Surprises are hidden in the detail of Darling's first budget

Alistair Darling's first budget as Chancellor of the Exchequer, presented on Wednesday 12 March, contained few surprises as many of the main changes had been announced previously. There were some new proposals, however, the most notable ones being summarised here:

- Plans to stop 'income shifting' tax saving tactics of small businesses (aka Arctic Systems) have been delayed by a year (see later article);
 - Changes to the capital allowance systems have been introduced, including changes to how company cars are taxed;
 - Income tax relief has been extended for the Enterprise Investment Scheme;
 - Improvements have been made to the Enterprise Management Incentive;
 - The annual charge on non-domiciles will still be introduced, but plans have been relaxed slightly.
- These changes come on top of others that have been previously announced, and which we have touched on briefly in previous newsletters:
- There is a reduction in basic rate of income tax, but this has been offset by a significant increase in national insurance;
 - There has been an increase in the investment limits for ISA's;
 - Taper relief and indexation allowances for capital gains tax have been abolished;
 - A flat rate of CGT for individuals of 18% has been introduced, as has an "Entrepreneur's Relief" for CGT (see later article)
 - Significant changes have been made to inheritance tax relief for married couples and civil partners;
 - The corporation tax rate for large companies has been reduced to 28%, but increased for small companies to 21%;
 - There is a new Annual Investment Allowance, giving a 100% write off for the first £50,000 spent on plant and machinery.

Beware, though, there are a lot of hidden traps in the fine detail. Before you do anything with your business or personal affairs take advice. We're always happy to help!

Relief for entrepreneurs on CGT

In the Pre-Budget Report in October 2007 the Chancellor announced a series of changes to the capital gains tax (CGT) regime for individuals and trustees. These changes included the abolition of taper relief and indexation relief and the introduction of a single rate of CGT of 18%. The changes took effect from 6 April 2008.

On 24 January 2008, in response to pressure from the business community, the Chancellor announced a new 'Entrepreneurs' Relief'. The first £1m of gains qualifying for relief will be charged at an effective rate of 10%. Gains in excess of £1m will be charged at 18%. An individual will be able to make more than one claim for relief, up to a lifetime total of £1m of gains.

Business leaders had also been calling for the re-introduction of a form of Retirement Relief, which some of you may remember. The rules for retirement relief required

you to have been in business for a number of years, but the new rules are designed to be simpler in that there will be no minimum age limit, and relief will be available where the relevant conditions are met for a period of one year.

The relief will apply to gains arising on the disposal of "the whole, or part, of a trading business that is carried on by the individual, either alone or in partnership", and shares "in a trading company, or holding company of a trading group, provided that the individual owns at least a 5% shareholding, and has been an officer or employee of the company".

We will of course let you know any further information as soon as it is available, but please do get in touch if you have any immediate concerns.

HMRC warning on dispensations

The payment or reimbursement of expenses or the provision of a benefit in kind is normally taxable on the employee. However, particularly with expenses, it may well be that the employee is entitled to tax relief personally on the same amount. In order to obtain the relief, the employee would have to write to HMRC or fill out a tax return.

To save all this paperwork, employers may request a dispensation from HMRC. If HMRC grant one, it means that they are happy that the reimbursement contains no profit element. In turn, this means that the expenses or benefits are not taxable but that the employee can not claim tax relief personally.

HMRC have issued a warning to employers regarding a change in their policy on dispensations. Normally, once a dispensation has been granted it would continue to apply until the qualifying conditions were no longer satisfied. If a dispensation had been operated incorrectly, it would only be revoked retrospectively in exceptional circumstances.

HMRC will now consider revoking a dispensation retrospectively where: "there is any evidence of misrepresentation or negligence by an employer, or other person paying expenses or providing benefits in kind"

Examples of this can include:

- if an application for a dispensation did not provide all the relevant information
- if there was a change in the way the expenses and benefits were made available to employees meaning

the qualifying conditions were no longer met, and HMRC have not been informed of the change.

There are two important points to note. Firstly, HMRC state that this change will not affect the great majority of employers who apply for and operate dispensations correctly.

Secondly, if you don't currently have a dispensation, please get in touch so that we can see if one would save you time (and money!)

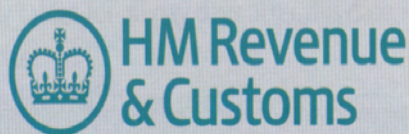


HMRC is clamping down on dispensations - and has been widely publicising its intended actions, so be warned!

HMRC Penalties

HMRC have announced that they have started sending penalty notices where their records show that they have not received 2006/07 forms P35 and P14 (the employer's annual return and end of year summary). Similar penalties are also being issued where 2006/07 form CIS36 (the contractor's annual return) is outstanding. In addition, there were yet again problems caused by the HMRC self-assessment online system crashing on the peak days for submission - 31st January and 1st February. HMRC have issued guidance that states penalties will not be issued where late submissions were due to problems with their systems. However, it is not unusual for HMRC penalties to be issued in error. If this is the case, or if there is a reasonable excuse for the delay in sending in the return, penalties can be reduced or even waived altogether. If you receive a penalty notice you believe is in error, please get in touch.

PAYE codes



HMRC have advised that they are in the process of issuing PAYE tax codes for the 2008/09 tax year.

If you receive a coding notice it is worthwhile letting us have a copy for checking if you have any concerns. Employees who have the use of a company car may find they are worse off in the new tax year due to an increase in the percentage, linked to the car's CO2 emissions, applied to the list price of the car.

HMRC's guidance on PAYE tax codes includes some frequently asked questions and can be found at the following website address <http://www.hmrc.gov.uk/p2/index.htm>.

Arctic on ice

You may remember the long running Arctic Systems case, involving a husband and wife who jointly owned a company and who took the profits out by way of dividends, in a 50/50 split. HMRC attempted to tax the dividends solely on the husband, as he did most of the work. The HMRC lost the case, but the Government published draft legislation to prevent a tax advantage being gained through "income shifting". This legislation was due to apply from 6th April 2008 to dividends and profits from a partnership. However in the budget it was announced that this is to be delayed by a year, so those consultations can take place. Hopefully this will mean that these proposed provisions are substantially modified and less onerous.

We will, of course, keep you informed of developments. However, if you have any questions or concerns in the meantime, please do not hesitate to contact us.

Why Fox Evans is central plank of wood firm's future

When it comes to international firms of accountants there are a few with true mega-brand status. There's Deloitte's, KPMG, Grant Thornton, to name but three. And, increasingly, there's Fox Evans. Oh yes. (!)

Being a global household name may be one thing . . . but it doesn't mean relatively small businesses like Fox Evans can't beat them at their own game sometimes!

For that has been the case with our client Sykes Timber, at Atherstone, Warwickshire. They've been in business since 1862, and are one of the leading timber importers and merchants in the country, specialising in sourcing 3000 tonnes a year of mainly hardwoods from all over the world. If you want a plank or two of Oak from all over (America, Japan, Europe, UK) or Mahogany, Obeche, Zebrano, or Wenge then Sykes is the firm to turn to.

Wood from the firm ends up in the obvious - kitchens, offices, floors, and furniture - but also on notable places like the gear knobs in cars and in the cabins of luxury £multi-million Sunseeker yachts. The firm also sources wood for use by engineering companies to make high cast pre-moulds prior to casting. Where once it exclusively dealt with the trade it is now increasingly dealing with the general public, and has just opened a new timber showroom.

The firm is now being run by the fifth generation of the Sykes family – by Richard and his brother Bob. Previous generations have included their great, great grandfather John, great grandfather George,



grandfather Joseph and father Stephen.

The firm has used the global accountancy giants in the past, but Richard is scathing about the level of service and commitment his firm received from them.

"I couldn't understand half of what they were telling me, and they weren't committed to us either," he says. In 2003 he decided to give Fox Evans a try, with Rob Anderson coming in as auditor and accountant. "Things definitely changed for the better," says Richard. "Fox Evans are much easier to deal with and sensible. I can talk to Rob when I have a problem, which wasn't always the case before and I get an answer that I can understand and relate to," he adds.

The business has been going from strength to strength recently, even with the downturn in the region's

Richard Sykes, in the new showroom and left, stocks of timber in the ten acre site just outside Atherstone.

engineering base, which has had a knock-on effect on the pattern making, pre-mould business. But as with Fox Evans it's the personal service element that is making the difference and building the business.. "We don't just supply the cheapest wood. We really try to get involved in what the customer wants, and that's happening more and more - hence the reason we opened our showroom. "Our knowledge is as important as the quality and availability of our stock, and that is why our customers come back for more."

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