

New Faces at RHK



From left: Neil McGlew, Nicola Johnson
and Liam Richardson

RHK are delighted to welcome Neil McGlew and Liam Richardson to the Corporate Services Department.

Neil joins from Stephenson Coates and Liam from Rycroft Glenton. We also welcome **Nicola Johnson who joins the Business Services Department** having previously worked at Bowlt Leisure and Baker Tilley. Nicola has a wealth of experience dealing with all aspects of Sage Accounting and Payroll.

All of them are looking forward to meeting and getting to know clients.

RHK to sponsor Biz Idol 2006



The hunt is on for the best business idea on Tyneside and Wearside with the second annual Biz Idol competition.

Big Day Event at The Stadium of Light, on July 6.

It is expected that there will be even more interest in the competition this year as entry is easier. All entrants have to do is submit 500 words on their business idea and 300 words on the biggest hurdle they will face in launching the business, either with web or paper submissions.

Prizes include essential start-up support, expert consultancy advice and cash to help start their company immediately.

If you have a new business idea download an application form and submit your application via: www.rhk.co.uk or www.bizidol.co.uk

Finalists will pitch their ideas to the panel at Tiger Tiger on June 3 and the top 3 will present at The

£4 million investment with RHK's assistance

UK Wood Recycling Limited will invest £4 million in a state of the art woodchip recycling unit and employ up to 40 people on Teesside, where it will produce a range of recycled wood products for a new £60 million wood burning power station, Wilton 10, after being awarded a £240,000 Selective Finance for Investment (SFI)

grant with the assistance of RHK.

The SFI scheme is due to change in late 2006. Initial indications are that some areas of the North East will lose their assisted area status and that SFI assistance will be available only to SME businesses. For many companies, 2006 may be the

UK WOOD
RECYCLING



last year to apply for an SFI grant.

To find out if RHK can assist you with an SFI grant, contact Tony Edwards or Michael Cantwell for a free consultation:
Tel: 0191 478 1513.

Get cheques returned

Due to the ever increasing number of cheque frauds, especially within smaller organisations where the same individual is responsible for the processing and payment of supplier invoices, RHK strongly recommend that business owners contact their bank and request that all paid

cheques be returned directly to you for control purposes.

If you would like to discuss this in more detail please contact Geoff Miller: Tel: 0191 478 1513.



A look back at Budget 2006

It was Budget number 10 for Gordon Brown back in March. As the dust settles on the announcements made, we set out a round up of some of the most important changes and proposals.

Get ready to file your tax return by September!

Following a review of HMRC's online filing services, recommendations have been made to:

- require businesses to file their VAT returns, company tax returns and PAYE in-year forms online in phases from April 2008
- introduce new filing deadlines for income tax self assessment returns of 30 September for paper forms and 30 November for online returns from 2008
- link the period that HMRC have to query a return to the date it is filed.

This kind of extension to online filing is a significant change and needs to be handled better by HMRC than the introduction of end of year online filing of PAYE returns.

Changes to small company tax rates

The starting rate of corporation tax of 0% and the non-corporate distribution regime were abolished from 1 April 2006.

Small companies will now pay tax at 19% on their profits up to £300,000.

This is a u-turn on starting rates for corporation tax. The government felt that the 0% rate encouraged too many individuals to incorporate to avoid paying tax. However, incorporation was something individuals were encouraged to do when the 0% rate was first announced!

An attack on interest in possession and accumulation and maintenance trusts

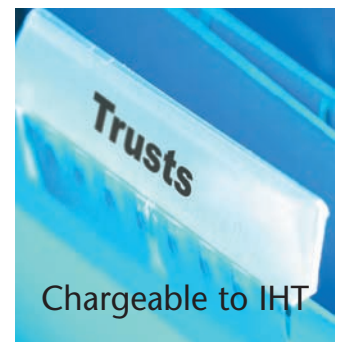
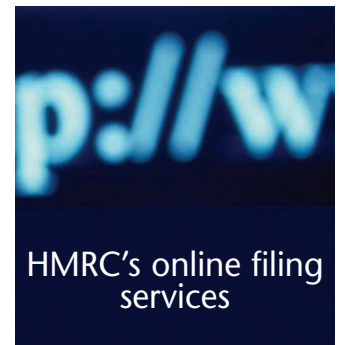
Lifetime transfers into accumulation and maintenance trusts or interest in possession trusts have always been exempt from inheritance tax (IHT) if the settlor lived for seven years following a transfer of assets to the trust. These trusts are also not subject to the periodic or exit charges suffered by other trusts.

Legislation has been proposed to make transfers into these types of trust immediately chargeable to IHT. Also, there is a transitional regime aimed at existing trusts.

This announcement has caused some concern, as the government had not previously consulted on the proposal. The change could raise millions in extra tax and further limits IHT planning opportunities.

Please contact us if you have any concerns regarding the changes to trusts.

This represents only a brief summary of the 2006 Budget. Please contact us if you would like to know more about how particular aspects affect you.



Faster electronic payment clearing times ahead

The Office of Fair Trading (OFT) has welcomed detailed proposals from the Association for Payment Clearing Services (APACS) to reduce clearing times for electronic payments.

It currently takes around three days for electronic money transfers to move funds from one account to another by standing order, telephone or internet transfer. The delay, as funds leave the payee's bank account but do not reach the recipient's until a few days later, is estimated to earn

the banks millions of pounds in interest every year.

UK banks have now promised that they can implement a new system across the UK by November 2007. A plan on how this will work is expected to be unveiled later this year.

The new system

The new system will mean that those making payment by telephone or internet will see their money transferred

within hours, on any day of the week (24/7), rather than the current three day system. The clearance time for standing orders will also be reduced from three days to the same day, when standing orders are made on and within banking business days.

The introduction of a near real time service, available 24/7, will no doubt be welcomed by personal and business bank customers alike.

Cracking the Code

You may have noticed that HMRC now include other types of income in your tax code. This could include, for example, rental income which has been received without the deduction of tax. Including this type of income in your tax code effectively speeds up tax collection!

If you do not want this type of income included in your tax code you can ask for it to be taken out. The tax due is of course still payable but it does not have to be deducted from your monthly or weekly income. HMRC will arrange for you to pay this tax direct.

In order to ensure that you are paying the right amount of tax each week or month, it is important that you check your tax code once you receive it from HMRC. The guide below will help you do this. If you would like further assistance please pass your tax code on to us for checking.

Personal allowances - The normal personal allowance for 2006/07 is £5,035.

Any business related expenses which you pay for yourself usually professional subscriptions.

Company cars are valued at a percentage of the original list price of the car plus accessories. The percentage is related to the CO₂ emissions of the car.

Private medical cover will be included at the cost to the employer of providing the policy for you.

HMRC will also include other types of income in your tax code.

Tax underpaid for an earlier year. This is quite a common adjustment for HMRC to make. If the tax underpayment is £400 and you are a higher rate taxpayer this should be shown as a deduction of £1,000 (£400 x 100 / 40).

Here is how your tax code is worked out:
Your personal allowance 5,035
Professional subscriptions +300

5,335

Car benefit -2,000
Medical benefit -300
Property income -800

-4,100

Leaving a tax free amount of 1,235

This is turned into a tax code of 123L and sent to your employer.

The Work and Families Bill

As part of its commitment to ensuring that every child has the best possible start in life and to create more choice for parents, the government has introduced the Work and Families Bill. The Bill includes proposals to:

- extend statutory maternity pay, maternity allowance and statutory adoption pay from six to nine months from 1 April 2007. The aim is to move to 12 months entitlement by the end of this parliament, including extending eligibility for additional maternity leave
- introduce new paternity leave for fathers, enabling them to benefit from leave and statutory pay if the mother returns to work after six months but before the end of her maternity leave period

Up to three months paternity leave with statutory paternity pay, up from the current two weeks, is not intended to be a general entitlement. Instead, it will be a transfer out of the mother's extended statutory maternity pay entitlement and will only be available after she has returned to work.

- extend the right to request flexible working to carers from April 2007
- introduce 'keeping in touch' days, so that where employees and employers agree, a woman on maternity leave can go into work for a few days without losing her right to maternity leave or a week's statutory maternity pay or maternity allowance. This would also apply to adoption leave and pay
- extend the period of notice for return from maternity and adoption leave from 28 days to two months
- make clear that employers can make reasonable contact with their employees on maternity or adoption leave, to help employers plan the employee's return to work.

The Bill also includes an enabling power to prevent bank holidays from being included in annual leave entitlement.

We will keep you informed of the changes emerging from the Bill.

New National Minimum Wage rates

The National Minimum Wage (NMW) has now been with us for just over seven years. In that time we have seen the adult rate increase from an introductory £3.60 to £5.35, announced in the days leading up to the 2006 Budget. Also announced were the new development rate, for workers aged 18-21 and those in accredited training, (£4.45) and the 16-17 year olds rate (£3.30). The new rates are effective from 1 October 2006.



How to beat the tax deadline rush

If you pass an accountant's office late in the evening or at the weekend in January, you may well see the lights on in their tax department! Why? They will be ensuring their clients meet the 31 January deadline for the submission of their tax returns.

Despite everyone's best efforts, some clients miss the deadline because relevant information has not been obtained in time. Missing the deadline generally results in a £100 late filing penalty.

If you want to ensure that your return does not miss the January deadline there are a few simple things you can do to ensure there is plenty of time to complete and submit your return.

Help us to help you

We will be in a better position to prepare your self assessment return if we have all of the relevant information available. If we prepare your business accounts try to ensure that the relevant paperwork for your most recent year end is complete and set up and maintained in an organised manner. The following may improve the organisation of your records:

- total and balance your books at regular intervals, as this will help you spot and correct any mistakes
- analyse your payments and receipts so that information can be extracted easily
- file your documents in a logical order to make it easy to find any one of them. For example, consider filing invoices in numerical, alphabetical or date order.

As soon as possible after the 5 April, start to collect together the paperwork needed to prepare your tax return. This might typically include details of:

- income and expenses from employment (eg P60, P11D)
- pension contributions paid
- rent received and expenses paid, including income from overseas property
- interest received (net and gross)
- dividends, including vouchers
- copy contract notes for purchase or sale of shares etc.

Where you do not have all of the documentation to hand, please either contact the relevant institution and request a copy, or ask us to do this for you... but please not on 30 January!

We look forward to seeing you as soon as possible with your information.

Budget latest

To the surprise of many, the Chancellor proposed to shorten the self assessment tax return filing deadline. Under the proposals online filing of self assessment returns would move forward from 31 January to 30 November from 2008. Paper returns would have to be completed by 30 September.

The reduction in the time available to gather information and prepare accounts would put increased pressure on both accountants and clients alike to meet the deadline and avoid any penalties.

Don't be stupid!

A recent report by the National Consumer Council (NCC) makes interesting reading. Entitled 'The stupid company: how British businesses throw money away by alienating customers', the report mainly focuses on larger businesses and how they all too often offer poor customer service. Something, according to the report, that results in 'damaged profits' and which can in some cases lead to their demise.

The good news is that as well as highlighting how businesses all too often get it wrong, the report also includes a consumer checklist for business success. The checklist includes some straightforward advice to help ensure you keep your customers happy.

Five ways businesses get it wrong

• Incompetent and ineffectual

A 'stupid business' is slow moving, patronising and apparently incapable of getting the easy things right.

• Inflated expectations and broken promises

A 'stupid business' over-promises and under-delivers.

• Sell, sell, sell

A 'stupid business' is obsessive about making a sale.

• Impersonal and robotic

A 'stupid business' appears distant from consumers and deals with them in a clinical and sometimes uncaring manner.

• Sneaky and dishonest

A 'stupid business' believes it can succeed by misleading customers and then being underhand and evasive.

A checklist for success!

• Provide continuity and ownership

Have good systems in place so that the same member of staff deals with an individual customer from start to finish and a culture in which people take pride in sorting things out for customers.

• Show respect and honesty

Be straight about costs, times and targets and explain complex things simply.

• Give the personal touch

Encourage staff to treat customers like individuals and to show initiative.

• Reward existing customers

Acknowledge repeat business and provide incentives for loyal customers.

• Provide aftercare

Do not forget your customers after they've bought something; instead check that they are still happy.

The full report is available from the National Consumer Council, www.ncc.org.uk/publications/stupid_company.pdf



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