RICHARDSON HALL KENNEDY
CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

Transfer records onto CD

Under current legislation it is compulsory to keep copies of all your accounting records for at least six years. RHK are offering clients the option of having their payroll records scanned onto CD as a space saving and cost cutting exercise as this eliminates the need for sending records to storage.

The Inland Revenue and Customs & Excise are actively encouraging businesses to keep and file their records digitally and the documents will be scanned to BSI Code of practice PD0008 which ensures the maximum level of legal admissibility possible for electronically stored data.

Other benefits include disaster recovery for your records, documents being easier to find, as well as the space saving benefits should you decide to dispose of the paper originals, at an annual fee of just £25 plus VAT.

For further details please contact Alison Habebi. Tel: 0191 478 1513

Forget Flowers and ......

From left: Andre Yeung, Clement Yeung (Forget Flowers) and David Thompson (RHK)

Forget Flowers is a new venture for RHK client Andre Yeung following the recent sale of the family owned Raygale Pharmacy chain to the Co-op Pharmacy Group.

Based in Gateshead's Metro Centre, Forget Flowers is located in prime position on the first floor near House of Fraser. Aimed at fashion conscious individuals of both sexes and all ages, Forget Flowers stocks one of the widest ranges of perfumes, aftershaves, make-up and toiletries available in the North East as well as designer jewellery and exclusive 'finishing touches'.

David Thompson, RHK's senior partner who has acted for a number of years on behalf of James Yeung, founder of Raygale Pharmacies and assisted with the sale of the business to Co-op Pharmacies said "I am delighted that the transaction went smoothly and that RHK has been able to assist Andre set up his new business. I look forward to working with him in the future and am confident that Forget Flowers will be very successful."

Further acquisitions for Shire Group

The Shire Group, which operates restaurants in the Midlands, York and Bath, continued its rapid growth with two further acquisitions in October.

First the company acquired Barland, a Tamworth based restaurant operator.

Then followed the acquisition of Wolfteam, with five restaurants in Ormskirk, Warrington, St Helens, Wigan and Preston, operating under the "Le Frog Bistro" brand.

The Shire Group was advised by RHK's corporate finance team and Robert Muckle solicitors. Barclays' Birmingham office assisted with funding.

Paul Lilley, owner of The Shire Group, commented: "These deals bring critical mass, increasing turnover to £5 million. Our target is 40 restaurants within five years. We will consider further acquisitions next year."

Tony Edwards, RHK Corporate Finance Partner, was pleased the deals completed in a timely fashion. "This involved two important elements. First, negotiating and formalising clear and concise Heads of Terms. Next, producing a coherent, comprehensive plan such that Barclays were quickly able to deliver credit approval on the funding."


Paul Lilley

RHK Sponsor Newcastle United - Football in the Community

RHK have agreed a three year sponsorship deal to support Newcastle United's Football in the Community Programme.

Bradley Thomas, RHK's Tax Partner who advises many premiership footballers and clubs on tax planning opportunities said "I'm delighted that RHK are supporting the grass roots. This sponsorship deal will benefit young children and teenagers in local communities throughout the North East and Cumbria."

For further details please contact Bradley Thomas Tel: 0191 478 1513

Moya Goodyear and Bradley Thomas (both RHK)

New PAYE date

The payment date has been shortened from the 19th of the month to 17th of the month. However, to encourage people to use online facilities, the deadline has been extended to 21st for those paying online.

To avoid confusion, RHK can prepare payroll on behalf of your business. To find out more, contact David Hall. Tel: 0191 478 1513 or email: dhall@rhk.co.uk

Preserving the inheritance

In recent months, appeals have come from both ends of the political spectrum for an abolition of inheritance tax (IHT) or, at least, some exemption or relief for a person's main residence.

The increasing clamour for change has been fuelled largely by the rise in house prices which have outstripped the nil rate band for IHT, currently £285,000. This amount is roughly the same as the average price of a detached house in England and, in 10% of towns surveyed by Halifax, the average price of all house types is above this amount.

Seven year itch

Planning to minimise IHT is something that many put off until it is too late and early attention to this tax is almost always worthwhile. A gift made more than seven years before death will not usually attract any IHT so that an amount up to the nil rate band could be given away every seven years without any tax arising.

In general it helps to ensure that spouses or partners can each make use of the nil rate band. This makes it worthwhile for estates to be equalised and because transfers between husband and wife or civil partners are exempt from IHT there is no barrier to achieving this.

Discretionary will trusts

Where available funds preclude large lifetime transfers, discretionary will trusts may enable utilisation of the nil rate band on each spouse's death. Where the family home is the main asset, it may still be possible to achieve this but this is a complex area and specialist advice will be required.

Lifetime giving

Making regular use of the lifetime exemptions can help to pass on significant sums free of IHT. Individuals may give away up to £3,000 per annum and, in addition, make small gifts of up to £250 per donee. There are also exemptions for wedding gifts.

Gifts out of income

Another valuable exemption, often overlooked, is gifts out of income. Put simply, normal expenditure out of current income (not savings of accumulated income) which does not leave the donor unable to maintain their standard of living will usually be exempt.

Please talk to us for further advice on these and other IHT planning steps.

Pensions: present perfect, future tense?

It seems that pensions regulations, both private and state, are changing all the time. It was not long ago that stakeholder pensions were introduced. More recently, A-day brought further changes. In May, a White Paper contained further proposals for change...

Private saving

The White Paper aims to encourage personal saving for retirement with a low cost savings scheme in which all employees would be enrolled unless they were members of an employer's pension scheme.

Employees would contribute 4% of earnings between approximately £5,000 and £33,000 and employers would pay 3% on the same band of earnings. A further 1% would be added from the employee's basic rate tax relief. Some employees would receive higher rate tax relief as well.

Those not in employment would be able to opt in to the personal accounts scheme.

State pensions - the future

The White Paper proposes a rise in the state pension age to 66 over the two years between 2024 and 2026 and then from 66 to 67 between 2034 and 2036 and then to 68 in 2044 to 2046.

The basic state pension would be re-linked to earnings from 2012 but only if it is affordable at that time. The state second pension would become a simple, flat rate top-up to the basic pension.

State pensions - the present

- To receive the full basic pension (currently £84.25) a man must have 44 qualifying years (a year in which basic national insurance (NI) contributions were made) and a woman between 39 and 44 years
- there are special rules for widowed or divorced women and those who have taken time out for child care or who cared for others
- a man may claim the pension at age 65; a woman at age 60 if born before 6 April 1950, 65 if born after 5 April 1955 and between 60 and 65 otherwise
- a state second pension is payable depending upon the level of earnings over a person's working life.

Pension forecast

Anyone can request a pension forecast. This can be done by telephone (0845 3000 168), by downloading form BR19 from the pension service website (www.thepensionservice.gov.uk) or online at the same web address.

This will show the amount of pension payable assuming the current NI record continues at the same rate, advise the contributions payable to cover any missed years and indicate how much the pension will be if these payments are made.

Payment of these 'missing' contributions is voluntary but may be worthwhile based on average life expectancy. This can be complicated and you may need specialist advice.

The payment of contributions for missing years must be made within six years of the end of the qualifying year for which they were due so it is sensible to obtain a regular pension forecast.

Construction industry countdown

The new Construction Industry Scheme (CIS) will finally start on 6 April 2007. HMRC are anxious to ensure that contractors are ready and various mailings have been sent out, with more to follow!

The new scheme dispenses with cards, certificates and vouchers. Instead, when a new subcontractor is taken on, a verification process is required. This can be done by contacting HMRC by telephone or online. HMRC will advise whether payments may be made gross or under deduction of 18% tax.

If a subcontractor cannot be verified, tax will have to be deducted at a higher rate. This rate is yet to be decided but HMRC illustrations have used 30%.

There are no vouchers and, instead, contractors will make monthly returns and issue payment statements. These monthly returns must be submitted within 14 days of the relevant month and failure to submit timeously will result in a £100 fixed penalty.

If the status of the workers is later found to be incorrect, the penalty for an incorrect return will attract a maximum penalty of £3,000. Therefore if you have incorrectly categorised a contractor and they should have been an employee, you will be liable for a £3,000 fine for each Return submitted.

Certain existing subcontractors will not need to be verified and HMRC are mailing contractors with a provisional list of subcontractors they have used in the last two years and who they may treat as verified.

In January 2007 HMRC will mail contractors with detailed packs setting out the new rules. In February 2007 contractors may commence verification of subcontractors not on the lists sent out to them. A final list of verified subcontractors will be sent out in March or April 2007. From then on each new subcontractor taken on will need to be individually verified.

At a time when identity theft is very much on the increase, one possible weakness of the system is the lack of any requirement for photographic evidence of identity. A contractor need not even see the subcontractor face to face in order to be able to verify them. They need only to be supplied with the subcontractor's details.

RHK are offering a personal meeting to review the status of your contractors and subcontractors and discuss ways of minimising your businesses exposure.

Contact Jeff Lone to make your appointment. Tel: 0191 478 1513

The benefit of a van

The number of vans on UK roads is increasing, largely as a result of internet selling and a greater need for delivery vehicles.

Where a van is available for an employee's private use, a tax charge arises based on a flat rate amount of £500 per annum or £350 if the van is more than four years old at the end of the tax year in question. A basic rate taxpayer pays a maximum of £110 per annum in tax.

Until 6 April 2005 this was charged irrespective of the amount of private use but, since then, travel from home to work and back and insignificant private use, such as going to the rubbish tip once or twice a year, is disregarded.

Private use beyond this still attracts a tax charge and, from 5 April 2007, this tax charge will be based on an annual amount of £3,000 with no reduction for older vans. Furthermore, there will be an additional benefit of £500 if free or subsidised fuel is provided for private use. This means a total potential tax charge of £770 per annum for a basic rate taxpayer.

Employees who only use their van for business journeys should be encouraged to maintain a mileage log. Without this they may have difficulty in satisfying HMRC that there is no private use.

Online filing

In his review of HMRC online services, published in March, Lord Carter recommended that the filing dates for income tax self assessment returns should be changed from 31 January to 30 November for returns filed online and to 30 September for paper returns.

The result was a 'No to November' campaign and a good deal of negative reaction. After consultation, the proposals have been revised so that the deadlines from 2008 will be 31 October for paper returns and will remain at 31 January for returns filed online.

More online filing ahead

Currently online filing of payroll year end returns (P35 and P14s) is compulsory for employers with 50 or more employees and will be compulsory for all by 2010. In the meantime there are tax free, monetary incentives to persuade everyone to file online.

P45s and P46s must be filed online from April 2010 for all employers and from April 2008 for employers with 50 or more employees.

Although not yet compulsory, it is possible to file VAT returns online and all of the more common types of company forms required by Companies House, such as the annual return and changes in directors or registered office, may also be filed online.

In February this year, the Public Accounts Select Committee argued that electronic filing of self assessment returns, though growing, still remained low compared to other countries. They recommended that online filing should be made more user friendly and that it should be compulsory for professional tax agents.

The clear intention is to move steadily towards compulsory online filing of all kinds of returns. Broadband connections and up to date software and computer systems are essential to ensure that you are ready for these likely developments.

Please contact us if you would like to discuss this in more detail.

Basic errors in VAT

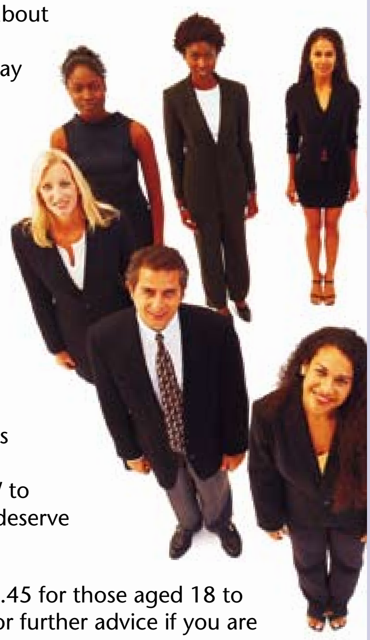
Many registered businesses assume that they have a clean bill of health when it comes to VAT compliance. However, when the control officer comes calling, it is the same basic errors that lead to the recovery of most of the underpaid tax. It is worthwhile knowing what the most common mistakes are:

- if you buy fuel for a motor car which is put to private use, do not forget to add a fuel scale charge for each car to your output tax
- you may not claim the input tax on the purchase of a motor car except where there is 100% business use or, in the case of a taxi or driving school car, predominantly business use
- do not reclaim input tax on any form of entertaining
- if you take goods from your business you must account for output tax on their full sales value
- if you sell an asset used in your business you must account for output tax on this sale (there are special rules for cars)
- do not reclaim VAT on purchases of goods or services unless you have a valid VAT invoice
- do not reclaim VAT on purchases of goods or services for personal use, such as home telephone
- if you sell goods to private individuals or unregistered businesses in other EU countries you must charge VAT as normal
- if you have reason to use a rate of VAT on a sale of anything other than 17.5% make certain that this rate is correct.

Simple errors over long periods can lead to a substantial bill for undeclared VAT. Please contact us if you would be interested in a VAT health check for your business.

Minimum wage, maximum debate

New National Minimum Wage (NMW) rates took effect from 1 October 2006 and, as is inevitable, this triggered renewed debate about their impact. Both the Forum of Private Business and the CBI are concerned about movements above the rate of increase in earnings and, perhaps in response, the government has asked the Low Pay Commission to consider the impact of the NMW on small business in the future.



The TUC, on the other hand, argues that a rate of £6 by October 2008 should be 'easily affordable' and they have called for a compliance crackdown claiming that some industry sectors are ignoring the law.

Ensuring compliance with the NMW is the responsibility of HMRC, which operates 16 teams of compliance officers across the UK. They can inspect employers' records, give advice and secure pay arrears.

Recently they gave examples of excuses used by employers who had not paid the minimum wage. These varied from simple misunderstandings, such as not applying the NMW to an employee over 65, to a claim that the worker 'doesn't deserve it'!

The rates are now £5.35 for workers aged 22 and over, £4.45 for those aged 18 to 21 and £3.30 for those aged 16 or 17. Please contact us for further advice if you are unsure about your responsibilities under minimum wage legislation.

Have you heard?

New fire safety legislation effecting all non-domestic premises in England and Wales came into force 1 October 2006.

The Regulatory Reform (Fire Safety) Order 2005, places a duty on those responsible for business premises, an employer or self-employed with business premises, or a charity or a contractor with a degree of control over any premises, to conduct a suitable and sufficient fire risk assessment.

The fire risk assessment will identify:

- Potential fire hazards
- Whether existing fire safety controls are adequate or not
- Those persons who might be in danger in the event of fire
- Fire safety measures that should be taken to reduce risk to those persons

If more than five people are employed the assessment must be recorded.

A fire risk assessment should be carried out by a 'competent person', this being either a suitably trained individual from within an organisation or an engaged consultant.

The Government has produced a number of guidance documents to enable compliance, which are available at www.firesafetyguides.communities.gov.uk

- don't be caught out act now!!

RHK

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