

# Summer 08

Churchill & Co  
Chartered Accountants



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## Get set, go! Are you ready for the Corporate Challenge?

Churchill & Co is making its largest yet regional charity donation, sponsoring Children's Hospice South West (CHSW). As well as a £5000 gift donation to the charity, Churchill & Co is launching a 'Corporate Challenge' initiative together with CHSW and outdoor adventure providers The Outer Edge.

The Corporate Challenge is a one-day leadership and team-building event for SW businesses to be held around Wimbleball Lake, Exmoor National Park, on Saturday 27 September.

Roughly 15 companies so far have signed up for the challenge, which will include a host of gruelling physical and mental tasks to be completed within an 8-hour period.

### Not for the faint hearted

Anne Packer, the charity's chief corporate fundraiser says: "You don't need to be an athlete to take part but it is a demanding course so a reasonable level of fitness and mental stamina is a must." Activities such as mountain biking, canoeing, archery, navigation and raft building will test each of the various teams comprising 4-6 individuals.

The 800m canoe race across Wimbleball Lake and 200m raft-build task should prove particularly entertaining for visitors.

As the sole sponsor, Churchill & Co is particularly keen to invite corporate clients, associates and suppliers to come along, whether to participate or to spectate.



It is hoped as many people as possible will come down on the Saturday, and at the very least, cheer on Team Churchill and donate to CHSW by giving money at the raffle.

To find out more about how your company can benefit from taking part in the Corporate Challenge including a free leaflet call 01275 866600, visit their website at [www.chsw.org.uk](http://www.chsw.org.uk) or email [corporate@chsw.org.uk](mailto:corporate@chsw.org.uk)

### Help us to help the children

If you are not the sporty type but still feel like supporting a good cause, make sure to keep Saturday (27 Sept) free in your diary!

If you can't attend for one reason or another, you may still like to sponsor Team Churchill. Sponsorship forms have gone out to many of our clients already.

If you would like to sponsor us, but have not received a form, or for any other sponsorship queries, please contact Rob Mardin on 01823 321177 or by email [robmardin@churchill-co.net](mailto:robmardin@churchill-co.net)



Churchill & Co team present a cheque of £5000 to Anne Packer, head of corporate fundraising CHSW (right)

Children's Hospice South West provides the only hospice care in the South West for families with children with life limiting conditions which mean that they will not survive into adulthood. In the South West region alone there are over 1,000 children with life-limiting medical conditions.

Churchill & Co – Taunton  
HiPoint Thomas Street  
Taunton Somerset TA2 6HB  
Tel: 01823 321177

Churchill & Co – Honiton  
Wessex House 66 High Street  
Honiton Devon EX14 1PD  
Tel: 01404 43360

Email: [mail@churchill-co.net](mailto:mail@churchill-co.net)  
[www.churchill-co.net](http://www.churchill-co.net)

# Entrepreneurs' relief: do you stand to benefit?

**Following some intense lobbying and debate, the controversial reforms to the capital gains tax (CGT) regime finally came into force on 6 April 2008.**

As originally announced in the Chancellor's 2007 Pre-Budget Report, indexation and taper relief have been abolished and a single rate of 18% is now applicable. A new Entrepreneurs' Relief is also in operation and is a supplementary measure intended to appease the concerns of the business community.

Under the previous rules, which applied to 5 April 2008, many assets qualified for Business Assets Taper Relief. That was a capital gains tax relief which could, in effect, reduce the tax rate on the sale of qualifying assets from a maximum of 40% to less than 10% after as little as two complete years of ownership.

The new Entrepreneurs' Relief is available on the disposal of qualifying assets which, in the right circumstances, will see the effective rate of capital gains tax again reduced to 10%.

The new relief works by reducing the first

£1 million of lifetime gains by 4/9. So, for example, on £1 million of gains the tax would be: £1,000,000 x 5/9 x the flat rate of 18% = £100,000.

The £1 million may be made up of any number of disposals and, unlike the former retirement relief (upon which the rules are based), there is no minimum age qualification.

Generally, the relief will be available to individuals on the disposal (after at least one complete qualifying year) of:

- all or part of a trading business carried on alone or in partnership
- the assets of a trading business after cessation
- shares in the individual's 'personal' trading company
- assets owned by the individual used by the individual's personal trading company or trading partnership.

Where shares are exchanged for qualifying corporate bonds (QCBs) on the sale of a company, the deferred gain will be taken as the gain after Entrepreneurs' Relief. This will likewise apply to deferrals

made under the Enterprise Investment Scheme (EIS). Transitional relief will also be available for gains deferred via QCBs, EIS investment or Venture Capital Trust investment, providing the deferred gain would have qualified for Entrepreneurs' Relief if it had been in force at the time of the disposal.

It is also worth noting that not all of the assets which scored for the maximum Business Assets Taper Relief will qualify for Entrepreneurs' Relief. For example, on the disposal of shares the company must have been a trading company in which the individual was an officer or employee of the company and owned at least 5% of the ordinary share capital (and was thereby entitled to exercise at least 5% of the voting rights).

**We can help you plan for a successful and profitable business exit. Contact a Churchill & Co business advisor now to ensure you can count on the most favourable CGT rate when you come to sell your business.**

## Firms urged to prepare for PAYE changes

**Employers have been advised to prepare for the effects of the change in personal tax allowances following new guidance released by the Government.**

HM Revenue and Customs (HMRC) has confirmed that changes to the income tax higher rate band and personal allowance will take effect from 7 September 2008 and should be backdated to 6 April.

The Chancellor announced the amended allowance in an emergency 'mini Budget' delivered in May.

In an attempt to compensate those who lost out as a result of the abolition of the 10% starting rate of income tax, Alistair Darling raised the basic 2008/09 personal allowance from £5,435 to £6,035.

As a result, employers may need to issue staff with new PAYE codes in order to

implement the change. HMRC is currently writing to businesses with further details on how to process the amendments.

The measures effectively mean that those earning up to £40,835 will receive an additional £120 this year. Eligible pay packets will be boosted by £60 in September, followed by £10 monthly increases until the end of the year.

Instructions for employers and information for individuals can be viewed on the HMRC website at [www.hmrc.gov.uk/employers/epa.htm](http://www.hmrc.gov.uk/employers/epa.htm)

**If you would like to discuss the changes in more depth or for more advice on the implications for payroll systems, please speak to a Churchill & Co advisor. We are here to help!**

## Keeping you on the right track

Our staff at Churchill & Co are here to help your business and your personal finances to stay on the right track.

To arrange a meeting to discuss:

- strategies to help your business improve its efficiency and profitability
- reducing the burden of taxes on your business
- the tax issues that affect you and your family
- maximising your wealth
- retirement planning strategies for you and other family members

**call one of our friendly business advisors at Churchill & Co now on 01823 321177 (Taunton) or 01404 43360 (Honiton)**

# Let property tax campaign unveiled

## **HM Revenue and Customs (HMRC) has launched a new campaign to collect unpaid tax on let property profits.**

Officers at HMRC can access a significant amount of information about properties that may be let. Property owners may be traced through the Land Registry and Stamp Duty Land Tax returns, while officials can also ask letting agents to list the properties on their books. By combining this information HMRC can match property owners to their self assessment tax returns and observe any discrepancies.

Under current legislation Churchill & Co notes that landlords are required to include all of their rental income on the property pages of the self assessment tax return, including income that is cancelled out by

expenses such as mortgage interest and repairs. The resulting loss or profit must be reported in every case. The HMRC letter includes a form that requires details of any property income and expenses received in the last six tax years, together with some guidance notes.

If you receive this correspondence it does not mean that you are under investigation by HMRC. Rather, this is a more informal way of broaching the subject of undeclared income and, as such, you are not obliged to respond. However, failure to provide a satisfactory response may lead HMRC to open a formal tax enquiry.

If you receive a property declaration letter do take it seriously. It is possible that the Revenue's information contains errors;

names do get confused and typing errors can occur. Ask us for advice before you respond to HMRC, but do not delay even if you think you have declared all of your income and capital gains correctly.

The Government drive to clampdown on undeclared property income has started slowly, with a just a few hundred letters sent out in the first batch. However, HMRC intends to expand the campaign to include landlords who have not submitted a tax return, and those who have no tax records.

**If you have friends or relatives who are letting property but have not declared the income on their tax returns, recommend that they seek advice to avoid being subject to further action by HMRC.**

## Corporate manslaughter: new rules for business

### **Ensuring that you are protected against potential health and safety litigation is a necessary part of managing your business. However, this obligation now carries even greater significance following the recent changes to the law on corporate manslaughter.**

Under the new Corporate Manslaughter and Corporate Homicide Act, which came into force on 6 April 2008, business owners and company directors can now be held responsible for fatal accidents that occur as a result of defective management practices.

Businesses deemed liable may incur an unlimited fine, along with a possible publicity order which can force a company to publicise details of the offence to the wider public. A court may also instruct an organisation to make changes to remedy the failures behind the death.

Businesses have now been advised to reassess their indemnity to ensure they have sufficient cover, particularly as the legislation encompasses areas where liability may not have previously been considered.

For example, a company may be liable if it fails to ensure its employees' cars are kept in a roadworthy condition when being used in the course of their employment, even in cases where an individual is using their own vehicle. Consider the following actions:

### **Revisit health and safety policies**

Prevention is better than cure, and conducting a review of existing policies and procedures will help minimise your risk of litigation. For further advice on creating and operating a health and safety policy, visit [www.hse.gov.uk/business](http://www.hse.gov.uk/business).

### **Seek expert guidance on the new Act**

Consult your legal advisers on the details of the Act, and brief key staff on the new regulations.

### **Review your existing insurance cover**

You might want to consider taking out a Directors' and Officers' (D&O) insurance policy to provide cover for a senior member of the team facing prosecution for a management failure resulting in a fatality.

**If you are concerned about the new corporate manslaughter regulations, contact your legal adviser. You should always seek professional advice before acting.**

Businesses deemed liable may incur an unlimited fine, along with a possible publicity order which can force a company to publicise details of the offence to the wider public.

## SMEs urged to assist Government

The views of small businesses are being sought on a range of entrepreneurial issues as part of a Government initiative to help smaller firms win public sector contracts.

Small and medium-sized enterprises (SMEs) are being urged to submit online evidence on their procurement experiences to assist with the Glover Review, which was announced as part of the Enterprise Strategy and Budget 2008.

A dedicated Committee is now investigating whether it is feasible for 30% of all public sector contracts to be awarded to SMEs throughout the UK and will report on its findings later in the year. The public sector currently spends around £160 billion per year on goods and services.

Commenting on the review, Business Minister, Shriti Vadera, said: "Many smaller businesses are more innovative and offer better value for money but are often disadvantaged when competing against large companies. The Glover review will help identify where we can improve accessibility for SMEs and increase their participation in Government procurement."

**Firms can submit their evidence via the Office of Government Commerce website at [www.ogc.gov.uk/SME\\_Consultation.asp](http://www.ogc.gov.uk/SME_Consultation.asp)**

# Late payment causing 'cash flow difficulties' for small firms

**Large organisations are 'abusing' small businesses' trust by failing to settle invoices quickly, the Federation of Small Businesses (FSB) has claimed.**

According to the lobby group, new evidence suggests that smaller firms are being forced to wait for up to 100 days before receiving payment for goods or services.

Delays in payment, along with some last-minute changes in terms and conditions, can create significant cash flow difficulties for many small businesses. John Wright, FSB National Chairman,

warned that small firms are reluctant to confront large corporate organisations over the issue, saying: "Big companies appear to be aware that small businesses are afraid of taking them on over payment terms and are abusing their power as a result."

"At a time when small businesses are finding it difficult to deal with a slowing economy and rising costs, it is shocking that large companies think it is acceptable to use them as an unofficial source of credit."

Meanwhile, a recent study by the Forum of Private Business reveals that late

payment is a growing problem for small and medium-sized enterprises, with almost 82% of respondents reporting an increase in the number of customers that are paying late.

Under the Late Payment of Commercial Debts Act 2002, businesses have a statutory right to charge interest for the late payment of commercial debt, at a rate of 8% above the Bank of England's reference rate.

**Churchill & Co can work with you to tackle late payment before it becomes an issue for your company – please contact the Churchill & Co team.**

# Pension opt-out inducements for employees to be banned

**Offering employees incentives to opt out of workplace pension schemes is to be made unlawful, the government has announced.**

The Department for Work and Pensions (DWP) said that changes to the Pensions Bill, planned for its reading in the Lords, will prevent employers from encouraging staff to opt out of workplace pensions with inducements such as higher salaries or one-off bonuses. The measure will also cover employers who simply try to force their workers to opt out, the DWP said.

In cases where businesses flout the rules, employers will be required by the Pensions Regulator to put the worker back in the position they would have been in had they not been induced out of the scheme and to pay any arrears in contributions. If they fail to comply, they could also face a fine.

As part of the amendment, the DWP has proposed that there should be a time limit within which complaints have to be made by

employees or investigations launched by the Regulator, the aim being to discourage the possibility of "frivolous claims" from staff. The ban will come into force when automatic enrolment pensions are introduced in 2012.

Mike O'Brien, the Minister for Pensions Reform, said: "It is very important that people are allowed to meet their retirement expectations by building up the savings they need. Decisions on whether or not to save in a workplace pension need to be taken free of any unfair pressure. That's why we want to prevent employers from trying to pressurise staff or tempt them with 'live for today' inducements into opting out of pension saving.

"Whilst it may seem attractive in the short term to accept an inducement to opt out, when people reach retirement with a lower pension, they're likely to regret taking the easy option."

Under the changes, employers and workers would still be free to negotiate the details

of remuneration packages, but these would need to meet or exceed the minimum standards on pension provision set down by the law.

The Pensions Bill forms part of the government's drive to encourage people to save enough for their retirements.

The Bill will mean that all workers, between 22 and State Pension age, earning more than £5,035 a year (in 2006/07 earnings terms), will be automatically enrolled into a qualifying workplace pension scheme, such as personal accounts.

Where workers remain in a money purchase scheme, employers would contribute a minimum of three per cent of qualifying earnings, with total contributions of eight per cent made up through employee contributions and Government tax relief.

**More information on the Pensions Bill is available at <http://www.dwp.gov.uk/>**

# Fuel duty increase is postponed

**Chancellor Alistair Darling has confirmed that a 2p rise in fuel duty scheduled for later this year will be postponed.**

The annual rise in petrol tax had already been deferred from March until October and

was widely expected to be scrapped due to the escalating price of oil. Motoring groups have welcomed the announcement. AA president Edmund King said: "We are delighted that the Chancellor has seen common sense. Many motorists have endured months of misery and this is a

welcome piece of good news for them."

However, the RAC argues that more action needs to be taken: "[The delay] does not go far enough. We would like to see the Chancellor not just postpone future rises but actually cut fuel duty."

# EU plans VAT cuts for local businesses

**EU member states may soon be able to cut VAT rates for local service firms, under new proposals outlined by the European Commission.**

If the new rules are implemented as planned, national Governments could apply to reduce VAT rates across a range of areas. The housing sector, restaurants and personal and domestic care firms could benefit from the potentially lower rate.

Cleaning and gardening services are also amongst the agreed list of local services that may gain from the proposed changes.

Currently the minimum standard rate of VAT in the EU is 15%, although there are many

discrepancies throughout the 27 member states.

The Federation of Small Businesses (FSB) has welcomed the move, claiming that lower VAT rates could provide a significant boost to small enterprises throughout the UK.

Tina Sommer, FSB EU and international affairs chairman, said: "The British Government must take advantage of these proposals to ensure our high street can survive the economic downturn."

"National Governments should be given more control over how they use VAT to stimulate demand, so long as there are not drastic consequences for the Single Market."

# Darling to increase protection for savers

**Chancellor Alistair Darling has outlined plans to increase protection for savers in the event of their bank or building society running into financial difficulties.**

Under the suggested reforms, higher levels of savings in a single bank could be guaranteed if the bank fails.

Currently, the Financial Services Compensation Scheme (FSCS) secures savings up to £35,000 in each bank. However, the threshold for guaranteed deposits could rise to £50,000 if the proposals are implemented as planned.

The Government hopes the new measures will restore public confidence in the banking system following the Northern Rock debacle last year, when the FSCS regulations were called into question by savers and MPs.

Introducing the proposed amendments, Darling said: "No system of regulation can or should prevent the failure of each and every institution, but we must do everything possible to prevent problems which could pose a wider threat to stability."

"The challenge is to ensure that the authorities can act quickly and decisively where necessary to support financial institutions."

The British Bankers' Association (BBA) has opposed the move, arguing that savers should simply reduce the risk by investing in a range of accounts.

It is expected that the proposed changes, which are currently under consultation, will come into effect in the Autumn or the beginning of 2009.

# Carbon footprint scheme launched

**Businesses that make genuine reductions in their carbon emissions are to be rewarded under a new scheme launched by the Carbon Trust.**

In a bid to inspire enterprises to take action on climate change, the Carbon Trust will award a new certificate to organisations that meet the standard set by the environmental body.

It is the world's first carbon award scheme that requires a firm to measure, manage and reduce its carbon footprint and actually make real reductions year-on-year. It is hoped the initiative will improve consumer trust by openly revealing which brands are truly taking action to curb their carbon emissions.

"Our research shows that not only do consumers currently mistrust business' climate change claims, but that business thinks existing carbon award schemes are confusing and lack credibility," said Carbon Trust chief executive Tom Delay.

"What business and consumers both share is a desire for one, credible way to prove an organisation has not only measured, but actually reduced their carbon emissions year-on-year without the use of offsetting. The Carbon Trust Standard is the only answer to this."

Business and environmental groups have welcomed the new standard.

**Visit the Carbon Trust website at [www.carbontrust.co.uk](http://www.carbontrust.co.uk) for further details.**

# HMRC raises advisory fuel rates

**HM Revenue and Customs (HMRC) has raised the advisory fuel rates to reflect rapidly increasing fuel prices at the pump.**

Staff who drive vehicles for business use can now reclaim higher fuel costs from their employers following the Revenue's bi-annual revision of fuel rates. The rates for petrol cars have increased by between 9% and 15%,

depending on the size of the vehicle's engine. Meanwhile, diesel cars drivers can now reclaim between 18% and 21% more.

The new rates officially apply to all journeys made from 1 July 2008, although in light of the 'unusual circumstances' regarding escalating fuel prices, HMRC says it is happy for employers to implement them with immediate effect.

Recent data indicates that the average UK price for a litre of unleaded petrol is currently around 114p, while diesel is an average 126.4p per litre. That equates to an 18% rise in the cost of petrol since this time last year, and a massive 30% increase for diesel.

**For help regarding car fuel benefits contact a Churchill & Co advisor.**

# Our sister companies

## Did you know Churchill & Co has three sister companies?

For companies and individuals who have offshore interests, Churchill & Co has three associate companies, each providing tailored services geared to on and offshore trading, international taxation and wealth protection.

### Worldwide Company Services Limited

A London company, established in 1993, with representative offices across the world. Services include: offshore tax planning, on and offshore company formation, trustee services, international trading and wealth protection solutions. (For contact details, see

ad opposite.)

### Anglo-Overseas Trust Company Limited

An established trust company located on Anguilla in the British West Indies offering expertise across both on and offshore trading platforms to individuals and companies. Visit [www.anglo-overseas.net](http://www.anglo-overseas.net) or write to [mail@anglo-overseas.net](mailto:mail@anglo-overseas.net)

### Trafalgar Trustees

An established company in St Lucia offering distinct advantages. To find out more, visit [www.trafalgartrustees.com](http://www.trafalgartrustees.com) or send an enquiry to [mail@trafalgartrustees.com](mailto:mail@trafalgartrustees.com)



## Business round-up

### Regulatory changes: sex discrimination

On 6 April 2008 changes to the law governing sex discrimination came into force. Whilst the amendments do not constitute a radical overhaul of the existing regulations, they widen the net to incorporate discriminatory behaviour formerly outside the Act's jurisdiction.

Employers have therefore been advised to review their current discriminatory policies and procedures to ensure they reflect the recent changes.

### New enterprise strategy is launched

The Government has outlined its intentions for the future of British enterprise in a White Paper

that aims to enhance enterprise skills and knowledge, and includes measures intended to ease the red tape burden for small firms and help existing businesses secure funding to expand.

Proposed changes include allocating a 20% increase to the Small Firms Loan Guarantee Scheme, extending eligibility to growing businesses that are over five years old and increasing the funding available to female entrepreneurs.

The document also includes a proposed consultation on the introduction of regulatory budgets, which might cap the new annually recurring cost of regulation for business.

### Expert advice for offshore interests

Services for individuals and companies needing wealth maximisation, asset protection and minimal bureaucracy for international business trading.

0207 537 6224  
[www.worldwide-co.com](http://www.worldwide-co.com)

## Reminders for your summer diary

### August 2008

31 August:  
Annual adjustment for VAT partial exemption calculations (May VAT year end)

Filing date for Corporation Tax Return Form CT600 for period ended 31 August 2007

### September 2008

1 September:  
Due date for payment of Corporation Tax for period ended 31 November 2007

4 September:  
Ladies day—free international one-day tickets for England v India (Women). Female clients of Churchill & Co, please enquire for details.

27 September:  
Corporate Challenge, Wimbleball Lake, Exmoor National Park. Enquire for details.

30 September:  
End of CT61 quarterly period

Filing date for Corporation Tax Return Form CT600 for period ended 30 Sept 2007

## Web watch

Essential sites for business owners

### Business Safety

[www.businesssafety.co.uk](http://www.businesssafety.co.uk)  
Provides essential information to help businesses comply with health and safety legislation.

### Business Startups

[www.startups.co.uk](http://www.startups.co.uk)  
Contains news, information and resources to help budding entrepreneurs.

### Information and Commissioner's Office

[www.ico.gov.uk](http://www.ico.gov.uk)  
Offering information and advice on data protection and other related issues.