

News

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Churchill
Accountants LLP



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Making a loss? Take action now...

Remaining profitable in the current economic climate can be difficult, particularly for small and medium sized enterprises. Indeed, if sales have slipped and your commodity costs have risen, you may have made a trading loss in the current period. However, taking immediate action can help to prevent a further decline in profit.

The following steps may help your business climb out of the red, even in these difficult times. But remember, there is no substitute for one-to-one professional advice, so please contact us to discuss how we can help your business remain profitable.

Review your VAT position

Where your turnover has dropped below £65,000 for the last 12 months, consider deregistering for VAT. This will not suit all businesses, but those who sell directly to the public may well gain a competitive advantage by being outside the VAT net.

Finalise your accounts

Quantify the loss as soon as possible by finalising your accounts for the loss-making period. Once you have a definite loss figure we can set this against your profits for the previous accounting period to generate a tax repayment or tax reduction. If the loss exceeds the previous year's profits we may be able to carry the excess back a further two years. However, this does depend on exactly when the loss-making period ended.

You may need to change your accounting period slightly to accelerate the tax relief available for your loss.

Revise your income tax payments

Self-employed traders should apply to HM Revenue and Customs (HMRC) to reduce the next income tax payment, due on 31 July, to nil. Please contact us to check your loss position before you do this.

Consider a payment plan

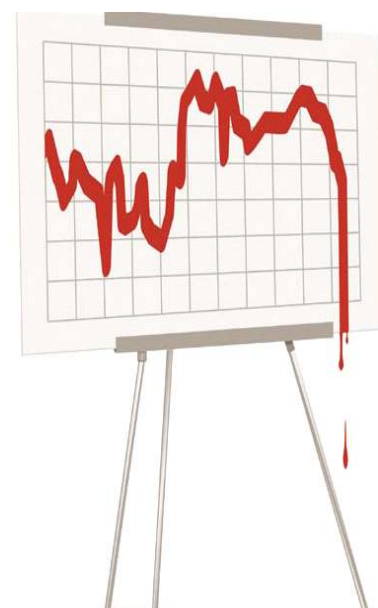
If you are experiencing difficulties in finding the cash to pay PAYE, VAT or any other business tax, contact the HMRC Business Payment Support Service to arrange a payment plan before the tax becomes overdue.

Claim R&D tax credits

If your company is undertaking research and development projects (R&D) you could get HMRC to repay some or all of the PAYE and NI you have paid for your loss-making period. You will need to submit a claim for R&D tax credits, but we can assist you in this matter.

Don't forget capital allowances

Some companies may also be able to claim a repayment of PAYE and NI where the loss is due to the purchase of energy-saving equipment that qualifies for a first year 100% capital allowance.



However your trading loss arose, the best policy is to act quickly to reduce your business tax payments and generate tax refunds.

We can help you identify and eliminate areas where your business may be leaking profits, so contact one of our advisors today to help put your firm back on the road to recovery!

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Flexible working: a guide for businesses

In April 2009 the right to request flexible working is extended to parents of children up to the age of 16. The new rules mean an extra 4.5 million parents will potentially gain the right to apply for flexible working.

Although some small business representatives have expressed concerns over the changes, the good news is that managing requests should be relatively straightforward.

Who can apply for flexible working?

Employers are required by law to consider applications for flexible working from any employees covered by the 'right to request' legislation. The legislation allows employees to submit an application to care for either:

- a child under six years of age (under 16 from April 2009)
- a disabled individual under age 18 or an adult who requires care (as defined by the Department for Business, Enterprise and Regulatory Reform).

More generally, those wishing to apply must:

- be an employee – agency workers do not qualify
- have continuously worked for the business for at least 26 weeks on the date they make their request
- not have made another statutory request in the past 12 months.

The application process

Initially an employee must submit a written request, which can take the format of a letter or email, or an application form. It must outline the nature of the request and should mention the benefits of flexible working to the organisation as perceived by the employee.

You can agree to requests solely on the basis of this written application, but do remember that you are under no obligation to accept immediately.

If you would like to consider the application further, the next step is to arrange a meeting with the employee, which should be held within 28 days of receipt of the application.

You must notify the employee of your decision within 14 days of the meeting.

Evaluating an employee's request

You need to establish whether the employee's desired work pattern can be accommodated within the needs of the business. Here are some points to consider when making your decision:

Is job-sharing an option and, if so, is there another suitable candidate to make this a possibility?

Does the individual need to be present for the full working day?

Does the business go through peaks and troughs in demand or activity? If so, are these predictable?

Can the workload be completed in the number of hours the employee would like to work?

Is there a similar job the employee could perform on a part-time basis?

Could the employee perform the job from home on designated days?

The consequences for your business

The cost of recruiting and training a replacement

The effect on other members of staff.

A free interactive survey, which helps employers determine the most appropriate form of flexible working for their organisation, is available on the Business Link website – www.businesslink.gov.uk.

Can I refuse a request?

Yes. Employers can reject a flexible working request, although only for the following reasons:

- planned structural changes
- the burden of additional costs

- a detrimental impact on quality
- the inability to recruit additional staff
- a detrimental impact on performance
- the inability to reorganise work among existing staff
- a detrimental effect on the firm's ability to meet customer demand
- lack of work during the periods the employee proposes to work.

Businesses that refuse a request on any of these business grounds should notify the applicant in writing. Wherever possible, you should endeavour to put forward an alternative proposal.

The benefits for business

- Greater cost-effectiveness and efficiency, such as savings on overheads when employees work from home
- An employer that is sympathetic to the needs of individuals may encourage employee commitment and loyalty
- Considering applications for flexible working may enable you to retain valued employees
- Flexible workers can enable you to respond to changes in workload and demands within the business, particularly during holiday periods
- Increased customer satisfaction and loyalty as a result of the above

Types of flexible working

The term 'flexible working' encompasses a wide range of working patterns, including:

- Part-time working
- Flexi-time
- Term-time working
- Staggered hours
- Time off in lieu
- Compressed working hours
- Shift swapping
- Self-rostering
- Annualised hours
- Job-sharing
- Homeworking
- Tele-working
- Breaks from work - including unpaid sabbaticals, or career break schemes

Employing a family member

With the employment of a family member the preferred option for many small business owners, how can firms avoid being subject to an investigation by HMRC?

In his December Pre-Budget Report, the Chancellor announced that controversial legislation to prevent 'income shifting' would be postponed until at least 2010. However, HMRC reiterated that it 'firmly believes it is unfair' to allow a minority of individuals to benefit financially from shifting part of their income to someone else who is subject to a lower rate of tax.

Paying for labour is a reasonable business expense and should

- be fully tax deductible, yet Tax Inspectors are often suspicious
- when the labour has been supplied by the proprietor's spouse or children. Where the money remains within the family you should supply evidence to show the payment is entirely for the business, and not a device to move profits into the hands of a relative who will pay little

or no tax on the income. Consider the following guidelines to help prove the business case for family wages:

- 1 Pay a commercial rate for the work done. This rate is not always easy to find, but a starting point should be the relevant National Minimum Wage (NMW) rate. There are three hourly NMW rates:
 - £3.53 for those aged 16 and 17
 - £4.77 for 18 to 21 year olds and
 - £5.73 for those aged 22 and over.

If the relative lives at home and the business is not run as a company, you are not required to pay the NMW rate, although this is a good commercial yardstick.

- 2 Record the work done and the hours worked. Only with solid evidence of the time spent or units of stock will you be able to prove that sufficient work was completed to justify the wages paid.

- 3 Pay the wages due in cash or into the worker's bank account. The money must be seen to leave the business bank account

and be paid to the worker, not for the benefit of the proprietor of the business.

- 4 If the wage exceeds the National Insurance threshold of £90 per week (for 2008/09), process the wage paid through the payroll and deduct tax and National Insurance where necessary. If the individual does not have a P45 from a previous job, a P46 form will need to be completed.

- 5 Draw up some simple conditions of employment to form the basis of the worker's employment contract. An example can be downloaded from the Business Link website – www.businesslink.gov.uk.

Without some evidence of the work done, and actual wages paid, the Tax Inspector is likely to refuse to let the business deduct the labour costs from its profits.

This article is intended for guidance only, and is not exhaustive. Our accountants can advise you on the best route for your business and would be happy to discuss your individual circumstances.

Protect your business against soaring utility bills

In times of economic difficulty, it is more important than ever to avoid unnecessary costs, and rising utility bills can represent a significant proportion of a firm's overheads.

Conducting a utility audit might seem like a time consuming distraction but you could be pleasantly surprised by how much it adds to your bottom line.

By understanding your utility services and implementing conservation habits, you can reduce energy waste and develop energy savings and solutions.

Don't get left in the cold!

Use the checklist (right) to identify potential savings for your business.

Have a member of staff responsible for checking all utility bills – Make sure they know how the bills are calculated, what tariffs are available etc, and question any suspect charges

Carry out your own readings of all energy and water meters each month – Use the information to plot patterns of use

Annually review the tariffs you use – Not only do your usage patterns change, your suppliers also change the deals they offer

Shop around for cheaper electricity and/or gas suppliers – Even as suppliers raise their prices, you could shave pounds off your bills

Make the best use of cheap rate electricity – If you can arrange usage by water heaters etc so that 15% of total electricity usage occurs during off-peak hours, you might benefit from switching to a day/night tariff

If you are on a Maximum Demand tariff, review your supply capacity – If your declared supply capacity is more than 15%

higher than your highest maximum demand, contact your supplier to have it lowered

Find ways to reduce usage during peak hours – Try rescheduling non-essential activities

If you are on a monthly tariff, check your power factor – Check that you are not being penalised for a poor power factor

If your site has more than one gas meter, make sure they are aggregated for billing purposes – This can reduce both standing and unit charges and could lead to a better rate

Make sure your water meter is the right size – Standing charges are calculated according to meter size – don't pay for an unnecessarily large one

Invest in energy efficient appliances and equipment – Have you considered the enhanced capital allowances for energy-saving equipment?

Contact one of our advisors for more details of allowances available to you.

Is it time to review your pension contributions?

With some reports suggesting that millions of pounds have been wiped off the value of the UK's pension pot, sound planning is essential to achieving the desired standard of living in later years.

If you are making regular contributions into a personal pension scheme, you should review how much is actually ending up in the scheme to be invested for your future pension. The reduction in the basic rate of income tax from 22% to 20% for 2008/09 results in a corresponding reduction in the amount reclaimable from HMRC by the pension trustees. This means that in order to maintain the same gross input to your pension scheme your net contribution would need to be increased accordingly.

For example, in order to maintain a gross input of £600 a month, net contribution would need to rise from £468 to £480. At the same time, for 40% taxpayers, higher rate tax relief will balance things up – the additional £12 going into your pension scheme will be matched by an additional £12 of higher rate tax relief through your PAYE code, or when we complete your self assessment Tax Return.

If you are employed, rather than self-employed, it can be more tax efficient for your employer to make contributions directly into your pension scheme, instead of you making your own contributions.

The total saving made when your employer pays into your pension fund directly is £145 (£619-£474), and that's just on a relatively small contribution of £600! However, salary sacrifice is not appropriate for all and there are strict rules to be observed. Please contact us for more information.

If you are already over the pension able age set for your particular pension scheme, which may be only 50 years (55 from 6 April 2010), you can withdraw a tax-free lump sum of 25% of your pension fund. Technically you also need to withdraw a regular pension, which can be set at a minimal level, to be increased when you need a regular income.

You don't need to retire to start to draw on your pension fund. You can also carry on making tax efficient contributions to other pension schemes, possibly with the same company, until you reach age 75.

There are some tax rules to be aware of when you are both withdrawing from and paying into pension schemes in the same tax year, so please talk to us first.

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Ten tips for coping with the downturn

Many businesses feel their cash resources are squeezed in the current downturn, but there are ways to make your funds stretch further:

1. Encourage your customers to pay quickly, by giving small discounts or by chasing them promptly.
2. Send out invoices for completed work as soon as possible, and ask for stage payments on account for long-term projects.
3. Analyse your stock. Can old stuff be sold off at a discount to generate cash
4. Review your supplier agreements for on-going services such as: web-support, security, energy, or cleaning. Can you renegotiate these contracts to get a better deal?
5. Talk to your neighbouring businesses. Is there a common landlord you could

collectively approach to change the payment terms of all your leases from quarterly in advance to monthly?

6. Ask your staff to reduce their working hours or to accept tax free benefits in place of a proportion of their salary.
7. Link incentives for your sales force to the profit per unit sold, or to the speed with which the customer pays for the order, rather than to the volume of units sold.
8. If you need new equipment, look for second-hand kit. Alternatively investigate leasing or HP agreements. These may be more expensive in the long term, but are practical solutions where you can't fund the full outlay in one go.
9. Review your VAT position. If you are using the flat rate scheme, is this still providing a bonus for your business now

that the flat rates have changed? Where you run several companies, including them all in one VAT group can help you manage VAT payments.

10. Paying VAT and PAYE liabilities online can give you a few more days to pay the amount due.

We can help you draw up a realistic cashflow forecast for your business, which could show you the future is not as grim as you fear. Contact Churchill Accountants before it is too late.

2009 corporate challenge date announced

The Corporate Challenge returns for a second year on Saturday, 12th September 2009 at Wimbleball Lake in Exmoor National Park.

Teams of 4-6 people from businesses across the South West will once again complete a series of outdoor activities which will include mountain biking, kayaking and navigation as well as team-building and problem-solving tasks.

Companies are invited to sign up and are asked to pledge to raise £1,500 in aid of Children's Hospice South West. Places cost just £35 per person.

For more details call 01275 866600 or email corporate@chsw.org.uk

Your free football match invitation

Taunton Town FC have announced Churchill Accountants (LLP) as their match sponsor for a home match against Bridgwater Town on the Saturday 28 March.

Clients of Churchill Accountants receive free entry and hospitality to this football event



which starts at 3pm from the Taunton grounds on Wordsworth Drive.

Even if you are not a die-hard football fan, it's an opportunity for you to catch up with one or more of our advisors in an informal setting — and Taunton Town FC will of course be grateful for your support!

For further details and for a free ticket, contact Rob Mardin on 01823 321177 or 01404 43360, or alternatively email robmardin@churchill-co.net



Taunton Town FC team photo 2008/9

Tax tip

Check you are not paying more business rates than you have to.

Properties with rateable value of less than £15,000 qualify for discounts under the Small Business Rate Relief Scheme.

Where such a property is empty it will be exempt from business rates for the year from 1 April 2009.

Business round-up

Statutory holiday entitlement increase

On 1 April 2009 the statutory holiday entitlement rises from 4.8 weeks (24 days) to 5.6 weeks (28 days) for employees who work a five day week. The new entitlement, which is the second stage of a two-phase increase, will also apply to part-time workers on a pro-rata basis.

Days off for public or bank holidays may count towards the minimum allowance, providing that they are treated as paid leave. However, from 1 April 2009 payment in lieu will not be permitted. Depending on the contract, payment in lieu of any leave above the statutory entitlement is allowed.

As the increase in holiday allowance is a beneficial change for workers, the Government has confirmed that employment contracts will not need to be reissued. However, businesses should inform staff of the change through some form of written communication.

HMRC announces second offshore tax campaign

HMRC has confirmed it will embark on a second campaign to target offshore bank accounts. The Offshore Disclosure Facility (ODF) will pursue account holders with money in building societies and any of the 300 UK-based banks that have

offshore operations. The Revenue will then write to individuals directly asking them to pay tax on any undeclared income. It is thought the penalty will be set at 20% or 30% of the tax due, even though HMRC has the power to charge 100%.

Those who fail to declare their funds may also face prosecution. During the last campaign account holders with undisclosed liabilities were offered the incentive of a cap of 10% on the penalty for not disclosing their tax debts to HMRC. However, approximately 50,000 people failed to come forward, prompting the Revenue to launch a second campaign.

Prompt payment code is launched

The Government has launched a new code of practice aimed at increasing the speed of payments to small businesses. The Prompt Payment Code, which was developed in partnership with the Institute of Credit Management, focuses on three main areas:

- a commitment to pay suppliers on time
- to give clear guidance to suppliers
- and to encourage good practice.

Large companies have now been urged to sign up to the agreement to help alleviate the burden of late payment on small firms. 'Businesses now need to pick up the baton and ensure that the principles of fairness,

timeliness and clarity are applied to their own contractual relationships with smaller suppliers,' said the Institute of Directors.

New rules on intestacy

The Ministry of Justice has announced an increase in the amount of the statutory legacy on intestacy for England and Wales. The statutory legacy is the amount which an individual is entitled to receive from the estate of their husband, wife or civil partner where the individual has not made a Will. From 1 February 2009 the statutory legacy is as follows:

- £250,000 (from £125,000) where there is a surviving spouse or civil partner and children
- £450,000 (from £200,000) where there is a surviving spouse or civil partner and parents or siblings, but no children.

Please note that the statutory limits only apply in certain circumstances. Different rules also apply in Scotland and Northern Ireland.

If you have any queries regarding inheritance tax or the intestacy rules, please contact Churchill Accountants.

Tax relief on company cars

Buying cars

For many years the tax relief available for cars costing more than £12,000 has been capped at £3,000 per year. All cheaper cars qualify for 20% tax taper relief per year, unless the vehicle has low CO2 emissions (up to 110g/km). In this instance 100% of the cost can be claimed in the first year.

These patterns of tax relief will remain in place for cars the business owns in March 2009. However, for cars purchased from 1 April 2009 (6 April 2009 for unincorporated businesses) the tax relief will be given according to the vehicle's CO2 emissions and the cost limit will be ignored:

- up to 160g/km – 20% per year (reducing balance)
- over 160g/km – 10% per year

Cars are specifically excluded from plant and machinery eligible for the Annual Investment Allowance. Where there is no adjustment made for any private use of the vehicle, the car will go into the appropriate capital

allowance pool. Where there is a private use adjustment the car will be dealt with outside of the pool.

Under the new system it will take longer to achieve full tax relief for the cost of a car, particularly for higher polluting vehicles. These restricted levels of tax relief will also apply to taxis (not black cabs) and hire cars, so ask us for more details if you run a taxi firm.

Selling cars

Currently when a company sells a car which originally cost more than £12,000, the balance of the cost that has not already received tax relief is given to the business in one lump sum – this is called a balancing allowance.

Cars acquired before 1 April 2009 will continue to attract a balancing allowance when they are sold before 1 April 2014. From this point all old cars will be added to the main pool of business assets, and will not receive a balancing allowance on sale.

The 2008 Pre-Budget Report confirmed changes to the way that businesses receive relief for the cost of vehicles through capital allowances. The new rules, which are effective from April 2009, could have implications for firms that include company cars in employee remuneration packages.

Leasing cars

The tax relief given for leasing costs is restricted by a complicated formula where the car's list price is over £12,000. This formula is abandoned for leases commencing from 1 April 2009 (6 April 2009 for unincorporated businesses), as most leasing costs will be allowed in full. If the leased car has CO2 emissions exceeding 160g/km then just 85% of the leasing costs will be deductible for tax purposes.

For more information and advice on tax-efficient business motoring, please contact us.

Reminders for your spring diary

March 2009

28 Football: Taunton Town v Bridgwater Town. Match sponsor: Churchill Accountants (LLP)— see p5.

31 End of Corporation Tax financial year.

End of CT61 quarterly period.

Filing date for Corporation Tax Return Form CT600 for period ended

April

5 Last day of 2008/09 tax year.

Deadline for 2008/09 ISAs.

Last day to make disposals using the 2008/09 CGT exemption.

Last date for contracting back into the State Second Pension for 2008/09.

14 Due date for income tax for the CT61 period to 31 March 2009.

19 Quarter 4 2008/9 PAYE remittance due. /22

20 Interest will begin to accrue on unpaid PAYE/NI for 2008/09.

30 Normal annual adjustment for VAT partial exemption calculations (monthly returns).

May

3 Last day for notifying car changes in quarter to 5 April – P46 (Car).

19 Last day for filing forms P14, P35, P38, and P38A – 2008/09 PAYE returns – without incurring penalties.

31 Last day to issue 2008/09 P60s to employees.

Web watch

Essential sites for business owners

Working Families

www.workingfamilies.org.uk

Contains information and advice on flexible working for employees and businesses.

Prompt Payment Code

www.promptpaymentcode.org.uk

Outlines the details of the new Prompt Payment Code

SME help and technology advice

www.evaluateit.co.uk

Free help and technology advice for small businesses

Employers' Forum on Disability

www.efd.org.uk

Home of the Employers' Forum on Disability