

# News

## Summer/Autumn 2009

Churchill  
Accountants LLP



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## Marketing your business in a downturn

**During times of economic difficulty, the marketing budget is often one of the first casualties. However, in a recession it is more important than ever to promote awareness of your business, protect your existing customer base and to be well-positioned when the economy picks up.**

### Retaining existing business

Maintaining your existing customer base is invariably less costly than generating new business. Consider the following low-risk strategies.

### Responding to current trends

Researching current trends in the market and observing how your customers and competitors are responding will allow you to adjust your products or services accordingly, and to compile a clear and consistent marketing message which demonstrates how you can meet the changing needs of customers.

### Increasing cross-selling and upselling

Cross-selling and upselling to existing customers are cost-effective ways of increasing revenue. Make sure your customers are aware of the other products and services you can provide and offer them incentives to increase the volume and range of their existing orders.

### Rewarding loyalty

Offering a loyalty scheme for long-standing and valued customers can show your appreciation and help to secure future business. Consider including loyalty vouchers

to encourage your customers to try your other products or services; these can be a preferable alternative to cutting prices and will not devalue your business.

### Keeping in regular contact

It is important to keep the lines of communication open. You might send a regular newsletter to your top customers, offering useful information and advice while promoting your services. Contact customers by telephone to discuss how you can help them further, and if appropriate offer to arrange a meeting.

### Generating new leads

As well as working to maintain existing customers, businesses must also continue to target prospects. By instigating some low-cost marketing strategies, you could even turn the situation to your advantage by gaining market share from your competitors.

### Encouraging referrals and recommendations

Setting up a cross-referral system with your suppliers, and other businesses that complement yours, is an effective way of generating mutually beneficial leads. You can also use incentives to encourage existing customers to recommend your business.



### Networking

Attending conferences, networking events, trade shows or lunches can generate significant new business opportunities. You can improve your success rate by researching the details of the events beforehand and selecting those which are most likely to generate useful contacts.

### Your business website

A well-designed and up-to-date company website provides both prospects and customers with 24-hour access to your products and services, and can be an effective and low-cost way of generating sales. Make it easy for visitors to find information and place orders, and include your website address on all correspondence.

### Electronic marketing

Sending a monthly email update containing news, information and useful tips is another cost-effective way of keeping in regular contact with both customers and prospects, and reminding them of how you can be of assistance.

**In an economic downturn, it is essential to find ways of securing new and repeat business. With careful planning you could even improve your business's prospects in the long-term.**

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# Should you top up national insurance contributions?

**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.**

The amount of state pension you will receive upon retirement is based on the number of full tax years during which you have paid national insurance contributions (NICs).

These years are called qualifying years. If you will reach state retirement age (currently 65 for men and 60 for women) before 6 April 2010, or are already over that age, you need up to 44 qualifying years (for men) and 39 for women in order to achieve a full state pension. This can be difficult to achieve if you have spent some years in full-time study or caring for children.

In such cases, you may wish to top up your NIC record for some of the missing years to improve the amount of state pension you will receive upon retirement. However, before you make this decision you need to check how many qualifying years you have

already accumulated. You can do this by ringing the NI enquiries line on 0845 915 5996. If you are due to reach state retirement age after 5 April 2010 you will only require 30 qualifying years to receive the full state pension, so a top-up may not be necessary.

If your 65th birthday (60th for women) falls between 6 April 2008 and 5 April 2015, you have a unique opportunity to top up your NIC record for any six tax years since 1975 where you are missing contributions. You may do this by paying voluntary Class 3 NICs at £12.05 per week. The National Insurance office is responsible for notifying taxpayers when they have not paid enough NICs in a tax year to make it a qualifying year.

However, for the years 1996/97 to 2001/02 the office failed to do this. Consequently, many people received letters informing them that their NICs for past years had fallen short. Despite this, taxpayers who reached retirement age before 24 October 2004 can still top up their NICs for the years between 1996/97 and 2001/02 by 6 April 2010.

Furthermore, contributions may be paid at the rates that applied in those years.

The deadline for paying NICs for missing years is generally six years from the end of the relevant tax year. So if you missed paying contributions in 2003/04 you have until 5 April 2010 to top up that year. Paying missing NICs for a recent tax year will also allow you to qualify for incapacity benefit or maternity allowance.

You may want to provide cover for these allowances even if you already have 30 qualifying years. Please note, if you reach state pension age on or after 6 April 2010 your entitlement to bereavement allowances will still depend on 44 years (men) or 39 years (women) of contributions. If you qualify for Home Responsibilities Protection, this will help to protect your entitlement to the state pension, and could reduce the number of qualifying years required.

**We can help you to decide whether to top up your NICs, and to plan for a more comfortable retirement – please contact us for details.**

## Does the flat rate VAT scheme work for you?

**The flat rate VAT scheme is supposed to help small businesses simplify their VAT record. However, operating the scheme correctly is not as simple as it might seem.**

Formerly, a business had to calculate two figures, its taxable turnover and its business income, to determine its eligibility to enter and use the scheme. However, on 1 April 2009 HMRC introduced a measure to simplify this process. Now only one figure, taxable turnover, needs to be calculated.

In order to be eligible to join the scheme this needs to be under £150,000. Taxable turnover is based on either invoiced totals or cash receipts, according to how the business calculates its liability under the scheme. It consists of standard, zero and reduced rated supplies, before VAT, and should not be confused with flat rate turnover.

### How it works

Once in the scheme you need to apply the relevant flat percentage applicable for your main trade sector to your flat rate turnover in each quarter, and pay the resulting figure as VAT to HMRC. Your flat rate turnover should include all the sales (including VAT) you make

as a VAT registered trader, whether they are standard, zero or reduced rated, or exempt.

Therefore even such transactions as the sale of a second hand car, any bank interest received from business bank accounts or rents from residential property, which are VAT-exempt, must be included in your flat rate turnover figure.

This means you effectively pay VAT on the gross receipts of sales made on which you have not collected any VAT. You can stay in the scheme until your flat rate turnover, on the anniversary of the date you joined the scheme, exceeds £225,000.

If you trade through a company, total flat rate turnover comprises all of the income received by the company. If you are a sole-trader your flat rate turnover includes your main trade, and any letting income you receive in your sole name, as lettings are regarded as a business for VAT purposes. Lettings undertaken as a partnership, perhaps jointly with your spouse, are not included in your sole trade business income.

### Traps to avoid

The flat rate scheme poses a potential trap for buy-to-let landlords who have joined it because of a separate trade undertaken

within the same legal entity (sole-trader, company or partnership).

In this case the proceeds from selling a let property must be included as flat rate turnover, and the flat rate should be applied to the total. You can withdraw from the flat rate scheme before you sell a high value item such as property, but you must then remain out of the scheme for at least 12 months, although HMRC may allow a one day re-admission if the sale is genuinely a one-off.

Once you are in the flat rate scheme you need to review your mix of sales at least once a year on the anniversary of joining the scheme, and adjust the flat rate to that applying to the majority of your sales. For example, if the owner of a pub sells food, and food makes up more than 50% of their income, the flat rate applicable to catering and restaurants (10.5%) must be used rather than the 5.5% that applies to pubs. Remember, the flat rates for most business sectors changed on 1 December 2008, when the standard rate of VAT was reduced to 15%, so please check that you are using the correct rate for your sector.

**If you would like further advice in this area, please contact us.**

# Rise and fall of furnished holiday lettings

**The 2009 Budget made significant changes to the rules on Furnished Holiday Lettings (FHL). Providing certain criteria are met, landlords can benefit from tax advantages if they make a loss on their earnings from the property or decide to sell the property.**

Since their inception, the Furnished Holiday Lettings rules have applied to furnished holiday accommodation situated in the UK only. The Government accepts that this may not be compliant with European law, and has therefore extended the rules to cover furnished holiday accommodation elsewhere in the European Economic Area (EEA). However, this extension will be short-lived as the FHL rules are to be repealed from 2010/11!

In the meantime there is an opportunity for those who have, or have had, qualifying FHL properties within the EEA (but outside the UK) to claim for at least one of the relevant reliefs or other treatments to apply.

These include treatment of the FHL business as a trade for the following purposes:

- loss relief
- capital allowances
- Landlords Energy Saving Allowance (LESA)
- certain capital gains reliefs (such as taper relief, business asset roll-over relief, entrepreneurs' relief, relief for gifts of business assets)
- relevant earnings when calculating the maximum relief due for an individual's pension contributions.

The letting business must be available for commercial letting as holiday accommodation to the public for at least 140 days, and actually let for at least 70 days, during the relevant 12 month period (for individuals this will be the tax year to 5 April). Lettings to the same person for a continuous period of more than 31 days do not count. Such longer term occupation must not total more than 155 days in the relevant 12 month period.

The claim has to be made within the normal time limits. However, until 31 July 2009, HM Revenue and Customs (HMRC) will accept late amendments to:

- personal tax returns for the year ended 5 April 2007; and
- corporation tax returns for accounting periods ending on or after 31 December 2006.

It must be made clear that the claim or request is being made under the extended time limits for EEA FHL as announced at Budget 2009. The normal rules for late claims will apply to all other late claims and amendments.

**If you think the new rules may affect you, please contact us and we will be happy to discuss your individual circumstances.**

## 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 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 please ask us for further details if you run a taxi firm.

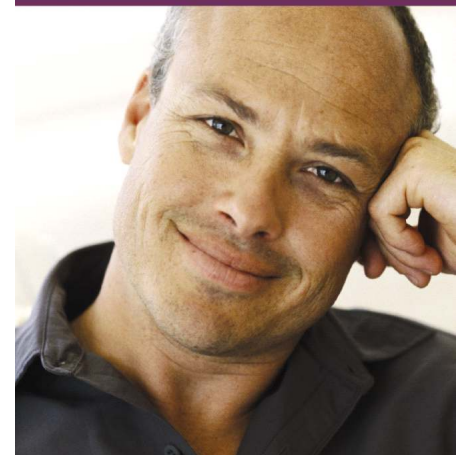
### Selling cars

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.**



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**[www.worldwide-co.com](http://www.worldwide-co.com)**

# New penalty system for incorrect tax returns

**A new single penalty regime now applies for inaccurate tax returns or other documents that are due to be filed on or after 1 April 2009. The legislation applies to income tax, VAT, PAYE, national insurance contributions, corporation tax, capital gains tax and Construction Industry Scheme returns.**

The legislation was extended on 1 April 2009 to cover returns for other taxes and levies due on or after 1 April 2010.

Under the regime, taxpayers who take 'reasonable care' with their tax affairs but still make an error will not be charged a penalty.

However, taxpayers who are deemed not to have exercised reasonable care are subject to a penalty charge, calculated as a percentage of the extra tax due. The exact rate is subject to HMRC's assessment of the behaviour that gave rise

to the error. The criteria are classified opposite.

HMRC is approaching the issue of 'reasonable care' on a case by case basis. Guidelines suggest that the definition will vary according to an individual's circumstances and abilities.

Every taxpayer is expected to make and keep sufficient records to enable them to provide a complete and accurate return, and to seek further advice if they are unsure about any aspect of their tax affairs.

Taxpayers who discover a mistake after submitting a return or document must inform HMRC promptly about their discovery, and disclosing errors to HMRC early could reduce any penalty due.

**We can help with all your tax and financial planning needs. Contact us today for further assistance.**

| Nature of the error                                                                                                                          | Penalty charge (% of extra tax due) |     |
|----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----|
|                                                                                                                                              | Min                                 | Max |
| <b>Careless:</b> an individual failed to take reasonable care to provide accurate documents                                                  | 0                                   | 30  |
| <b>Deliberate:</b> an individual knowingly and intentionally sent an incorrect document but did not attempt to conceal the error             | 20                                  | 70  |
| <b>Deliberate &amp; concealed:</b> individual knowingly and intentionally sent an incorrect document and took active steps to hide the error | 30                                  | 100 |

## 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 enterprises. 'Businesses need to ensure that the principles

### 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.

### Construction industry tax proposals

On 20 July 2009 the Treasury issued a Consultation Document in which it set out its proposals to counter what it calls 'false self-employment' in the construction industry.

The proposals are to treat every individual worker engaged to undertake 'construction operations' as being in receipt of 'employment income' which will be subject to tax and national insurance contributions under PAYE. This will become the default position with only those workers who meet certain criteria being able to continue to be treated as self-employed and paid under CIS.

## Meet the team

### Taunton Office

Partner.....Tony Shiffers  
Manager.....Theresa Payne  
Senior Accountant.....Steve Hickson  
Accountant.....Feroze Dahoo  
Accountant.....Pippa Firmin  
Accountant.....Nicola Ware  
Accountant.....Nicky Richards  
Accountant.....Kay Allen  
Accountant.....Svetlana Jenkins  
Accountant.....Nick White  
Support staff.....Yulia Phelan  
Support staff.....Tabatha Goddard  
Support staff.....Steve Hubbard  
Support staff.....Sylvia Williams  
Office Manager.....Mary Hayward  
Admin Manager.....Tracey Taylor  
Receptionist.....Chris Laramy

### Honiton Office

Manager.....Sarah Broom  
Senior Accountant.....Paul Marshall  
Senior Accountant.....Pat Churchill  
Accountant.....Andrew Besley  
Accountant.....Sharon Richards  
Office Manager.....Shirley Tucker

## Sponsorship and hospitality news

Earlier this summer we invited a number of female clients to a special ladies day at the Somerset County Cricket club. The international match—a Women's twenty-twenty—between England and India was thrilling to watch and well received by invitees and staff alike. With buffet and free drinks included from within the corporate box, it proved to be a perfect day out from the office, and gave you an opportunity to catch up with our accountants, and discuss business matters in a relaxed and informal setting.

For those who missed out, Churchill Accountants will be offering a further opportunity for up to 20 of our clients, male or female, to watch a day's cricket at the Somerset County Cricket Club. We have booked Day 3 (and provisionally Day 4) of the LV County Cricket Championship Div 1 Somerset v Lancashire match. Do come along if you can make it!

For those who are interested in attending, please contact Rob Mardin on 01823 321177 or email [robmardin@churchill-co.net](mailto:robmardin@churchill-co.net)



Women's T20 International: England v India

## 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.

## Reminders for your summer/autumn diary

### August 2009

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

### September 2009

1 Due date for payment of Corporation Tax for year ended 30 November 2008. Fuel duties due to increase by 2p.

11 LV County Cricket Championship Div 1 Somerset v Lancashire (Day 3)

12 LV County Cricket Championship Div 1 Somerset v Lancashire (Day 4—TBC)

19 PAYE and NIC due for payment for the month ended 5th September 2009.

30 Closing date to claim Small Business Rate Relief for 2008/09 financial year. Filing deadline at Companies House of accounts for private companies with a year ended 30 November 2008. Filing deadline at HMRC for Corporation Tax Return Form CT600 for period ended 30 September 2008.

31 Filing deadline for 2009 self-assessment tax returns either not filed electronically where tax liability is to be calculated by HM Revenue and Customs or where there is tax underpaid of less than £2,000 to be collected via the PAYE code.

### October 2009

1 Due date for payment of Corporation Tax for year ended 31 December 2008.

5 Individuals/trustees must notify HMRC of new sources of income or chargeability in 2008/09 if a tax return has not been received.

6 New ISA limit for those 50 and over comes into force. The allowance is now £10,200 for 2009/10 with a cash ISA allowance of £5,100.

## Web watch

### Essential sites for business owners

#### Working Families

[www.workingfamilies.org.uk](http://www.workingfamilies.org.uk)  
Contains information and advice on flexible working for employees and businesses.

#### Prompt Payment Code

[www.promptpaymentcode.org.uk](http://www.promptpaymentcode.org.uk)  
Outlines the details of the new Prompt Payment Code

#### SME help and technology advice

[www.evaluateit.co.uk](http://www.evaluateit.co.uk)  
Free help and technology advice for small businesses

#### Employers' Forum on Disability

[www.efd.org.uk](http://www.efd.org.uk)  
Home of the Employers' Forum on Disability