

CI Accountancy Ltd

Newsletter

February 2009

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This month our newsletter includes some of the tax implications of redundancy payments; a pre tax year end check list for the self employed; a comment on the effects of exchange rate fluctuations if you sell property abroad; and finally an update from HMRC on advisory fuel rates, the tax status of bonus payments to pensioners, and an announced further offshore disclosure facility.

Our next newsletter will be published on Thursday 5 March.

Win a bottle of Champagne!	Meet the C I Accountancy Team – Fiona Little – Administration Assistant
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Win a bottle of Champagne!

In these troubled times, we will be using the medium of our newsletter to pass on advice, tips and information with regards to maintaining your business, possible savings etc.

if you have any particular tips or ideas to pass on, please email them to rachael@citrustees.com or jane@citrustees.com for possible inclusion. We reserve the right to edit the content. In strained financial times, good and accurate information of all kinds, whether financial or strategic, is key, and may be the difference which allows you to maintain a healthy business.

To set the ball rolling, we would encourage all of our clients to try to maintain an outward looking focus. Yes, times are obviously difficult, and will probably get worse before they get better, but don't base your decision making on what you see on the TV news and read in the newspapers. Assess what is happening to you and your customers, not the big banks and FOOTSIE 100 companies. There will be a lot of opportunity over the next 12-18 month, and as the big listed companies collapse or downsize, etc., a significant portion of what they were doing will be picked up by SME privately owned and managed businesses. Certainly, you should be looking at savings and being doubly vigilant on costs and so on, but don't stop looking outwards, or you are guaranteeing that you will miss what opportunities there are.

Also, and very firmly relating to this, keep selling and marketing yourself. There is only one certain outcome if you don't continue with your marketing and sales efforts, and that is no new business. Again, there is nothing wrong in re-assessing how you do that, and cutting direct costs if you can, but try to maintain your marketing or selling profile, but possibly by being a bit 'smarter' about how you go about it.

So, getting to the competition part, we have come up with a number of different titles for this column, but couldn't decide what we should call it. Therefore we are running a competition for **you** to think of a suitable title, the winner will win a bottle of champagne and the title will be used in all future issues. Please forward any ideas for titles to rachael@citrustees.com or phone 01434 609645. We will announce the winners name in next month's issue, therefore all entries need to be submitted before 28th February. Good luck!

Meet the C I Accountancy Team – Fiona Little – Administration Assistant

Fiona joined the C I Accountancy team in October 2007, having worked at Leaplsh Waterside Park for the preceding two years, where her main roles were as an office administration assistant following a spell in the café.

In her roles at Leaplsh Fiona gained many useful skills and experience in administration and customer service, skills which she has brought with her to C I Accountancy. She is often the first person you may talk to when ringing our Ballroom offices.

Fiona's main role at C I Accountancy is assisting with the invoicing as well as general office duties, where she works alongside Jackie, the office Manager. In her time with the company Fiona has proved to be a great asset to the team. She is always keen to learn new skills and has successfully completed an NVQ in business administration.



Fiona lives near Bellingham, which has given her a good understanding of living and working in a rural community. In her spare time, Fiona is an active member of Bellingham Young Farmers club and enjoys all of the social activities they offer!

Client of the Month – February – Allout Adventures Limited

Allout Adventures are a new events company who are based at De Vere Slaley Hall in Northumberland. Specialising in outdoor activities, team building and corporate events.

Lead by Scott Murray, Paul Hook and Adele Lockey, Allout Adventures bring a wide range of exciting activities and events to a wide range of customers including corporate clients, schools, birthday parties and individuals.

After working for a Corporate events company since 2000, Scott and Paul decided to set up Allout Adventures. In 2006 they opened their huge revamped paintball site at Slaley Hall Hotel and have since moved on to a number of other activities including quad biking, clay pigeon shooting, 4x4 off road driving, sphereing and archery, not to mention an impressive portfolio of corporate event and team building activities.

Designed with your business objectives in mind, the Allout Adventures team can put together events that are tailored to fit your companies needs and budget. The Allout Adventures team have a proven record in helping companies achieve their business objectives, and their events are a great way to motivate staff and thank valued customers.

Allout Adventures Limited have worked closely with C I Accountancy over the last couple of years, we know that their staff are always at the end of the phone and appreciate their support and advice. Knowing that C I Accountancy are looking after the financial matters of our company means that we can concentrate on the day to day running of our business.

For more information on events and activities with Allout Adventures you can contact a member of the team on 01434 676980 or visit our website on www.alloutadventures.co.uk

Redundancy payments

The notes that follow highlight a few but not all of the considerations that affect redundancy pay outs:

Q. Do I pay tax or National Insurance on my redundancy payment?

A. No - as long as the amount does not exceed £30,000 and it is a genuine redundancy payment.

Q. Where can I get impartial advice on my rights if I am made redundant?

A. Try ACAS on 08457 474747 or their web site www.acas.co.uk, you could also try Citizens Advice www.adviceguide.org.uk or find their number in your local phone directory.

Q. What happens if I receive a company car or other goods in lieu of a redundancy payment?

A. Anything you receive other than money is converted to a cash equivalent - if the purpose of the transfer of assets is given to compensate you for your redundancy this cash equivalent forms part of your £30,000 tax free sum.

Q. What happens if my employer cannot afford to pay me the statutory redundancy that I am due?

A. The Redundancy Payments Office will make the payments you are due - ACAS or Citizens Advice should be able to advise you on the application process.

Q. If I receive a terminal bonus or payment for doing extra work leading up to redundancy, is this tax free?

A. No - only genuine payments for redundancy are included in the £30,000 tax free sum.

Q. Do I qualify for statutory redundancy if I have worked for an employer for one year?

A. No - you must have completed 2 years service since age 18.

If you have concerns about redundancy as an employer or employee we would be happy to discuss the issues with you.

Planning for the tax year end 5 April 2009

If you are self employed, either a sole trader or in partnership, you are approaching a key date - the end of yet another tax year.

Due to the current economic downturn you may recently have experienced a drop in your profitability; indeed you may be trading at a loss.

If this is the case please read the check list that follows. We can only help you to achieve the very best tax result if we are made aware, in good time, of your financial situation. Read the check list and call for a pre year end review.

1. If you are trading at a loss you may be eligible to carry up to £50,000 of the loss back for an extended period under new rules applying to the current year only. To maximise the losses claimed it may be beneficial to change your accounting date to 31 March 2009, if it is not already this date.
2. Timing of capital purchases or disposals, either before or after the end of the tax year, can be organised to maximise claims under the new Annual Investment Allowance of £50,000.
3. If your profits have decreased this year, to 31 March 2009, compared to the previous year (31 March 2008), this may reduce the tax payments on account you offer in January and July 2009.
4. If you are forced to layoff staff and have some flexibility when you make redundancy payments, is this best charged in this current year, or the decision deferred to the next trading year?
5. What is your bad debt situation? Have you made adequate provision in your accounts? Has any VAT on bad debts over 6 months old been claimed back? Please note that if you use Cash Accounting for VAT you only pay VAT added to your invoices when you are paid - so you don't need to worry about claiming for bad debts.
6. If you have made a loss in this current year does this affect the tax relief you may have received on pension contributions? Will the tax have to be repaid or contributions recovered?

This is a year when careful consideration of your current trading position is paramount. There is no point in ducking this issue. If you do, you may end up paying more tax than is necessary. Paying less tax, or winning repayments of tax will only be one aspect of your fight to sustain a healthy cash flow - nevertheless it is not one you should ignore.

Selling property abroad

Sterling has depreciated considerably against the Euro in the last year. Whilst this is of great interest to other Euro zone residents, who can buy property in the UK at much lower Euro cost, the opposite applies to UK residents who have purchased property elsewhere in the Euro zone.

For instance a property in Spain costing 1.5m Euros purchased early 2007 would have required an investment of £1m sterling.

A similar property may currently be worth 1.25m Euros. This is a loss on your investment of 250,000 Euros. Common sense might argue that if you disposed of the property now, you would merely multiply the loss by the exchange rate prevailing when the sale completed? Unfortunately this is not the case!

Capital gains tax legislation dictates that you compare the sterling value of the purchase at the date of purchase, with the sterling value of the disposal at the date of disposal. In our example a property disposal today of 1.25m Euros converts to just under £1.2m sterling. You have made a taxable gain of almost £200,000. Brilliant you may say but what if you want to reinvest the proceeds in another property in the Euro zone? The sterling gain of £200,000 will cost you possibly £36,000 in UK taxes; that's £36,000 less to invest!

So be wary. A loss on sale in a local currency can produce unwelcome tax liabilities when converted to sterling.

HMRC Updates

Advisory Fuel Rates

From 1 January 2009 HMRC have issued revised fuel rates for car users.

These rates apply when:

- employees are reimbursed for business travel in their company cars; or
- employers require that employees repay the fuel element of private motoring.

The rates can also be applied to calculate the deemed VAT input tax (included in the fuel element), in mileage rates paid to employees for the business use of their own cars.

The new rates per mile are:

1400cc or less: Petrol 10p, Diesel 11p, LPG 7p.

1401cc to 2000cc: Petrol 12p, Diesel 11p, LPG 9p.

Over 2000cc: Petrol 17p, Diesel 14p, LPG 12p.

Extra State Bonuses

If you receive the £10 Christmas bonus for pensioners, you will be entitled to the additional one-off payment between January and March 2009 of £60.

You will be pleased to know that both payments are tax free!

Second Offshore Disclosure facility

On 20 November 2008 HM Revenue & Customs confirmed that it is to launch a second campaign in 2009 to collect unpaid tax in offshore accounts. The Offshore Disclosure Facility (ODF) will target account holders with money in building societies and any of the 300 UK-based banks that have offshore operations. Last year's similar campaign focused solely on customers of the five largest high-street banks. According to an HMRC spokesman,

"The intention of the new facility will be to provide an opportunity for account holders to inform us of their own accord of any unpaid tax or duties and to settle their debts in a similar way to the original offshore disclosure facility."

Taxpayers affected will face threat of prosecution and higher fines if they do not come forward. It is likely that fines may be capped at 20 to 30% of the tax due to encourage people to come forward. They were capped at 10% under the previous ODF. However, HMRC stressed the campaign will not be a tax "amnesty" as all unpaid tax and interest will have to be paid in full.

The Revenue will write to the 300 banks and building societies requesting names and addresses of all their UK resident customers with offshore accounts. It will then write to customers requesting any unpaid tax. The first ODF identified some 400,000 accounts as suspicious. It raised £450 million from 45,000 people but a further 50,000 are still being investigated and some may soon be prosecuted.

"HMRC has made follow-up checks of the disclosures made and has started a programme of checks on those who did not take the opportunity to come forward," the Revenue spokesman said. "In the most serious cases, we are carrying out criminal investigations and we will bring some prosecutions before the courts."

Tax Diary February/March 2009

1 February 2009 – Due date for corporation tax payable for the year ended 30th April 2008.

19 February 2009 – PAYE and NIC deductions due for month ended 5 February 2009. (If you pay your tax electronically the due date is 22 February 2009)

19 February 2009 – Filing deadline for the CIS300 monthly return for the month ended 5 February 2009.

19 February 2009 – CIS tax deducted for the month ended 5 February 2009 is payable by today.

1 March 2009 – Due date for corporation tax due for the year ended 31 May 2008.

19 March 2009 – PAYE and NIC deductions due for month ended 5 March 2009. (If you pay your tax electronically the due date is 22 March 2009)

19 March 2009 – Filing deadline for the CIS300 monthly return for the month ended 5 March 2009

19 March 2009 – CIS tax deducted for the month ended 5 March 2009 is payable by today.

DISCLAIMER - PLEASE NOTE: The ideas shared with you in this newsletter are intended to inform rather than advise. Taxpayers circumstances do vary and if you feel that tax strategies we have outlined may be beneficial it is important that you contact us before implementation. If you do or do not take action as a result of reading this newsletter, before receiving our written endorsement, we will accept no responsibility for any financial loss incurred.

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Directors of the Company are members of the Association of International Accountants (AIA). This body has its headquarters in the UK and its rules of professional conduct can be obtained from its website.

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