

# CI Accountancy Ltd

## Newsletter

### January 2009



boatside business centre, warden  
northumberland ne46 4sh  
tel: 01434 601133  
fax: 01434 609977  
web: www.ciaccountancy.co.uk

Happy New Year! The emphasis of our newsletter this month, and likely emphasis for the rest of 2009, is to support you through the present economic uncertainty. Whatever the specific difficulties you encounter, being informed will always be of use. If there is a topic that you would like to see in this newsletter just reply to this email, we will do our best to include commentary in future editions.

This month we have included an article which focuses on the key tax payment and filing deadlines at the end of January; a further update on the new Small Business finance scheme; a warning for businesses that may be considering the disposal of surplus assets this year, and finally dealing with bad debts!

Our next newsletter will be published on Thursday 5 February.

January Tax Return Deadline	Client of the Month – January – AYP Financial Planning Limited
Meet the CI Accountancy Team – Rachael Moore – P.A to Director	Professional Fee Insurance Scheme
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### January Tax Return Deadline

We are approaching our busy season with the 31<sup>st</sup> January tax filing deadline starting to loom. If you are one of our clients for whom we prepare and file a tax return for that deadline, we would ask that you ensure that you get your paperwork and figures into us as soon as you possibly can to try and avoid any last minute rush.

Inevitably, if we receive the bulk of work in during the latter part of December and January, it stretches our resources, and will generally mean that those whose records we receive last will almost certainly be filed with estimated figures if additional accounting work is required. Whilst this will avoid penalties and interest, it means extra correspondence with HMRC once we have been able to complete the accounting, which will lead to additional cost.

### Client of the Month – January – AYP Financial Planning Limited

**AYP Financial Planning** was originally launched by Kim Addavide as a specialist financial advisor for women and business people, AYP is now in demand from a much wider audience, with business people, high net worth individuals, families, the elderly and people at every stage all benefiting from our advice and financial planning service.

We nurture long-standing, trusting relationships with our clients as the focus is on continuous financial planning, rather than just product advice. Also, because we are entirely independent, we are not tied to any financial product provider. Not all independent financial advisors can say this.

We are here to make the most of your money for you, now and in the future. We are experienced in finding solutions for businesses and to suit any circumstance; including the very wealthy, those struggling to make ends meet and everyone in between.

## **Reassuring Clients as the credit crunch bites**

Customers and clients of financial organisations across the world are asking investment, mortgage, protection and annuity providers one basic question - is my money safe?

The recent Government bail-out of several banks and financial organisations has proved that size doesn't necessarily provide protection against the credit crunch.

The problems centre around three key areas:-

- Loans and borrowing arrangements between banks and other financial organisations
- "Short-selling" of publicly shares
- The dramatic fall in share prices around the world

So, where do you go for the best advice and financial planning strategy that will help you and your business through the current turbulence?

AYP Financial Planning and C I Accountancy Limited work together with our mutual clients to ensure that you have the very best advice for tax planning, supported with structured financial planning to enable businesses to continue to grow and develop.

## **AYP FINANCIAL PLANNING – ADVISING YOU PERSONALLY**

### **Meet the CI Accountancy Team – Rachael Moore – P.A to Director**

Rachael joined the C I Accountancy team in March this year. She started her working career, after graduating from St Martin's College, University of Lancaster in History. Prior to joining the C I Accountancy team, Rachael worked for a high street bank for 5 years, where she progressed through the ranks from cashier to Personal Account Manager. In these roles she gained a great deal of experience in administration, customer service, dealing with personal bank accounts and international and domestic payments; all valuable skills that Rachael has brought with her to CI Accountancy.

Rachael wanted a change in career direction and was therefore delighted when she was offered the position at C I Accountancy. Rachael likes to work with clients and prides herself in providing a professional and efficient service. In her time with the company, Rachael has already proved to be a great asset to the team.

Rachael lives on a farm near Bellingham, which has given her a good understanding of living and working in a rural community. In her spare time she helps on the family farm with her husband, enjoys cooking and spending time with her family.

### **Professional Fee Insurance Scheme**

Over the last few years we have seen an increase in the number of investigations and enquiries HM Revenue & Customs (HMRC) have been making into our clients affairs. Coupled with this, HMRC have new increased powers and penalty regime. Inspectors are reputedly earning bonuses for achieving ever-more challenging targets. In consequence, many commentators believe that the number of tax investigations will continue to rise.

At C I Accountancy we have taken the decision to offer clients a Fee Insurance Scheme. Any taxpayer can be chosen for a random investigation or enquiry at any time and may then face a protracted period of stress and disruption. The average investigation can last between nine and twelve months and more complex cases may drag on for years. Enquiry work is time consuming, technical and requires the attention of a senior member of our staff, a fact that is naturally reflected in our costs.

We strongly recommending all of our clients consider taking this cover. We regard Fee Insurance cover as an essential safeguard against safeguard against the unexpected costs associated with an HMRC enquiry or investigation.

Although Fee Insurance does not cover any additional tax that may be found owing, but it does remove the urgent need to conclude the case quickly on the grounds of cost. It allows us to use whatever time and resources we need to fight the case on your behalf and achieve the best possible outcome for you.

The insurance scheme we have chosen – "Tax Safe" has been developed with CCH Fee Protection, the market leader in fee protection insurance. The policy will pay up to £75,000 of professional costs in the case of a Full Enquiry, £5,500 for Aspect Enquiries into businesses and £2,750 for Aspect Enquiries into personal tax returns. In addition, employers have £75,000 of cover should there be a dispute with HMRC about PAYE or National Insurance matters, VAT registered businesses enjoy a further £75,000 of cover in the event of a VAT dispute. If we handle the personal tax returns of the directors or partners of an insured business, they are also covered under that business's policy.

As a valuable added extra, insured business clients also have access to CCH's highly-acclaimed Business Support Helpline, where expert advice is available from highly qualified and experienced consultants in the fields of employment and Health & Safety Law as well as Commercial Legal matters. There is non additional cost for this service.

We would urge all clients to join the scheme. The deal we have negotiated with CCH Fee Protection allows us to offer cover at a very reasonable rate. It's a small price to pay for peace of mind. Should you be interested in joining the scheme this year, the renewal date is at the start of February, please contact Rachael Moore on 01434 609645 or [rachael@citrustees.com](mailto:rachael@citrustees.com) for more information.

## **Award Success – No Strings International**

Congratulations to No Strings International, with Trocaire – Ireland for their success in winning “North-South Centre of the Council of Europe – World Aware Education Award” for their Tales of Disaster project.

The awards recognize excellence in networking, co-ordination and partnership for increased Global Education.

No Strings, a registered charity formed in 2003, uses colourful and engaging adventure films made by some of the world's finest puppeteers to teach life-saving messages to children in countries like Afghanistan, Indonesia, and Sri Lanka.

Rosie Waller of No Strings said “We're just delighted about it. It really cements our relationship with Trocaire – everyone there is on a real high too – it is massively prestigious for us here at No Strings”.

Congratulations from all at CI Accountancy!

(For further information, please go to [www.nostrings.org.uk](http://www.nostrings.org.uk). Any enquiries with regard to donations or fund raising opportunities can be made to the Treasurer, Chris Gillie at C I Accountancy).

## **Tax Deadlines 31 January 2009**

### **Tax Credits**

If you claim tax credits watch out for significance of the 31 January date. It is the final date for providing your actual earnings details for 2007-08 and renewing your award for 2008-09.

**Self Assessment** – Two key events:

1. If your tax return for 2008 has not yet been filed, this must be done by 31 January to avoid you being fined. Also this can only be done online. The deadline for submitting paper returns was 31 October 2008.
2. On 31 January 2009 any balance of your Self Assessment tax that was not covered by your payments on account in 2008 falls due for payment. On the same date you should also be making your first payment on account for the current tax year 2008-09.

### **One planning point regarding payments on account for 2008-09.**

Unless you make a specific request to reduce the amount due, your payments on account for 2008-09 will be based on your actual payments for the previous year, 2007-08. If you have prepared management accounts to the end of December 2008 you should be able to estimate your likely results for 2008-09. If they are lower than the previous years results you can ask for the payments on account to be reduced. And don't forget, your taxable profits include deductions for capital expenditure. From the 1 April 2008 certain expenditures qualify for a 100% write off up to a maximum of £50,000.

This is fairly basic tax planning that can be overlooked. If you have any doubts call now, we still have time to lodge an appeal for you – we just need the information.

Finally HM Revenue & Customs do seem to be following through in their commitment to helping tax payers, who for genuine reasons are unable to pay their tax on time. We urge all our readers who find themselves in this position to contact HMRC as soon as possible.

## **Small business finance scheme**

In his Pre Budget Report last year Mr Darling announced a number of new initiatives to provide funding for small businesses including:

- Early in 2009, the Government will launch a Small Business Finance Scheme – a new temporary guarantee scheme to enable up to £1 billion of new Government supported lending by banks;
- The Export Credits Guarantee Department, in conjunction with the banks, will introduce a temporary guarantee scheme to support a £1 billion facility providing smaller exporters with better access to short-term working capital;
- The Government will also make available a capital fund of £50 million providing equity or quasi-equity to SMEs who are over leveraged;
- Earlier in November 2008, Advantage West Midlands launched a transition fund for viable SMEs facing financial difficulties. Other Regional Development Agencies will launch similar loan funds, now totaling £25 million, to help businesses over the next six months.
- Early in 2009, the Government will launch, with Business Link, a new accessible portal, to direct credit-worthy SMEs who are experiencing problems accessing credit.

In this article we would like to update you on the first initiative; the small business finance scheme.

Although the new scheme has similarities with the present Small Firm Loan Guarantee Scheme (SFLGS), there may be differences. Certainly the new scheme offers qualifying small businesses with bank funding underwritten by the Government and the banks. So far so good. Unfortunately, it is not clear which businesses will qualify and what the 'red tape' aspects are! Let's hope it's easier to apply for this new facility than the existing SFLGS.

The Government is apparently keen to launch the initiative either this month or February 2009. As soon as announcements are made we will include them in future newsletters.

## **Selling surplus equipment**

If you have equipment that is no longer contributing to your business, now may be a good time to consider a sale. Certainly this would seem to be a good and effective way to bolster your business cash flow.

However, beware unwelcome tax consequences.

### **Assets bought before April 2008 – If:**

1. The asset was purchased some time ago, and
2. The present written down value of all your business assets is negligible for tax purposes.

When you sell the item of equipment, plant, computer etc, the disposal may generate a balancing charge. In other words part of the cash you receive may have to be reserved to pay extra tax!

### **Assets bought after 1 April 2008**

Since the 1 April 2008 companies, and from 6 April 2008 unincorporated businesses, can write off up to £50,000 a year for qualifying equipment purchases.

If you now decide to sell an asset bought after those dates, and a full write off was claimed, then all of the proceeds of sale may become taxable.

Planning as always is key. If you are thinking of such a disposal please call so that we can advise on the tax effects.

Also please note that in most cases the above comments would not apply to cars which have an element of private use.

## **Bad Debts**

If the recessionary trends continue we are all likely to face bad debts. It is well worth spending some time to sharpen your credit control procedures, we can certainly help you do this. This article offers a few pointers which will ensure you deal effectively with the VAT and tax consequences.

## VAT

Unless you are registered to use a special scheme which protects you from bad debts, particularly Cash Accounting, you may have paid over the VAT on sales invoices issued as part of your VAT return. Subsequently you may have been unable to recover the VAT from your customer.

If that is the case you are entitled to reclaim the VAT when the debt is 6 months overdue.

In passing it is well worth converting to Cash Accounting for VAT if your business qualifies. Presently the turnover limitations are £1.35m per annum. If your annual turnover is under this amount registering would provide a possible positive effect on your cash flow. Again we can help if you would like to consider this.

## Tax

Whether your business is incorporated or not, if a customer does not pay your invoice this needs to be recorded in your accounts. Trade debtors should be reduced and transferred to a bad debts account. (Adjusted for VAT if you are registered.)

When you provide us with your accounts data for the current financial year, make sure you provide a list of all the debts you have identified as possible write off's. As long as any claim for bad debts is based on real, specific transactions they should be accepted by HMRC. What you cannot do is transfer an arbitrary percentage of total debts to a bad debts reserve and claim this as a tax write off.

## Tax Diary December 2008/January 2009

**1 January 2009** – Due date for corporation tax payable for the year ended 31 March 2008.

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

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

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

**31 January 2009** – Last day for electronic filing of Self Assessment returns for 2008

**31 January 2009** – Due date for payment of any balance of self assessment liability for the tax year ending 5 April 2008, plus any payment on account due for the tax year ending 5 April 2009.

**1 February 2009** – Due date for corporation tax payable for the year ended 30<sup>th</sup> 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.

**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.

CI Accountancy Ltd  
Boatside Business Centre  
Warden  
Northumberland  
NE46 4SH

Tel: 01434 601133

Fax: 01434 609977

Web: [www.expertsontax.co.uk](http://www.expertsontax.co.uk)

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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.