

CI Accountancy Ltd

Newsletter

March 2009

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March is the last month of the tax year. If you have anxieties regarding any aspect of your financial affairs that have occurred during the last year, and you have not yet spoken with us, can you please contact us as a matter of some urgency. Often it is not possible to take effective planning decisions once the tax year end passes.

In the newsletter this month we have outlined the importance of the underlying records that support your tax returns; a final reminder that certain retrospective claims for overpaid and underclaimed VAT closes on 31 March 2009; the tax status of long service awards and finally a few pointers on applying for a dispensation regarding Benefit in Kind.

Our next newsletter will be published on Tuesday 7 April 2009.

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£1.3billion Help for Small Firms

Since October 2008 the FSB (Federation of Small Businesses) has been calling for a Small Business Survival Fund worth up to £1billion. This money should be used to support small businesses through the tough credit climate.

The Government announced a £1billion Small Business Finance Scheme within the 2008 Pre-Budget Report, which went live on 14th January 2009 as the £1.3billion Enterprise Finance Guarantee.

Enterprise Finance Guarantee

The Enterprise Finance Guarantee will consist of the following:-

- Government will guarantee loans to 75%
- Loans will have a life span of 3 months to 10 year maturity
- Businesses must have a turnover of no more than £25million who find it difficult to access finance.
- The value of loans through the Enterprise Finance Guarantee will be between £1,000 and £1million.

This will be open to all viable businesses who qualify according to the set of factors above.

All major high street banks will be part of the Enterprise Finance Guarantee. The banks are:

- Barclays, Clydesdale/Yorkshire Bank, HBOS, HSBC Lloyds TSB, RBS/NatWest, Northern Bank.

The FSB encourages all members who have difficulty with accessing finance to make contact with their bank and enquire about the Enterprise Finance Guarantee.

All details for the scheme can be found at this website:

<http://www.businesslink.gov.uk/bdotg/action/detail?type=CAMPAIGN&itemId=1081831680>

More Government Announcements

Other announcements from the Government include:

1. A £10billion Working Capital Scheme for businesses with turnover of up to £500million,
2. A £75million Capital for Enterprise Fund which will be used as a debt for equity fund,
3. As stated in the Pre Budget Report businesses experiencing cash flow difficulties can get help from HMRC (<http://www.hmrc.gov.uk/pbr2008/business-payment.htm>)

FSB Customer Services: 0808 20 20 888

Client of the Month – March – Lesley Gosling Public Relations

Public Relations is best described as a systematic effort to manage reputation – vital to ensure that whoever is important to a business has a clear understanding and knowledge of it. This may be suppliers, employees, potential corporate leads or partners, key decision makers and advisers.

Sustained and successful PR efforts can help to increase employee motivation – especially in the current economic climate – enhance supplier relationships and generally build a favourable reputation among whichever target audience is to be influenced.

It involves the strategic use of stories and information but its real value is in raising awareness and perception of a business in the marketplace, upon which other sales and marketing efforts (advertising, brochures, direct mail, etc) can build. It is not advertising.

After a period working for Cumbrian Newspapers Group, Lesley Gosling spent five years with a Scottish manufacturer with retail outlets throughout the UK. The work involved Royal visits, sponsorships and promoting the company's seasonal clothing ranges.

She then spent 13 years working as a senior manager in the top integrated marketing and PR agency in Newcastle, where her clients included The Alnwick Garden, Bellway's NE Division, Blacks Leisure, Thompsons of Prudhoe, Carrs Flour Mills, De Vere Slaley Hall, a number of regional investment drives and Training and Enterprise Councils.

She set up her own business over four years ago, using her considerable experience to attract new clients, including the Newcastle School Sport Partnership, The Open University in the North, Aston Hotels, the Barrasford Arms and Howick Hall Gardens and Arboretum. She moved her business accounts to C I Accountancy three years ago and said: "I decided to move to CIA because I wanted a cost effective, friendly accountancy service which understood my small business and to whom I could turn for advice at any time."

Contact Lesley on 07976 189 553 or email: lesleygoslingpr@btinternet.com to find out how she can help your business.

Meet the C I Accountancy Team – Carol Conyers – Client Manager

Carol joined the C I Accountancy team at the beginning of the year. She is a qualified Chartered Accountant with 20 years experience in practice.

Prior to joining C I Accountancy, Carol spent the past year working for a local manufacturing company as their Financial Controller. The previous 10 years were spent working as an Audit Manager with an accountancy practice in Hexham. Carol studied Psychology at Newcastle University. She commenced her accountancy training with a 3 partner accountancy practice in Harrogate and then spent the next 5 years working for 3 practices in Newcastle before taking up her position in Hexham. Carol's specialities are in company accounts, charities, training and practice management.

Carol enjoys the variety of clients and businesses provided by practice. She particularly likes the two way exchange between client and accountant, believing that sometimes there can be as much learnt by the accountant from the client's experiences as the client can learn from the accountant. Carol firmly believes in 'helping the client to help themselves' through the provision of training and understandable explanations, ensuring satisfaction from both the client and accountant.

Carol has three young children, 2 at a first school in Hexham and the other at Hexham Middle School. In her spare time she enjoys cycling, climbing, swimming and generally being outdoors.

Credit Crunch Busting Tips with Mr Miser

Following last month's competition, it has been decided that the winning title for this column will be "Credit Crunch Busting Tips". The tips will be provided by "Mr. Miser", here are his tips for March...

Tips for Business Finance:
Effective Credit Control

The statistics on late payment are scary, no business, large or small, can afford not to take credit control very seriously. Follow my steps to keep it under control:-

1. Make your credit terms clear.
2. Consider credit checking potentially large customers.
3. Make your invoice clear and send it out immediately after the goods are sent or the service is completed.
4. Have a set timeline for sending statements, letters and calls to clients to follow up on unpaid invoices.
5. Chase outstanding bills ASAP. Phoning is one of the fastest ways to persuade late payers to pay up.
6. Have a standard policy for dealing with common excuses.
7. Consider stopping customer's credit until they pay up.
8. Finally, thank customers who do pay on time.

Tips for Redundancy:

When looking at the issue of cost control, for many businesses the immediate reaction is to consider laying off staff and other workers. Full consideration to all implications must be given.

- If someone is laid off, whatever they did won't get done any more. Be sure that the function they fulfilled is redundant, or has reduced to such an extent it can be farmed out to remaining staff.
- Redundancies are not free – calculate the true cost of redundancy payments, accrued holiday and any other contractual obligations. Also, potential temporary cover, and eventual re-hire and training.
- Cost in management time in complying with redundancy provisions.
- Potential litigation for wrongful or unfair dismissal.
- Loss of "institutional memory" and business specific experience.

There is strong argument for only considering redundancies as part of a strategic plan to focus or reposition in the business. In other words, look at the whole of your business first, and consider your strategy for continuity, survival, and then future growth, and then look at redundancies. Cutting staff as a stand alone cost cutting measure can be counter productive, and have a lot of unexpected hidden costs.

I hope you have found my tips helpful, should you have any suggestions please forward them to Rachael@citrustees.com

C I Accountancy @ Bellingham

Every month we have an accountant, Chris Gillie, in Bellingham offering a local accountancy service to the North Tyne.

Chris will be based at Unit 2D, Foundary Yard, Bellingham on the last Friday of every month, where the initial consultation is free.

Should you wish to arrange a meeting with Chris, please phone 01434 601133 or email chris@citrustees.com

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New cars

Even in this climate, there may be some of you looking at the need to replace a vehicle or vehicles. If so, the tax treatment of vehicles is changing on 1st April, and obviously not for the better!

In essence, there will be a great deal more favour towards low CO2 emission vehicles, and the capital allowance calculation on cars will change for the worse. The new changes may mean that vehicles are cheaper to finance through contract hire than outright purchase. It is important to calculate the whole life cost of the vehicle – the difference can be as much as £2000 between similar types of car but with different emissions.

Please contact us for the advise you need before you buy.

Record keeping

H M Revenue & Customs now have extensive powers to require that you provide evidence to back up entries on your tax returns. For business owners this means your accounting records and supporting documentation need to be pristine.

IF HMRC can demonstrate that your records are less than effective you will face penalties.

The legislation requires you to:

“keep all such records as may be requisite for the purpose of enabling him (you) to make and deliver a correct and complete return for the year or period.”

In future you will need to keep a careful eye, not only on the results generated by your accounting software, but also on the completeness of the underlying records. It may well be the case that we offer you advice to improve the way you process and maintain records.

Records include supporting documentation such as, accounts, books, deeds, contracts, vouchers and receipts.

If you would like us to review your accounting systems and record keeping prior to the tax year end please give us a call.

Retrospective claims for overpaid or underclaimed VAT

If you have overpaid VAT output tax or underclaimed VAT input tax you may benefit from a claim to recover the amounts involved from H M Revenue & Customs.

- Claims can be back dated as far as April 1973, or the date of registration if later.
- The deadline for submitting a claim is the end of this month, 31 March 2009.

It is possible to base a claim on a reasonable and valid estimate if the underlying records no longer exist. Claims can include a request for interest.

The following list includes sources for a possible claim:

- Mileage costs paid to employees
- Staff expenses
- Subsistence
- Recovery of VAT on imports

If you are unsure about VAT that has been added to particular supplies you have made, or whether VAT should have been recovered on certain costs, please call.

Long service awards

Any salaried employee of a business can be paid a long service award. The way in which the award is given can radically influence the tax treatment!

All cash awards are taxable. They will be treated as part of your remuneration and subject to deduction of tax and National Insurance. Cash awards include:

- a payment including a cheque (This also rules out National Savings Certificates, premium bonds and so on.)
- a cash voucher
- a credit token
- shares other than those issued by the company employing the person who receives the award
- an interest or rights over securities or shares

Non cash awards are tax free if certain conditions are met. They are:

1. The award must be made to mark a period of not less than 20 years service with the same employer.
2. It must not be a cash payment.
3. The taxable value of the award must not be more than £50 for each completed year of service.

For most employees the amount of the award is determined as the cost to the employer. For lower paid employees it is the second hand value of the award.

If the award exceeds the £50 for each year of service limit, only the excess is taxable.

If an employer makes multiple awards to the same individual, say after 20 years and then again after 30 years; each award qualifies as a separate award – this further concession does not apply unless there is a gap of at least 10 years between the awards.

If you have clocked up 20 years services you could receive goods to the value of £1,000 and pay no tax or National Insurance – that buys a lot of golf equipment!

Dispensations and benefits in kind

If you provide any sort of beneficial payment or gift of goods to employees, generally speaking most will be taxable as a benefit in kind – as if they were payments of salary etc.

However there are some beneficial payments that you can include in a dispensation. For example the provision of certain business travel for an employee. Items covered by a dispensation do not have to be returned on the annual P11D form. (Payments for the use of a company car or van are not included here as they are covered by separate rules.)

Essentially you can apply to HMRC to dispense with the need to include expenses or benefits for which your employee gets a full tax deduction.

For some businesses this could take some of the pain out of this annual chore.

HMRC require that you need to have the following systems in place to qualify you for a dispensation, they are:

You must have an independent system in place for checking and authorising expenses claims. At a minimum, this means having someone other than the employee claiming the expenses check that:

- the amount claimed isn't excessive
- the claim doesn't include disallowable items

If it is not possible for you to operate an independent system for checking and authorising expenses claims, for example, because you are the sole director of your company and you have no other employees, you will only be able to obtain a dispensation if you:

- ensure all expenses claims are supported by receipts for the expenditure
- demonstrate that the claim relates to expenditure that can be covered by a dispensation, your receipts may be sufficient for this purpose, but if not you must retain additional information.

Once a dispensation is granted it will indefinitely although HMRC may review from time to time to make sure the conditions under which the original grant was made still apply.

Generally speaking dispensations are granted from the application date. However HMRC may agree to apply the dispensation from the beginning of the tax year in which you apply. It's not too late to apply for 2008-09, call if you would like assistance to do this.

Tax Diary March/April 2009

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.

1 April 2009 – Due date for corporation tax due for the year ended 30 June 2008.

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

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

19 April 2009 – CIS tax deducted for the month ended 5 April 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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