

InTouch...

June 2010

Issue 28

New Government, new era...

London Irish RFC
Redundancy
VAT pitfalls and more InSide...

Be informed with the latest issue of InTouch!

Welcome news...

Welcome to InTouch, the magazine that aims to keep you updated with the latest news from DSH and across the industry.

With the election now over, we are looking forward to seeing how election rhetoric will be turned into reality with forthcoming Budget on June 22. Although the last Budget in March is now just little more than a faint memory, the subsequent Finance Act in April, did include a few issues that people need to be aware of in order to keep their finances ticking over smoothly.

Although the June Budget will no doubt contain a range of measures related to property, there are still a range of tax planning issues to consider so for anyone with property interests. Our special supplement gives a 'heads up' on the key areas to give careful consideration and think about how to plan for the future.

Elsewhere, although the UK current financial situation might be considered to be in limbo pending the June Budget, there is still a lot for businesses to think about in terms of making sure they are well placed to weather any further financial storms. With redundancies still being a very real and unwelcome possibility for many businesses, we look at the implications for those left in post after others have left. VAT remains an ever present worry for businesses and our resident VAT experts flag up some of the pitfalls that can catch the unwary and unprepared.

As usual, we bring you the news from our offices in Maidstone and Rickmansworth including stories on staff old and new, as well as on how many are helping their communities. Don't forget, if there are any issues or stories you would like to see covered in future issues of InTouch, please e-mail us at info@dsh.co.uk

Julian Glover
Editor

InSide

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A snap shot of issues that may be affecting you and your business in the coming months.

News in brief

VAT and the post

There has recently been some publicity about making claims for VAT refunds following the ECJ (European Court of Justice) case of TNT Post UK, which challenged the UK's blanket exemption from VAT for Royal Mail. Until now, UK VAT law exempted all services by Royal Mail as 'public postal services'. TNT's grounds for bringing the case were that this exemption made TNT and other private postal firms uncompetitive in many commercial quotes.

In its judgement, the ECJ said the exemption applied only to services of Royal Mail subject to price controls, not to services individually negotiated. As a result, UK VAT law is to be amended in due course to standard rate all individually negotiated services, Parcelforce services, door-to-door (unaddressed mail) and mailroom services.

Whether or not it is worth considering a claim depends on how much is at stake. Even then it is fairly complex, and any claim may be resisted by HMRC. If you have used these services significantly you will not have been charged VAT, but you may now be able to regard such services as having been VAT inclusive – and request a proper VAT invoice for such services; this will reduce the net amount paid for such postal services in the past. Such claims can now be made back for 4 years but HMRC will look closely at the circumstances and contracts. Partly exempt businesses would only be able to claim part of the VAT as usual.

Our VAT specialists Alan Buckett and Fiona Ratcliff in our Maidstone office will be pleased to advise if you wish to pursue a claim.

New rules for PAYE and NIC

The rules surrounding PAYE and NIC that came in on 6 April 2010 have introduced new penalties for the late payment of contributions and also for failing to file P45s online.

If PAYE and NIC are paid late there is now a penalty which is calculated as below:

- 1st missed payment = no penalty if less than 6 months late.
- Thereafter, penalties are levied in 1% steps up to a maximum of 4% on the amount paid late depending on the number of defaults in the tax year.
- There is an additional 5% penalty for any default which lasts longer than 6 months and another 5% penalty for payments made over 12 months late.
- All penalties for 2010/2011 will be raised after April 2011.

From 6 April 2010, companies with 50 or more employees filing PAYE forms by post instead of filing online, will be subject to a charge of £100 per item that they post, up to a maximum of £3000. This will apply to companies employing fewer than 50 employees from 6 April 2011.



Your Partners in Business

New Government, new era

The suspense is over and we now know the composition of the new Government. However, the uncertainty over tax policy will last for another few weeks, until the Budget is delivered on 22nd June.

The first of this year's Finance Acts received Royal Assent on 8th April following the pre-election Budget on 24th March 2010. The Budget itself contained few matters of great interest, mostly being concerned with provisions that had been well publicised in advance and technical provisions aimed at blocking tax avoidance loopholes. As it was, the Government side-lined 26 of the 71 proposed measures in an attempt to fast-track some legislation before Parliament was dissolved. Further measures (including the substantial rise in cider duty!) were given up in order to complete the progress of the Bill.

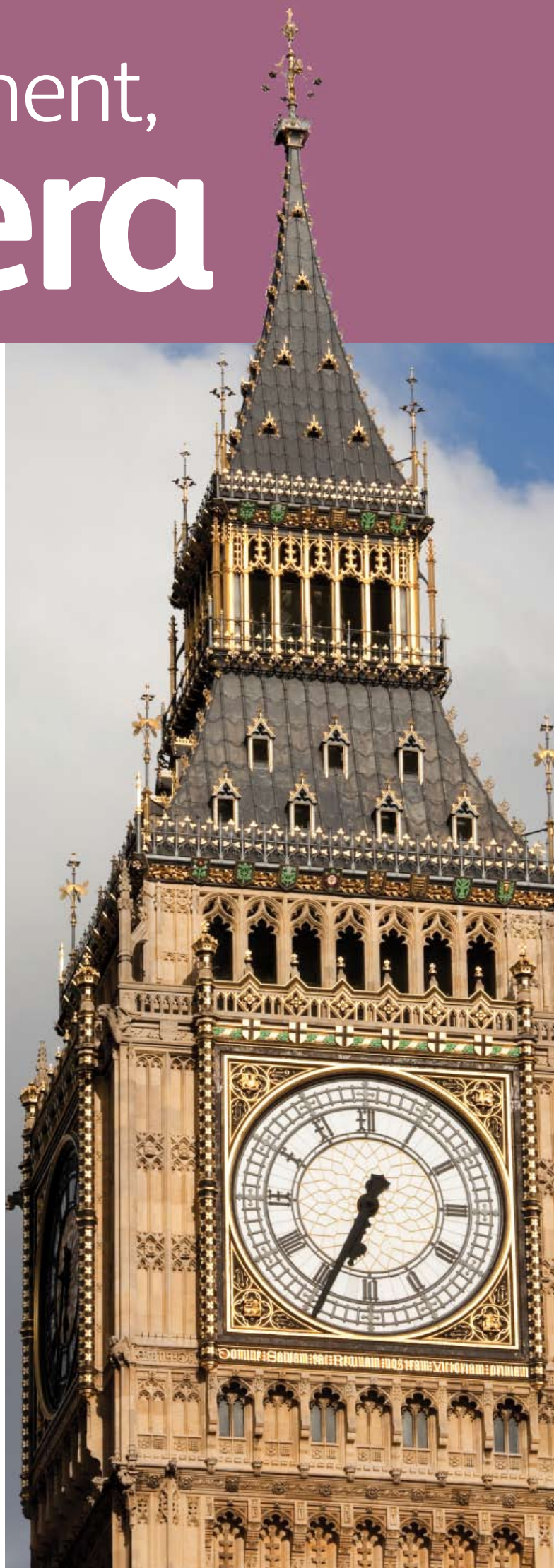
The second Finance Bill will pick-up on some of the measures that have been dropped. For example, there are proposals to change the qualifying criteria for companies which create tax relief for investors when raising venture capital finance. But what else will be included is very uncertain because of the coalition between the Conservative and Liberal Democrat parties. We know the Conservatives have suspended their proposal to increase the threshold for inheritance tax to £1 million and promised to introduce the Liberal Democrat's personal allowance of £10,000 for income tax, but what else?

As mentioned above, some proposals that were to be included in the first Finance Act were dropped due to lack of time. Amongst these was the abolition of the rules on furnished holiday letting. At the present time, the rules that were in existence prior to 5th April continue. A business that comprises qualifying furnished holiday lets, both in the UK and abroad, can be treated as a trading business for income/corporation tax, including claiming capital allowances, and may be eligible for entrepreneur's relief for capital gains tax purposes and business property relief for inheritance tax purposes.

STOP PRESS...STOP PRESS...STOP PRESS

Recent announcements indicate that the rate of capital gains tax will increase for certain transactions and action before the Budget may be advisable. **Talk to us!**

Details of the Second Finance Act of the year will be included in the next edition of In Touch.



Managing your cash flow...

Although there are some indicators that economic recovery might be underway, careful cash management is still just as essential if businesses are to prosper. With access to funding likely to remain tight for the foreseeable future, we provide some tips for good financial management.

Stock

Reducing stock held can save money, not only in terms of its initial purchase cost, but also by cutting handling, storage and other logistical costs. Only keep those items in stock that move fast or in volume and offer the best returns. Think about any items that can quickly be sourced and delivered straight to customers.

Personnel

Staff retention is far more cost effective than recruitment, so maintaining regular and honest communication with staff will help protect against losing your best and most valuable employees. Reducing working time, cancelling overtime, bonuses and pay increases can help save money in the short term, but if staff costs are likely to remain high in the long term, then redundancy might be the only option.

Work in progress and debtors

Before undertaking any work, assess how long it will take to complete and the resources it will require to avoid incurring too many costs. Agree credit limits, early payment discounts, late payment interest and on-line payment terms with your customers before work starts. Interim or staged payments will not only help cash flow but also minimise your exposure, especially if the worst happens and your customer cannot pay. Credit checks on new customers and reviewing existing customers' credit records can help cut costs and improve cash flow.

Assets and overheads

Review your fixed assets and decide which can be sold to realise their cash value, and those worth retaining to assist in the business's long term development. It is important to remain impartial and objective about which goods and services are essential and to avoid keeping any purely for sentiment or their feel good factor.

“Complete and submit tax, VAT and other statutory documentation properly and on time to reduce pressure on your business.”

Creditors

Ensure you know their terms of business and payment conditions, and negotiate staged and on-line payments as well as early settlement discounts to fit in with your cash flow.

Business finance

Think ahead and talk to your bank about your situation and any loans or overdraft facilities. If you are looking for funding, asset related funding - such as debt factoring or payroll funding - may be useful, as might be private investment. Whilst there is some Government support available, the process can be fraught, frequently frustrating and may get you nowhere.

Tax and VAT

Complete and submit tax, VAT and other statutory documentation properly and on time to reduce pressure on your business. If you need more time to pay your tax, talk to HMRC about their Business Payment Support Service. However, before contacting HMRC on any matter, talk to your accountant.

Be the driver, not the driven

You need to take an active role in managing your debtors and creditors, agreeing revised terms if necessary, and apply strict credit control procedures. You should be in regular contact with your bank to ensure there are no surprises to unnerve your manager!

Careful planning and control will keep you focussed on the road ahead and in charge of the cash and not the other way round.

For further help and advice on managing your business cash flow, please contact us on **01622 690666 (Maidstone) or 01923 771010 (Rickmansworth).**



Your Partners in Business

Exploring the dangers of the top ten VAT pitfalls

VAT is widely recognised as a minefield of complex and ever-changing EU and UK legislation, case law and official practice. With HMRC now able to assess for errors back for 4 years, plus charge interest and penalties for not taking reasonable care, the message must be to avoid the pitfalls where possible. To help spot the traps, we have listed the top ten areas that most regularly require our assistance together with some simple tips on avoiding them.

1. Keeping up to date with VAT changes

The obligation is on the business owner to keep up to date with changes to VAT regulations. Whilst HMRC publicise changes in law and policy via Business Briefs and VAT Notes, they often do not publicise case law decisions which are unfavourable to them but may be beneficial to businesses.

2. Consider changes to your business from a VAT perspective

Business owners often spend a lot of time researching, developing and launching new products and services or restructuring existing activities without considering the VAT implications. Failure to do so may turn a budgeted profit into a loss after HMRC assess for VAT errors.

3. Unusual transactions

Whilst many businesses cope well with VAT compliance on day to day transactions, they struggle with the more unusual one-off transactions and risk missing essential details which HMRC can penalise on the grounds of not taking reasonable care.

4. Dealing with HMRC

Many VAT issues stem from a failure to establish good communication with HMRC. This can have a significant impact on the business through misunderstandings, protracted correspondence, disputes and even possible litigation.



5. Motoring costs

Motoring costs are a notorious area for VAT problems, including reclaiming VAT on new cars, proper application of private fuel scale charges and reclaiming some VAT within business mileage claims by employees.

6. Partial exemption

Some businesses do not appreciate that making some exempt supplies means they have to consider whether they need to restrict recovery of VAT on certain expenditure. This is a particular issue with land and property transactions, from letting residential buildings to unopted commercial letting.

7. The 'option to tax' land and property

Although many property transactions are exempt in principle, businesses can choose to turn certain income into taxable income. If a customer can reclaim VAT they may be no worse off, but a business could avoid a partial exemption restriction of VAT on expenditure.

8. International trading

From 1 January 2010, the new rules for goods and services, and the new requirement for certain businesses to complete regular European Sales Listings for HMRC are causing headaches for many businesses. If a business does not charge VAT correctly where it should or does not have sufficient evidence to 'zero-rate' a sale, they could be caught for VAT, interest and penalties if HMRC discover any errors.

9. Cash flow planning

Failure to effectively plan cash flow by using simple VAT planning techniques frequently leads businesses into trouble as they fail to anticipate future VAT payments due to HMRC.

10. Seeking professional advice

Too many businesses do not seek advice on VAT issues until after transactions have occurred or an error is alleged by HMRC. This seriously limits the professional help that can be provided to a 'damage limitation' basis.

However, do not panic all is not lost and there are many ways these and other pitfalls can be avoided...

1. Talk to us

Consider developing a good relationship with a VAT adviser who understands your business and can alert you to relevant changes which may affect your business. This will help smooth relations with HMRC. Please remember to provide us with full information because the correct VAT answer often depends on very fine points of detail.

2. VAT reviews

Our VAT specialists can review your policies to ensure not only correct compliance but highlight opportunities to save VAT by identifying areas where you may be able to reclaim more VAT than you thought.

3. Plan ahead

Careful planning can help avoid likely pitfalls so seek advice before transactions take place. This may either avoid a pitfall, arrears of VAT and penalties, or it could lead to recommendations for improving VAT efficiency or saving VAT. Similarly, planning the timing of supplies and VAT invoices may improve cash flow, particularly at times of rate changes.

“Reclaim VAT on bad debts or avoid the problem by issuing requests for payment or using the Cash Accounting Scheme.”

4. Small business schemes and on-line filing

Think about joining the Flat Rate or Cash Accounting Schemes for smaller businesses and submit VAT returns and pay VAT electronically to obtain up to an extra 10 days use of the VAT (on-line VAT returns became compulsory for many businesses from 1 April 2010).

5. Manage bad debts

Reclaim VAT on bad debts or avoid the problem by issuing requests for payment or using the Cash Accounting Scheme.

With the possibility of more VAT needing to be raised in coming years, attention to proper VAT compliance and planning will become even more important.

To find out what pitfalls could threaten your business and how we can help, talk to **our VAT specialists, Alan Buckett and Fiona Ratcliff in our Maidstone office.**



Your Partners in Business

When the worst happens to the family...

Take steps to preserve assets for the future

When a momentous event happens in our lives, such as a break up of a relationship or the death of a loved one, families usually rally around and provide emotional support. However, it is also a time when there is a great need for financial and legal help, particularly to preserve personal assets, and to provide stability for the future such as making provision for children and maximising income.

Assets and divorce

The assets that can be taken into account for settlement in a divorce case can include pension and trust funds. The rules on pension splitting are now well known, but those on trust funds less so. If you are a beneficiary of a discretionary trust, then increasingly, the courts have adopted the approach that the potential income from this trust could be taken into account in ascertaining what you can afford to settle on your ex spouse. This is even if you have no entitlement to any income from the fund. Not a good situation to be in.

If both parties in a divorce case have already entered into a pre/post nuptial agreement, preplanning as part of the agreement may well help with ring-fencing discretionary trust funds.

For ownership of the family home, the optimum capital gains tax position on one party giving up their interest to the other is dependent on the timing. If done early enough, there may be no tax, but if delayed, someone could end up with a nasty tax bill. Not helpful when emotions are running high.



Assets and second marriage

A characteristically difficult situation is where a couple have just married for the second time, each with children from their first marriage, and one of the couple dies. Who gets the assets from the first to die? Will they go to the new spouse? How can the assets be preserved for the children of the first marriage?

The usual type of planning in this scenario is for the wills to be drawn up such that the surviving spouse (let's say wife in this instance) is left a life interest in assets of the estate, which would enable her to receive an income and to occupy the family home for the remainder of her life. The underlying capital then passes to the children from the first marriage, once the second wife has died. The second wife could, despite these provisions, make a claim against the estate for reasonable financial provision.

In considering such an application, a similar view would be taken for a divorcing couple in deciding what was reasonable. If there were children as a result of the second marriage, and they were not adequately provided for, a claim would need to be made against the estate of the husband following his death.

Had both parties to the second marriage had a pre/post nuptial agreement, then this would strengthen the position of the children of the first marriage with the will having been drawn up based on the agreement of both parties, setting out clearly the intention of the parties.

If you believe that any of these circumstances could apply to you, or you have other similar concerns, such as with co-habiting couples, then it is always wise to take professional advice. Talk to Beverley Aitken, Tax Partner at our Maidstone office or your usual contact at DSH. Such situations will also need some legal assistance and you should also contact your own solicitor. Alternatively, we can put you in touch with such specialist legal help.

Client profile – London Irish RFC

POWER PLAY!

“Since becoming a professional sport in 1995, rugby has been transformed both on and off the pitch. Whilst it retains the ethos of the amateur era, it is now a commercial business that has to return a profit” says Paul Gumm, Finance Director at London Irish Rugby Football Club.

London Irish’s move to professional status in August 1996 heralded the most significant period of change in its long and proud history. “Within three years, our attendances had increased to the point where the facilities here at Sunbury became inadequate. As we couldn’t get planning permission for a larger stadium, we needed a new venue for first XV matches. We spent the 1999 season at Harlequins and the following year moved to our current first XV’s home from home - the 24,000 seat Madejski Stadium in Reading.”

The move proved successful. In the last two years alone, average attendances have risen from 9,000 to 13,000. But Paul’s eyes are firmly fixed on a secure financial future. “Diehard rugby fans alone cannot provide the sustained support that today’s clubs require. We need gates of 18,000 plus to ensure long term success. Today, rugby is family entertainment and events like our St Patrick’s Day celebrations are great days out for everyone and help us widen the appeal. We are now targeting a far wider audience along the Thames corridor, a region where we are effectively the only premiership sports team!”

“However, our performance on the pitch has an enormous impact on our commercial success. The better we do on the field; the more people come and see us, the more profile we get, which in turn, helps us attract higher levels of sponsorship as well as hospitality and entertainment - for which the Madejski Stadium has excellent facilities.”

The future holds more change for the Club. “Although Sunbury, our training ground, is our spiritual home and we enjoy a lot of local support, the facilities need overhauling; the pitches are burnt out and there is virtually no parking. So we have plans to move a couple of miles down the road to Hazelwood and develop a new training ground including an all weather pitch. The move will be funded by the development and sale of the current ground.



“We approached DSH for help and have not looked back. The DSH team has proved solid and reliable on audit and accounts.”

As for DSH, their recruitment was straightforward. “Having built up our own business team we recognised the need for advice that is not only creative and informative, it has to be accurate and honest. We approached DSH for help and have not looked back. Being at such a critical point in our history we cannot afford to get things wrong and since they came on the team in 2007, DSH has proved solid and reliable on audit and accounts. In terms of developing the business, Mark Cassidy has provided ongoing support and advice that is both creative and intelligent. DSH has been instrumental in helping us see the clear path forward. They came highly recommended and have lived up to their selection!”

For Paul Gumm, the future looks bright. “The recent Six Nations, the exciting culmination of the Guinness Premiership and the Rugby World Cup in New Zealand next year all bode well for a healthy solid future for both rugby and London Irish.”



Your Partners in Business

The delicate balancing act of Redundancy...

Redundancy is now an inevitable fact of life in this day and age. However, while employers acknowledge the primary cost of the actual redundancies, many forget that the very act of reducing the staffing levels can sometimes have such a secondary negative cost through its impact on the surviving employees.

There are two key areas where redundancy can affect the remaining workforce, Survivor Syndrome and staff retention.

Survivor Syndrome

Survivor Syndrome describes the decrease in morale, commitment, trust, motivation, engagement and productivity of the employees who remain following a redundancy programme.

Survivor Syndrome usually has four emotions attached to it:

- **Relief - “thank goodness it isn’t me”**
- **Guilt – “perhaps it should have been me?”**
- **Envy – “they got a good package”**
- **Resentment – “why do I have to pick up the pieces now they’ve gone?”**

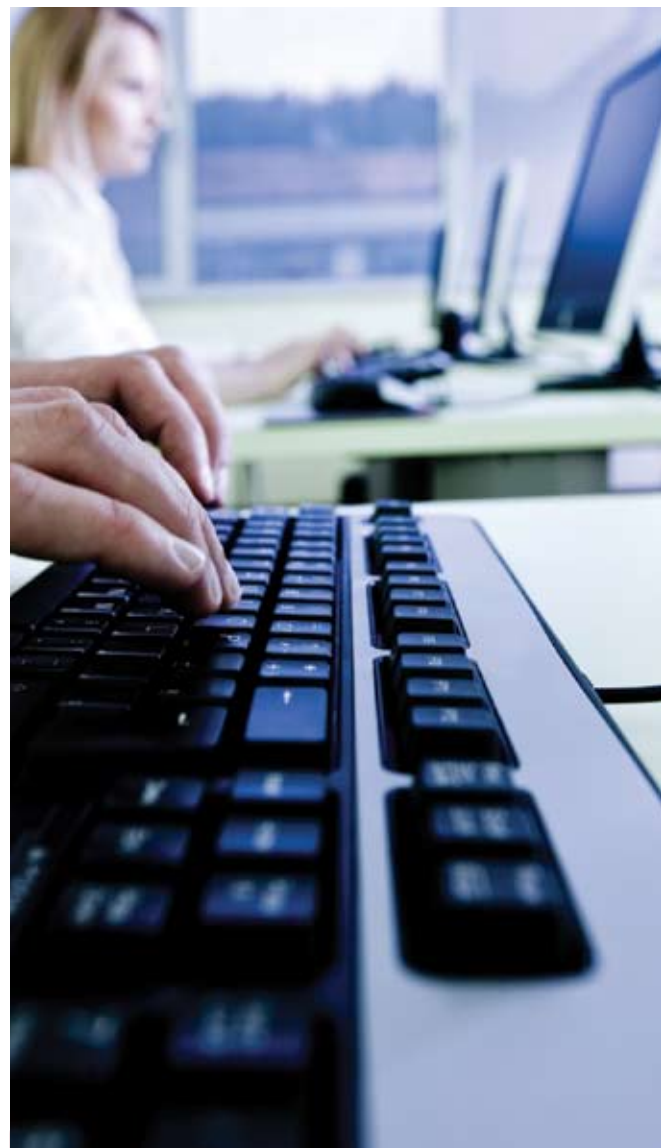
The remaining staff need to be managed very carefully if an organisation is to preserve its reputation, avoid losing business and survive the economic downturn.

In order to prevent or minimise Survivor Syndrome, those not directly impacted upon by the redundancy need to be ‘engaged’ and motivated to stay in their roles and perform well. It is only by giving these survivors the same, if not more attention and support than those leaving the organisation, that a business can maintain its performance, productivity and customer loyalty.

Staff retention

Linked to Survivor Syndrome is staff retention. Any organisation making redundancies needs to ensure that the right balance of people is left behind to continue the work. High performers or ‘stars’ need to be retained to maintain a competitive edge, as well as those ‘consistent performers’ or ‘work horses’ who help keep the business afloat.

Employers can help staff retention through consultation, practical assistance, employee involvement and appropriate communication. Communication and management visibility are key, with regular meetings and ‘floor walks’ seen as the most beneficial ways of communicating and engaging with staff.



For further advice on managing staff and other areas of redundancy, talk to Hannah-Jane Tripp, DSH’s HR Manager in our Maidstone office on 01622 690666.

Read all about it!

News flash...

DSH welcomes Hannah-Jane Tripp

This January the firm was joined by Hannah-Jane Tripp as Human Resources Manager. H-J, as she prefers to be known, brings to the job a wealth of skill and experience gained from working for a wide range of organisations.

Following completion of Sainsbury's graduate training scheme, H-J went on to work for one of the UK's largest property consultants as a strategic HR business adviser. Prior to joining DSH, she spent 18 months travelling the world followed by six months working as an HR manager with a Kent based charity.



Although brought up and schooled in Maidstone, H-J has spent the larger part of her working life in Birmingham and London so the move to DSH marks a return home. "From a professional point of view, the role provides an opportunity to take a broad, long term view of developing HR services across an organisation. At a personal level, the chance to work locally for a firm the size and quality of DSH was too good to miss."

Exam success across the firm...

Once again we are pleased to report that DSH staff have successfully passed exams at all levels. The level of success achieved by individual staff members reflects the commitment and effort they have to their professional development and are the culmination of many months of hard work and study.

Of special note are Fiona Ratcliff who passed her final Indirect Tax exams to become an Associate of the Institute of Indirect Tax (AIIT); Kelly Hosier who qualified as an ACA (Associate of the Institute of Chartered Accountants in England and Wales); Richard Hanley who qualified as a Member of the ATT (Association of Taxation Technicians) and Alison Layton & Kathryn Smith who both completed the ACA professional stage.

Elsewhere, many other staff have successfully passed key stage exams as part of their on-going training. They are Rosie Croucher, Daniel Hayes & Tom Pellatt – AAT (Association of Accounting Technicians); Rebecca Hobbs, Sarah Lindau, Lisa Ronchetti, Chris Woods & Louisa Young – ACA and Apira Giriharan & Louise Poulton – ACCA (Association of Chartered Certified Accountants)

Charity efforts

The firm's staff have been more active than ever in raising money for a range of good causes, both at home and overseas.

This includes a team from the firm's Maidstone office taking the quick way down from the roof of Maidstone's Fremlin Walk shopping centre when they took part in the KM Charity Abseil event. The event, which was sponsored by DSH and organised by the KM Charity Team, raised £3,800 for local causes. In addition, the firm is supporting the KM Big Quiz and the Walking Bus.




Shelterbox. Following the natural disasters in Haiti, Chile and Uganda, staff decided to raise money for the disaster relief charity ShelterBox. Each ShelterBox provides an extended family of up to 10 people with a tent and essential equipment to use while they are displaced or homeless.

By auctioning an extra day's holiday, they raised enough to purchase one box. The firm has matched the staff efforts and will purchase a second ShelterBox.

Food and good causes. Meanwhile, the firm's Rickmansworth office charity efforts have this year tended to focus on the use and abuse of food with a home-baking day and by entering a fancy dress team into the Annual Rickmansworth Pancake Race. Their efforts raised several hundred pounds for the Richard Thomas Leukaemia Fund, the Paul Strickland Scanner Appeal, Children in Need and Watford MenCap.



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DSH
Globe House
Eclipse Park
Sittingbourne Road
Maidstone
Kent ME14 3EN
T: 01622 690666
F: 01622 690955

DSH
Batchworth House
Batchworth Place
Church Street
Rickmansworth
Herts WD3 1JE
T: 01923 771010
F: 01923 718823

www.dsh.co.uk info@dsh.co.uk

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