bostockwhite

chartered accountants and business advisers

Cabourn House Station Street Bingham Nottinghamshire NG13 8AQ

Tel:01949 838838 Fax:01949 831174

Email: tony@bostockwhite.com
or: samantha@bostockwhite.com

www.bostockwhite.com

newsletter

Good news for your children!

Good news, that is, for those children born after September 2002! You may recall that children born since 1 September 2002, who have Child Benefit awarded to them and live in the UK qualify for a Child Trust Fund (CTF). Parents of qualifying children receive a £250 voucher to invest in a tax free savings account (£500 for children from lower income families).

In his 2006 Budget speech the Chancellor announced the amount of the second CTF payment due to qualifying children on their seventh birthday. Another £250 will be added to their accounts (£500 for children from lower income families). The government will also consult on making further payments to secondary school age children.

In other CTF news, it seems that a number of parents are waiting until the last few days before expiry of their CTF voucher before attempting to open a CTF account. Last minute internet or telephone applications cause particular problems for account providers, if the CTF voucher is received by the account provider after the expiry date. In response, the government has amended the CTF regulations to allow a seven day period after the expiry date for parents to get the voucher to their chosen provider. If parents do not, HMRC will open an account on behalf of the child.

SUMMER 2006

Welcome

Welcome to our summer newsletter. This edition brings together a range of issues including important proposals for parents contained in the Work and Families Bill, confirmation of the new National Minimum Wage rates, a guide to checking your tax code as well as some good advice to help you beat the tax deadline rush that inevitably comes in January each year. By 2008 we may be referring to the September or November rush! Budget 2006 included the unexpected announcement that self assessment tax deadlines may be moved forward from 31 January. More on this surprise announcement inside.

Our summer newsletter allows us to look back at the Budget generally and reflect on some of the important changes announced. With many of the Chancellor's proposals now announced earlier in his Pre-Budget statement, the Budget is not quite the event it used to be. Nevertheless, this year's Budget did include some surprise announcements. Read the summary inside for our view on of some of the major changes and proposals.

As always we hope you enjoy this quarter's news and would be delighted to hear from you if you have any questions or comments.

A look back at Budget 2006

It was Budget number 10 for Gordon Brown back in March. As the dust settles on the announcements made, we set out a round up of some of the most important changes and proposals.

Get ready to file your tax return by September!
Following a review of HMRC's online filing services, recommendations have been made to:

- require businesses to file their VAT returns, company tax returns and PAYE in-year forms online in phases from April 2008
- introduce new filing deadlines for income tax self assessment returns of 30 September for paper forms and 30 November for online returns from 2008
- link the period that HMRC have to query a return to the date it is filed.

> This kind of extension to online filing is a significant change and needs to be handled better by HMRC than the introduction of end of year online filing of PAYE returns.

Changes to small company tax rates
The starting rate of corporation tax of 0% and the non-corporate distribution regime were abolished from 1 April 2006.

Small companies will now pay tax at 19% on their profits up to £300,000.

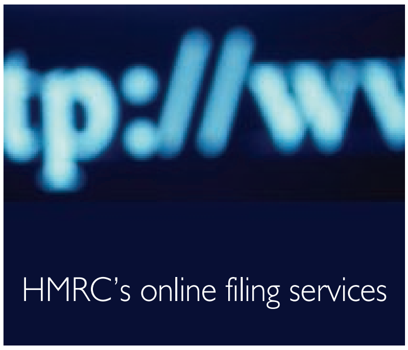
> This is a u-turn on starting rates for corporation tax. The government felt that the 0% rate encouraged too many individuals to incorporate to avoid paying tax. However, incorporation was something individuals were encouraged to do when the 0% rate was first announced!

An attack on interest in possession and accumulation and maintenance trusts
Lifetime transfers into accumulation and maintenance trusts or interest in possession trusts have always been exempt from inheritance tax (IHT) if the settlor lived for seven years following a transfer of assets to the trust. These trusts are also not subject to the periodic or exit charges suffered by other trusts.

Legislation has been proposed to make transfers into these types of trust immediately chargeable to IHT. Also, there is a transitional regime aimed at existing trusts.

> This announcement has caused some concern, as the government had not previously consulted on the proposal. The change could raise millions in extra tax and further limits IHT planning opportunities.
>
> Please contact us if you have any concerns regarding the changes to trusts.

This represents only a brief summary of the 2006 Budget. Please contact us if you would like to know more about how particular aspects affect you.



Faster electronic payment clearing times ahead

The Office of Fair Trading (OFT) has welcomed detailed proposals from the Association for Payment Clearing Services (APACS) to reduce clearing times for electronic payments.

It currently takes around three days for electronic money transfers to move funds from one account to another by standing order, telephone or internet transfer. The delay, as funds leave the payee's bank account but do not reach the recipient's until a few days later, is estimated to earn the banks millions of pounds in interest every year.

UK banks have now promised that they can implement a new system across the UK by November 2007. A plan on how this will work is expected to be unveiled later this year.

The new system
The new system will mean that those making payment by telephone or internet will see their money transferred within hours, on any day of the week (24/7), rather than the current three day system. The clearance time for standing orders will also be reduced from three days to the same day, when standing orders are made on and within banking business days.

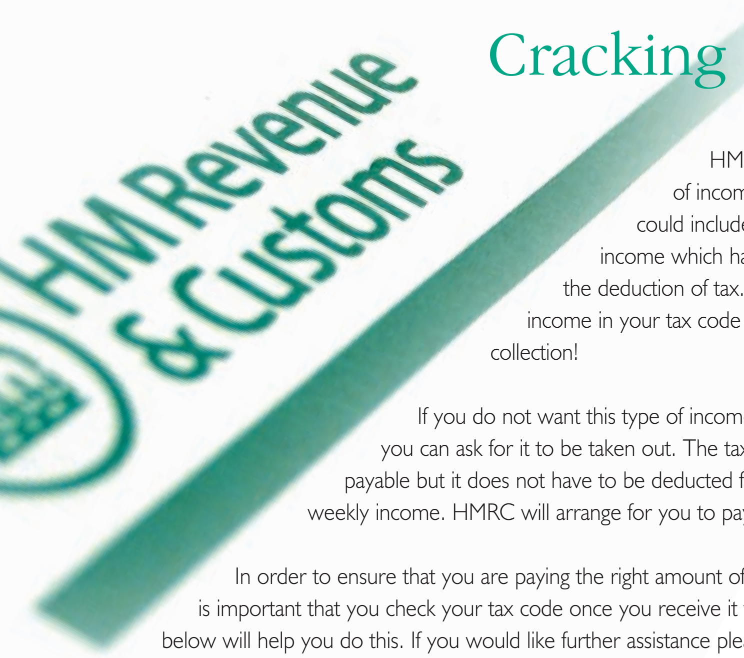
The introduction of a near real time service, available 24/7, will no doubt be welcomed by personal and business bank customers alike.

Calling a halt to tax evasion

Earlier this year HMRC launched their first ever TV advertising campaign aimed at cracking down on those who evade paying their taxes. The adverts, broadcast in prime-time evening slots, encourage the public to report anyone they suspect of cheating the tax system via a new confidential hotline. The TV campaign followed radio and press advertisements which, according to HMRC, led to a huge increase in the number of people contacting them.

The campaign has not been without controversy. One of the press adverts depicted a plumber hiding under a kitchen sink and read 'With your help, we'll make sure self-employed people who don't pay their tax have nowhere to hide.' This led the Federation of Small Businesses to complain to the Advertising Standards Authority, claiming that the advert was 'harmful and misleading'.

In addition to the press campaign, HMRC have also launched a new page on their website (www.hmrc.gov.uk), where online reports of suspected tax evasion can be made.



Cracking the Code

You may have noticed that HMRC now include other types of income in your tax code. This could include, for example, rental income which has been received without the deduction of tax. Including this type of income in your tax code effectively speeds up tax collection!

If you do not want this type of income included in your tax code you can ask for it to be taken out. The tax due is of course still payable but it does not have to be deducted from your monthly or weekly income. HMRC will arrange for you to pay this tax direct.

In order to ensure that you are paying the right amount of tax each week or month, it is important that you check your tax code once you receive it from HMRC. The guide below will help you do this. If you would like further assistance please pass your tax code on to us for checking.

Personal allowances
The normal personal allowance for 2006/07 is £5,035.

Any business related expenses which you pay for yourself usually professional subscriptions.

Company cars are valued at a percentage of the original list price of the car plus accessories. The percentage is related to the CO_2 emissions of the car.

Private medical cover will be included at the cost to the employer of providing the policy for you.

HMRC will also include other types of income in your tax code.

Tax underpaid for an earlier year. This is quite a common adjustment for HMRC to make. If the tax underpayment is £400 and you are a higher rate taxpayer this should be shown as a deduction of £1,000 (£400 x 100 / 40).

Here is how your tax code is worked out:

Your personal allowance		5,035
Professional subscriptions		+300
		5,335
Car benefit	-2,000	
Medical benefit	-300	
Property income	-800	
Reduction to collect unpaid tax £400	-1,000	
		-4,100
Leaving a tax free amount of		1,235

This is turned into a tax code of 123L and sent to your employer.

New National Minimum Wage rates

The National Minimum Wage (NMW) has now been with us for just over seven years. In that time we have seen the adult rate increase from an introductory £3.60 to £5.35, announced in the days leading up to the 2006 Budget. Also announced were the new development rate, for workers aged 18-21 and those in accredited training, (£4.45) and the 16-17 year olds rate (£3.30). The new rates are effective from 1 October 2006.

The Work and Families Bill

As part of its commitment to ensuring that every child has the best possible start in life and to create more choice for parents, the government has introduced the Work and Families Bill. The Bill includes proposals to:

- extend statutory maternity pay, maternity allowance and statutory adoption pay from six to nine months from 1 April 2007. The aim is to move to 12 months entitlement by the end of this parliament, including extending eligibility for additional maternity leave
- introduce new paternity leave for fathers, enabling them to benefit from leave and statutory pay if the mother returns to work after six months but before the end of her maternity leave period

Up to three months paternity leave with statutory paternity pay, up from the current two weeks, is not intended to be a general entitlement. Instead, it will be a transfer out of the mother's extended statutory maternity pay entitlement and will only be available after she has returned to work.

- extend the right to request flexible working to carers from April 2007
- introduce 'keeping in touch' days, so that where employees and employers agree, a woman on maternity leave can go into work for a few days without losing her right to maternity leave or a week's statutory maternity pay or maternity allowance. This would also apply to adoption leave and pay
- extend the period of notice for return from maternity and adoption leave from 28 days to two months
- make clear that employers can make reasonable contact with their employees on maternity or adoption leave, to help employers plan the employee's return to work.

The Bill also includes an enabling power to prevent bank holidays from being included in annual leave entitlement.

We will keep you informed of the changes emerging from the Bill.

Don’t be stupid!

A recent report by the National Consumer Council (NCC) makes interesting reading. Entitled ‘The stupid company: how British businesses throw money away by alienating customers’, the report mainly focuses on larger businesses and how they all too often offer poor customer service. Something, according to the report, that results in ‘damaged profits’ and which can in some cases lead to their demise.

The good news is that as well as highlighting how businesses all too often get it wrong, the report also includes a consumer checklist for business success. The checklist includes some straightforward advice to help ensure you keep your customers happy.

Five ways businesses get it wrong

- **Incompetent and ineffectual**
  A ‘stupid business’ is slow moving, patronising and apparently incapable of getting the easy things right.
- **Inflated expectations and broken promises**
  A ‘stupid business’ over-promises and under-delivers.
- **Sell, sell, sell**
  A ‘stupid business’ is obsessive about making a sale.
- **Impersonal and robotic**
  A ‘stupid business’ appears distant from consumers and deals with them in a clinical and sometimes uncaring manner.
- **Sneaky and dishonest**
  A ‘stupid business’ believes it can succeed by misleading customers and then being underhand and evasive.

A checklist for success!

- **Provide continuity and ownership**
  Have good systems in place so that the same member of staff deals with an individual customer from start to finish and a culture in which people take pride in sorting things out for customers.
- **Show respect and honesty**
  Be straight about costs, times and targets and explain complex things simply.
- **Give the personal touch**
  Encourage staff to treat customers like individuals and to show initiative.
- **Reward existing customers**
  Acknowledge repeat business and provide incentives for loyal customers.
- **Provide aftercare**
  Do not forget your customers after they’ve bought something; instead check that they are still happy.

The full report is available from the National Consumer Council, www.ncc.org.uk/publications/stupid_company.pdf

How to beat the tax deadline rush

If you pass an accountant’s office late in the evening or at the weekend in January, you may well see the lights on in their tax department! Why? They will be ensuring their clients meet the 31 January deadline for the submission of their tax returns.

Despite everyone’s best efforts, some clients miss the deadline because relevant information has not been obtained in time. Missing the deadline generally results in a £100 late filing penalty.

If you want to ensure that your return does not miss the January deadline there are a few simple things you can do to ensure there is plenty of time to complete and submit your return.

Help us to help you

We will be in a better position to prepare your self assessment return if we have all of the relevant information available. If we prepare your business accounts try to ensure that the relevant paperwork for your most recent year end is complete and set up and maintained in an organised manner. The following may improve the organisation of your records:

- total and balance your books at regular intervals, as this will help you spot and correct any mistakes
- analyse your payments and receipts so that information can be extracted easily
- file your documents in a logical order to make it easy to find any one of them. For example, consider filing invoices in numerical, alphabetical or date order.

As soon as possible after the 5 April, start to collect together the paperwork needed to prepare your tax return. This might typically include details of:

- income and expenses from employment (eg P60, P11D)
- pension contributions paid
- rent received and expenses paid, including income from overseas property
- interest received (net and gross)
- dividends, including vouchers
- copy contract notes for purchase or sale of shares etc.

Where you do not have all of the documentation to hand, please either contact the relevant institution and request a copy, or ask us to do this for you... but please not on 30 January!

We look forward to seeing you as soon as possible with your information.

Budget latest

To the surprise of many, the Chancellor proposed to shorten the self assessment tax return filing deadline. Under the proposals online filing of self assessment returns would move forward from 31 January to 30 November from 2008. Paper returns would have to be completed by 30 September.

The reduction in the time available to gather information and prepare accounts would put increased pressure on both accountants and clients alike to meet the deadline and avoid any penalties.