Andrew Webster Limited

Imaginative solutions for your
tax, legal, financial planning & accountancy needs

www.tax.uk.com

newsletter march 2009

Editorial

The rush to complete tax returns by 31 January saw many of our team working long hours—and I would like to thank them for their dedication & success in meeting the deadline.

For the first time an earlier deadline applied for paper returns and I believe in the future both deadlines will get earlier. We are urging clients to prepare for this by starting work on their returns in summer 2009.

> "in the future tax return deadlines will get earlier"

The new year has begun with more bad economic news and we certainly have clients who have lost money on their investments or whose businesses are genuinely struggling. Nonetheless there still seems to be a sense that we have talked ourselves into a position that is worse than it need have been. We are taking a positive approach and looking to make financial planning a key part of our work. Our accountants help clients plan their business finances and our new IFA team will advise clients how to make the most of their money. ■ **Andrew Webster**

Inside this issue

AWA Financial Planning Limited

Adding to the range of professional services

We are now delighted to be able to announce that our new Financial Planning service is up and running and already has started work for two clients. AWA Financial Planning Ltd is registered with the Financial Services authority FSA number 495814. This will allow us to give advice directly on a wide range of investments rather than making a referral to an IFA.

Leading our team is Karen Miles – with whom we have worked closely for many years – and many clients have already benefited from her advice when she worked for her previous firms. Now established with her own business she has agreed to work with us to create a new approach to integrating Financial Planning with personal tax advice and business accounting. Karen is a Chartered Insurer a level of qualification far above most IFAs in other firms. We are pleased to publish an interview with Karen. ➜**Page 2**

> "our central philosophy is to provide advice and not sell products"

We hope that there will be two key differences between the service that we offer and other IFAs. The first is that our central philosophy is to provide advice and not sell products. Secondly we plan to integrate financial planning and tax services.

Giving advice. We intend to adopt the same approach in advising on investments as on tax matters. The key question is what is in the best interest of the client. We start by listening and understanding exactly what the client needs. We will then present a number of options and explain the benefits and drawbacks of each. Finally we help the clients reach a decision on what is likely to suit them. Nowhere in this process is there any consideration of commission on financial products. We normally work on the basis of a fee based on the time spent, although we can also agree to offset commission up to the amount of an agreed fee—in order to save VAT.

> "we will be integrating our systems so that the client will only need to provide information once "

Over time we will be integrating our systems so that the client will only need to provide information once and it will be taken into account in investment decisions and also in preparing the annual tax return. We are working towards creating a single record of financial matters which is accessed by both our tax team and the financial advisors. There is a lot of work to be done over the next year to start this process of integration. Ideally these systems will be web-based and our IT development team is working on this.

In the short term we will rely on old fashioned—but still effective—talking! Our tax team has worked effectively with Karen for six years so we are confident that the service can only improve with the integration. ■

Key dates

Budget 2009

It has been announced that the budget this year will not take place until **22nd April**. It is very unusual for the Budget to happen after the beginning of the tax year. Any changes in the allowances will mean extra work for employers.

Tax dates

03 Apr 09
■ Last working day of tax year.

20 Apr 09
■ Interest begins to accrue on unpaid PAYE/NI.

19 May 09
■ Last day for filing PAYE returns forms.

Maximising tax relief on your residential properties

Significant tax savings for clients with more than one property

Do you own more than one residential property?

If so, have you considered any capital gains tax planning around principal private residence ("PPR") relief?

"advance planning .. Can save significant tax"

PPR relief is actually a group of reliefs that can be applied against capital gains tax ("CGT") on a property which has at any point been your only or main residence. Whether a property has been your main residence is based on the "quality" of time spent in the property, rather than simply the duration of the time that you were living there. If a property has, at any time, been a main residence then you may be able to also claim partial or full CGT relief on (amongst others):

- A period when the property was let.
- A period when you were absent for up to three years, or while you were employed elsewhere, as long as you can claim the property as a main residence again for a period before sale.
- The last three years of ownership of the property.

Even in today's market, many rental or holiday properties will be sheltering a gain. In the situation where you have a family home which would currently qualify for full PPR relief on sale, it is often possible to establish a PPR at a second property, without any exposure to capital gains tax on the first. This then qualifies the second property for a raft of valuable exemptions on an eventual sale.

This is an area where advance planning, in particular the making of an election to treat a particular property as your PPR, can save significant tax later. For example, if you live in a rented apartment, but own a property elsewhere, you could risk losing the exemption on the property you own, as HMRC may deem that the rented property is your PPR. There is a time limit on making elections, and so if you are in this situation you should speak with us as soon as possible.

If you have purchased a property within the last two years it is often worth making a PPR election for the simple fact that this can then be varied at a later date, and so you will not be caught by the two year time limit on elections if you wish to consider planning at a later date. ■ **Bryony Baines**

Protective claims: child tax credit and working tax credit

Check your entitlement to credits

Whilst these are called tax credits they are separate from your income tax position and are actually more akin to benefits. However, it is worth noting that your entitlement to them may be affected by year-end adjustments to your taxable income and in some cases this could result in a welcome cash injection in these difficult times.

For many people the current economic situation is resulting in a general downturn in their business turnover, reducing taxable income so that they may now qualify for tax credits where income levels have been too high in the past. In addition year-end adjustments such as the application of the new Annual Investment Allowance (AIA) on the purchase of a large business asset or the write-off of bad debts could result in a further large reduction. In some cases the impact on your entitlement to Tax Credits can be surprisingly significant.

Since you can only backdate a Tax Credit claim for 3 months some of this potential benefit could be lost unless you make a protective claim at the start of the tax year, which we strongly advise you to do. This may initially produce a nil award from the Tax Credit Office, as it will be based on your income for the preceding tax year, but if your actual figures for the year are more than £25k less than your income for the preceding year this may entitle you to a significant payment when the award is finalised. ■ **Christine Bradley**

Broken down by age and sex? ♀♂

Changes to the information on forms P45

From 1st April, HMRC is requiring use of a new form P45 which includes employee date of birth and gender.

HMRC were originally going to make the change last October 2008, however it was postponed until this year April 2009.

How this will affect you?

If we currently provide a PAYE service to you we will now require the date of birth and gender as well as national insurance number and employee's private address to carry out the work in accordance to the change. ■ **Michael Gray**

New penalty regime

The price of wrong tax returns

The new penalty regime is effective for all mainstream tax returns filed after 31 March 2009. This includes returns for VAT, PAYE, National Insurance, Capital Gains Tax, Income Tax, Corporation Tax and the Construction Industry Scheme.

Importantly, there will now be a penalty for "failure to take reasonable care", of up to 30% of the tax lost. What constitutes "reasonable care" depends on the individual's circumstances and position, however, failure to keep accurate records would certainly be considered a lapse of reasonable care. Conversely, where it can be shown that reasonable care was taken, for example where full records were kept and professional advice was sought where appropriate, even where an error occurs there may be no penalty applied, as long as it can be shown that reasonable checks were made, and that HMRC was informed of the error within a reasonable timescale of the taxpayer becoming aware of it. ■ **Bryony Baines**

"penalty for "failure to take reasonable care", of up to 30% of the tax "

Our expert team
Karen Miles

Karen Miles BSc (Hons) ACII Dip PFS has joined the team to allow us to provide investment advice and other regulated financial services. She is a Chartered Insurer, an Associate of the Chartered Insurance Institute and holds the Advanced Financial Planning Certificate, including the G60 – Pensions examination.

Karen has extensive experience in some of the most technical areas that an individual may require advice. She specialises in wealth management for high net worth individuals and business executives including Self Invested Personal Pension's and investment portfolios. She was speaking to our MD.

Andrew. How long have you been working as a Financial Advisor?

Karen. I have worked in Financial Services since 1986. Mainly for Life Companies and I have been a Financial Adviser for seven years now.

A. What attracted you to the idea of working as part of a tax, legal and accounting firm?

K. Andrew and I discussed some years back the benefits of being able to offer a full financial service in the same location. At the time this wasn't practical for a variety of reasons but we now feel that the time is right & we have formed a team of advisers which means that we now have support to ensure that we can provide the level of service that this venture requires.

A. What benefits will clients get from the combined service?

K. I see a major advantage in having a single reference point for information and advice on Financial, Tax Planning, Accountancy and Legal matters. This will lead to more efficient service and comprehensive advice process.

A. How can AW clients benefit from your advice?

K. I have extensive experience of pensions, financial planning and wealth management. I am an Independent Financial Adviser which means that I can make recommendations from the whole of the market. I provide specialist financial advice and bespoke solutions to meet the individual needs of clients. My priority is to work in the best interests of my clients.

A. What do you think of the current reputation of IFAs?

K. There are a lot of good hard working professionals working in our industry. Unfortunately it is only the bad ones that make the news. Our regulator, the Financial Services Authority, is working hard at the moment to make the industry better qualified and more professional. I welcome this as it supports my views and values.

A. How would clients approach you?

K. Initial contact would be through their account manager unless the client has already worked with me before

A. Where will you be working?

K. I will be working from the offices in Cambridge at 10 Wellington Street as well as our Offices in Hertfordshire.

A. What are your interests outside of work?

K. I am kept fairly busy by my three children. I do enjoy socialising and travel, children permitting. ■

My view
The current economic situation & investing in the stock market

The current times are certainly challenging. Every day the media have more bad news for us.

We have seen stock markets fall, property values reduce, bond values fall and even cash has not been completely safe. Jobs are disappearing and those in work are often feeling insecure. Savings rates have greatly reduced, our country is borrowing more money than ever and the world is in turmoil. So there are undoubtedly problems.

And yet, mortgage rates have reduced which is helping those in work, inflation is coming down as prices are dropping.

There are signs that liquidity in the financial system is starting to increase. The world leaders appear to be talking to each other to find a common solution. I believe that we will come through this.

It is easy to understand at the current time why people would want to delay making investment decisions or to sell existing holdings in the hope of buying back when values are lower. In theory this is an attractive idea, but it seldom works in practice.

History shows that private investors have a habit of selling at the bottom of the market and buying at or near the top. We have to work hard at making sure that we achieve the opposite.

I genuinely believe that investing in the stock market for the long term is a sound strategy for a balanced portfolio. Once confidence comes back things will improve. The stock market, historically, recovers first. ■ **Karen Miles**

Who's who
Financial planning team

There are two other advisers:

Claire Heritage Dip PFS has worked in financial services since 1985. She offers comprehensive advice across the whole spectrum of financial planning specialising in retirement planning, personal investment, and inheritance tax mitigation.

Dave Gifford Cert PFS has been involved in financial services since joining Standard Life in 1977. Dave has a broad industry experience, a high level of technical expertise in pension related matters and a specialism in corporate benefits. He also has a comprehensive knowledge of investment markets.

In addition we have two full support staff, Tina Oakes and Elaine Armstrong as well as three part time staff. ■
Karen Miles

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Working with clients

IPCOSAptitude

We are delighted to be able to feature stories of client successes. In this issue one of our accountants looks at the growth of a Consultancy business now known as IPCOSAptitude Limited. This is a business which has changed significantly in the three years since it was formed. **www.aptitudegroup.com**

The start of the business

Sam Dhaliwal
MD IPCOSAptitude Ltd

Aptitude has been a client of AW Ltd since it started in January 2006 when four former colleagues decided to set up their own consultancy to customers in the oil, gas and chemical industries worldwide.

We set up their accounting using our online software WebsterAccounts. As the directors live and work worldwide they needed the convenience of being able to access their business accounts online to review and input transactions remotely.

No one person in the company needed to be responsible for all the day to day bookkeeping services; each person took responsibility for entering their own items across the internet.

> "In 2007 they successfully launched Aptitune™ a software product for their clients"

They also needed the expertise we offer in international personal tax.

Software success

In 2007 they successfully launched Aptitune a software product for their clients. They set up a software business in India to allow them to build the software and AW Ltd helped with the tax and regulatory issues involved.

The company continued to grow and they recruited staff in Latvia, Sweden and France.

Successful Merger

They were approached by a Belgian company IPCOS with an attractive offer to merge the two businesses together and IPCOSAptitude is now an independent subsidiary in the group. It felt like the whole team at AW Ltd were involved in the merger and in particular in the Due Diligence work when a team from Belgium and the UK visited our offices to look at the detail of the transactions—since the client had no offices of their own.

I co-ordinated much of the work on the due diligence and myself and Gary prepared the accounts and financial reports in record time to meet the deadlines.

Liz our Solicitor reviewed all the contracts from a UK perspective as they were prepared under Belgian law, including, intellectual property rights, financial assistance issues, warranties and indemnities', finalising employment contracts and all company secretarial issues.

Cherryl & Jasmin organised all the catering, a tour of Cambridge and a meal at Christ's College to smooth the negotiations between the parties.

Jo, our tax consultant sorted VAT and tax issues and Andrew took an active part in negotiations and gently banged heads together to make sure that the deal stayed on track.

It is always nice to be appreciated so we were touched to receive an email from Sam Dhaliwal, the MD of IPCOSAptitude Ltd "Once again, I would like to thank you personally and also on behalf of Aptitude for providing us with excellent advice and service, during this time when everything was urgent and sometimes stressful. Your team has done a fantastic job for us, we appreciate it very much"

The future

After the success of the merger the group continues to grow & we are still involved the company and have increased the accounting work we do on their behalf.

We were flattered to be retained by the group and continue to enjoy a close relationship with the clients. ■ **Corrie Deighton**

Protect pension against future tax

Claim your protection before 5th April 2009

The Pre Budget Report 2008 announced that from 2010/11 to 2015/16 the Lifetime Allowance for pension contributions will be frozen at £1.8 million instead of increasing in line with inflation.

If your fund exceeds this limit at the time you take your pension (or certain other "crystallisation events"), there is an effective rate of tax at 55% on the excess above the Lifetime Allowance. A claim can be made to protect against this eventuality. You can set-aside the claim at a later date if you wish to make further contributions to the fund, but the protection will not be available unless a claim is made before 5 April 2009.

You should immediately seek specialist advice on whether to make a claim for protection if your fund could grow above the limit. e.g. people with personal pension funds of £750,000 or an annual pension of £50,000 (who do not intend to make further contributions) or those with final salary employment pensions whose annual salary exceeds £180,000. email karen@tax.uk.com for more details. ■ **Joanne Lamberth**

Latest rates

HMRC official interest rate

From 1st March 2009 the official rate of interest reduces to 4.75% from 6.25% on loans provided by employers.

Contact us

Please contact us with any questions that you may have. Feedback on our newsletter is also always welcome! **info@tax.uk.com**

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