

# WHEELERS WORDS

Wheeler Chartered Accountants and Tax Consultants

Spring 2010

Issue 9

## WHAT'S NEW

### FOR BUSINESSES AND TAXPAYERS UNDER THE CON-LIB COALITION?

After 13 years of Labour policies, businesses and higher rate taxpayers may be expecting an easier ride with the new Conservative/Liberal Democrat coalition government. But with an enormous budget deficit to manage, the new government is unlikely to be in a position to give much back in the early years of its term. There has been much speculation about which economic policies from each party's manifesto will be adopted, and which shelved. All will become clear in the new budget which is due to be delivered on 22 June, but analysis of the deal that has been struck by the Conservatives and Liberal Democrats reveals the compromises that have been made.

Both parties agree that Labour's planned 1% increase in employers' National Insurance Contributions (NIC) should be cancelled. However, the Conservative's proposed increase to employee NIC thresholds has also fallen by the wayside, although increases to the employer's thresholds have survived the negotiations.

The new coalition has agreed to raise personal tax allowances for income tax, but increases will be graduated and it may take a number of years before the Liberal Democrats' goal of £10,000 is reached. There are indications that

the Conservatives' plans to make marriage status a part of the tax relief system will be part of the new Government's policy, although provision has been made for Liberal Democrats to abstain on any vote on this issue without compromising the coalition agreement.

Owners of substantial estates will be disappointed to hear that the Conservatives' £1 million inheritance tax threshold has been sacrificed in the deal, but will feel relieved that the Liberal Democrats' plans for a "mansion tax" on properties worth £2 million or more has also been shelved.

Capital Gains Tax levels are likely to increase, with the coalition agreement suggesting that levels for non-business asset gains will, in time, be brought in line with levels of income tax. There will be exemptions available for gains from entrepreneurial business activities.

Another important measure agreed by the coalition is the phasing out of the default retirement age. Plans for an increase in the state retirement age to 66 will be reviewed and will be delayed to at least 2016 for men and 2020 for women. Another important change will be the reinstatement of the link between the State pension and earnings, which will take effect from April 2011.

If you would like to discuss the implications of the changes the Government will be introducing on you or your business, please contact Robert Booty at [robert.booty@wheelers-accountants.co.uk](mailto:robert.booty@wheelers-accountants.co.uk) or call us on 01945 582547.

## HOW SAFE IS YOUR DATA?

With the recent spate of fires here in Wisbech, it seems a good time to reflect on the measures you have in place to protect your valuable financial data.

Consider for a moment the implications of losing every single piece of information you hold – both on paper and electronically. Could your business continue to trade? Would you find yourself unable to meet customer orders, create invoices or pay your staff?

Information has become central to the successful operation of most businesses and, in this electronic age, keeping it safe is not difficult, provided you follow a few simple guidelines.

The most important step is to ensure that you take a full back-up of your data on a regular basis – preferably daily if your systems are used on a day-to-day basis. However, in the event of a fire, your back-up will only be of value to you if it is kept away from your premises so ideally you should take your back-up home with you each evening. This does, however, pose its own problems, as business critical or sensitive personal data held off-site may be vulnerable to theft or damage, and you may not meet the requirements of data protection rules.

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# HOW SAFE IS YOUR DATA?

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There are a range of back-up technologies out there, including online back-up services where your data is copied to a remote secure server, removing the need for you to take your data home with you. Whatever technology you use, it is important to ask two key questions of it:

- Is my data safe from abuse or damage?
- Can my systems be up and running quickly in the event of a disaster?

If your business is highly dependent on its computer systems, a full disaster recovery plan may make the difference between business failure and survival in the event of a fire or other catastrophe. The plan could include provision for new premises to be borrowed or rented as well as getting access to emergency computers on which your systems could be restored. It could also record critical information, such as insurance policy details and software licences. The aim of your plan would be to minimise the disruption to your business – ideally your customers would never know that the interruption had happened. Of course, your plan is only of use if it hasn't gone up in flames with the rest of your data – keeping a copy of this off-site is especially important.

If your IT systems are limited to the processing of your financial data, then it might be worth considering distancing the whole process from your premises by using our accounts and payroll bureau services. We would hold all your data securely at our offices and our systems are backed up off-site each day. We have a carefully documented disaster recovery plan to ensure that these services can be up and running quickly should anything happen to our premises or systems.

If you would like to discuss the security of your accounts and payroll data, please contact Helen Garrett at [helen.garrett@wheelers-accountants.co.uk](mailto:helen.garrett@wheelers-accountants.co.uk) or call her on 01945 582547.

# PAYROLL AND PERSONNEL

# UPDATE

Wheeler's partner Helen Garrett looks at a number of issues affecting employers.

## Incorrect PAYE Coding Notices

Employers should be aware that there could potentially be problems with the coding notices issued to their employees earlier in the year in respect of the new 2010/11 tax year.

The problem has arisen due to confusion in the HM Revenue & Customs (HMRC) database about the number of jobs held by an individual, often failing to separate current jobs from previous jobs. In some cases, those who do have more than one job have received two or more tax coding notices with different codes. In others, those who have recently changed jobs have been treated as if they have more than one job. Further problems have been experienced by retired tax-payers.

If you or members of your staff have any concerns about the tax coding notice(s) you have received, a member of our payroll team may be able to advise. Alternatively, you can contact HMRC direct by calling the number printed on the coding notice. You should keep your coding notice to hand when you call – and be aware that waiting times on the HMRC helpline can be lengthy.

## Minimum Wage Increase

An increase of around 2% in the Minimum Wage is set to come into force on 1 October 2010.

The new rates are:

- £5.93 per hour for adults aged 21 and over, up 2.2% from £5.80
- £4.92 per hour for 18-21 year olds, up 1.9% from £4.83
- £3.64 per hour for 16-17 year olds, up 2% from £3.57

A further minimum rate will be introduced for apprentices at £2.50 per hour for those under 19 years of age or, for those aged 19 and over, in the first year of their apprenticeship.

Despite a pay freeze in many sectors, the Low Pay Commission felt that the rises were appropriate for those at the bottom of the pay ladder.



## Sickness Absence – "Fit Notes"

New rules that came into effect on 6 April 2010 have changed the statement an employee will get from his or her doctor when they are off work for more than seven days through illness. The new type of certificate will not only advise when an employee should refrain from work – the basis of the old "sick note" format – but will now have the option for the doctor to advise under what conditions the employee could return to work.

The doctor can use the note to give advice to the employer in respect of the employee's health and to suggest changes that could be made to the employee's working conditions – changes to hours or duties perhaps – that could help the employee return to work sooner.

There is no compulsion on the employer to take the doctor's advice, and if they are unable to act on the measures suggested, then the "fit note" can be treated as a statement that the employee is not able to return to work under normal conditions.

A guide to the new rules is available from the Department of Work and Pensions website – see [www.dwp.gov.uk/docs/fitnote-employer-guide.pdf](http://www.dwp.gov.uk/docs/fitnote-employer-guide.pdf)

## Electronic Filing of Payroll Returns

From 19 May 2010, all employers, irrespective of the size of their payroll, have been required to file their P14 and P35 PAYE returns online.

There are a handful of exemptions – employers using the simplified deduction scheme, employers who take on someone to provide care or services at or from their home and members of faiths whose beliefs are incompatible with electronic communications. In addition, limited companies that only submit forms to file an entry in box 28 of form P35 (for CIS tax deductions suffered) can also continue to do so on paper. In every other case, the forms must be submitted online.

Some confusion does appear to be experienced by employers with up to 5 employees, as HMRC has not set a penalty if an employer has one to five employees and does submit a paper return. This means, in practice, that these employers get a further year to get their house in order for online filing, although they will get a letter from HMRC reminding them that the forms should have been submitted online.

Any other employer (ie those with over 5 employees) who fails to submit the forms online will be liable to a penalty. A fine will also be levied on any employer filing these forms after the deadline, whatever their size and however they have been submitted.

For more information about these or any other issues affecting your duties as an employer, please contact Helen Garrett on 01945 582547 or email [helen.garrett@wheelers-accountants.co.uk](mailto:helen.garrett@wheelers-accountants.co.uk)

## TIME NO MORE?

# HM REVENUE AND CUSTOMS TAKES HARDER LINE ON LATE PAYERS

The Time to Pay initiative from HM Revenue & Customs (HMRC) was introduced at the height of the credit crunch in November 2008 and was aimed at helping businesses who were struggling to pay their corporation tax, PAYE, national insurance and VAT bills.

However, with the size of the public debt and a new Government in place, the new Chancellor will be looking to improve revenue streams. Indications suggest that HMRC is likely to be less accommodating in the future, particularly with businesses with a history of poor tax payment compliance. Any business wanting to take advantage of the Time to Pay scheme in the future will need to provide sound supporting figures – well-prepared cash flow forecasts and management accounts – to prove their good intentions.

If you need help meeting your tax liabilities, then the Time to Pay scheme may well still be of interest to you. We recommend that you discuss it with your Wheelers' tax adviser before approaching HMRC, and we will help you put those critical reports and projections together, thus improving your chances of success.

To discuss how the scheme works and for help with managing your tax payments, email **Mary Plant** at: [mary.plant@wheelers-accountants.co.uk](mailto:mary.plant@wheelers-accountants.co.uk) or call her on **01945 582547**.

# INVESTMENTS IN 2010: A QUESTION OF RISK AND REWARD

Getting any kind of return on investments has been a challenge over the past two years. With investors now wary of putting their savings into equity-based vehicles, **Jim Duvall, our associate in Financial Advisers Almary Green, looks at one way of balancing risk and reward.**



The economic downturn has exposed investors' vulnerability in volatile market conditions and even those with investments in low to medium risk vehicles have seen little or no investment return. What the market seemed to lack was a flexible investment route that kept pace with the changing market, within the parameters of an agreed level of risk.

Investors have long had access to discretionary fund managers who will rebalance their portfolios on a pro-active basis.

However, historically this service has only been cost-effective for those with substantial portfolios. At Almary Green, we believe that this level of pro-activity would be beneficial to most investors and we have been working with industry providers over the last 12 months to achieve this.

As a result, we have developed a range of Risk Graded Investment Portfolios in conjunction with Skandia Investment Solutions (who will provide the online

investment platform) and we are delighted to be able to make these available to Wheelers' clients. Investors who take advantage of the new plans will benefit from a regular frequent rebalancing of their investments in line with market conditions, within the parameters of their agreed attitude to risk.

The portfolios are reviewed and adjusted by experienced Discretionary Fund Managers from industry specialists, Principal, at least quarterly – and more often if market conditions dictate it.

The key element of the new service is the ability to match a portfolio to your personal risk profile. There are six model portfolios available, each containing a different combination of UK and overseas investments, covering a range of risk-graded profiles from "cautious" to "adventurous". We carry out a detailed assessment of your attitude to risk – your needs, your desires in both the long and short term and your feelings about the possibility of losses – and allocate a risk profile grading. This is then matched to a suitable portfolio of investments.

This type of investment management is suitable for most investors. You retain control of your investments at a high level – you can, for example, stipulate ethical or geographical limits on your portfolio – but the day-to-day decisions are made by an investment manager to maximise your investment returns.

Risk Graded Investment Portfolios can also be adopted for pension investments, within a self-invested pension scheme.

*If you would like to discuss how this type of investment could benefit you, please contact Jim at Almary Green by emailing [jim.duvall@almarygreen.com](mailto:jim.duvall@almarygreen.com) or by calling him on 01603 706740.*

*Alternatively, speak to your normal Wheelers contact, who will arrange for Jim to contact you.*





## TAX VISITS ON THE UP

One of the new Government's stated intentions is to crack down yet further on tax avoidance. In practical terms, this will undoubtedly mean a continued increase in the number of tax visits by HM Revenue & Customs (HMRC). From the Government's point of view, it is another tool in their campaign to increase revenue.

Since April 2009, HMRC have had powers to visit any business premises – including homes where work is undertaken – to inspect records and assets, and during the year they outlined their intent with a series of statements highlighting their preoccupation with non-compliance:

*"We will pursue those who choose not to comply, or don't take reasonable care to keep their tax affairs in order. We are using improved risk assessment and more appropriate checks to improve our effectiveness in this area."* HMRC Departmental report, July 2009.

Whilst many reviews/enquiries may lead to a clean bill of health or minor adjustment of tax liability, any visit from the tax inspector will have an impact on you or your business, and we recommend that you ask your accountant to be on hand to help prepare and deliver any figures the Inspector may request.

### The Solution: Fee Protection

At Wheelers, we recommend that our clients take out Fee Protection insurance to cover the costs of any professional fees incurred to provide you with full representation when an HMRC official calls. The cover extends to include employer compliance and VAT reviews as well as self-assessment enquiries. We can arrange a highly affordable scheme for both private and business clients, provided by industry specialists CCH. Under the scheme, we also have access to CCH's specialist consultancy team, if needed, enabling cases to be resolved as quickly and favourably as possible.

In addition, our business clients receive free access to the expert business knowledge of CCH's Business Support Helpline including employment law and health and safety.

If you would like to know more about Wheelers' Fee Protection Scheme, please contact **Mervyn Baker** on 01945 582547 or email [mervyn.baker@wheelers-accountants.co.uk](mailto:mervyn.baker@wheelers-accountants.co.uk)

## GIFT NOW, SAVE LATER?

**Pre-inheritance gifts are becoming increasingly popular as a way of reducing the Inheritance Tax liability for your heirs.**

With Inheritance Tax standing at 40% of the value of your estate over and above the tax-free threshold, many of those with substantial estates are looking to share their wealth before death rather than leaving it as bequests in their Will. The added advantage of such a measure is being around to witness the pleasure your gift has brought to the recipient.

However, there are specific rules about how much you can give away during your lifetime. Any gifts made in the seven years prior to your death are taken into account when calculating Inheritance Tax, albeit on a sliding scale as the years pass. Each individual has an annual gift allowance of £3,000, and additional special gifts (such as wedding gifts up to a certain value or gifts to charity) can be exempt.

If you would like advice about what gifts you can make without incurring an Inheritance Tax liability, please contact Mary Plant at [mary.plant@wheelers-accountants.co.uk](mailto:mary.plant@wheelers-accountants.co.uk) or call 01945 582547.



## Staff News

Congratulations to Wheelers' partner **Helen Garrett** and husband Mark on the birth of their second daughter, Emma Louise, in January. Helen has just returned from maternity leave; she is delighted to be back at her desk and looking forward to working with both new and existing clients!

One of our senior auditors, **Phil Kirby**, qualified as a Chartered Accountant in December 2009. Well done, Phil!



Phil Kirby

A team from Wheelers entered the Fraser Dawbarns quiz recently and achieved third place. The team included partners **Andrew Cave** and **Mervyn Baker** as well as Tax Consultant **Mary Plant**.

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All views and information expressed within this newsletter are generic and should not be taken as any form of recommendation or advice specific to you. We strongly advise that you take professional advice before making any decisions based on this newsletter.

The information is based on our understanding of current HMRC rules and practices (as at 1 June 2010) which are always subject to change.