

GH NEWS SPRING 2008

The George Hay Newsletter



NEW LOOK

As you may have noticed we've changed our name and have a new logo. From the 1st April we will once again be known as George Hay. This follows a decision by the partners to no longer be a member of the UHY Group.

We are pleased to announce that we have been accepted to be a member of the UK 200 Group. The UK 200 Group are a mutual association of quality assured independent accountants and lawyers serving the SME business sector. They were established in 1986 and have a membership of over 120 firms, together with international associates in nearly 50 locations.

The group has a number of special interest groups which include agriculture, charities, healthcare and the legal profession. These groups provide an opportunity for the sharing of information and keeping up to date with the latest issues that affect the particular industry, which we consider will enable us to continue to be best placed to advise our clients.

The UK200 Group also has global links with a number of international associates providing access to over 250 firms throughout 45 countries which we know operate to the same standards that we do. We feel it is an important aspect to our business that we are able to provide our clients with an international service if required.

Finally, we have taken the opportunity with the change of logo to up date our website. Please pay a visit to the site, at our new address of www.georgehay.co.uk.

Over the next few months new features are to be added to the site so make sure you go back and visit regularly.

ON TOP OF THE WORLD

Caroline Hicks, a manager from our Letchworth office, has been reaching dizzy heights.



Caroline Hicks - pictured far right, wearing a red scarf

In January, Caroline carried out the gruelling task of climbing mount Kilimanjaro. It took 6 days to complete the exhausting 5895m climb, 5 to go up and 1 day to come down.

The climbers not only had to contend with changes in altitude and it's effects, but also endure the difference in temperatures ranging from a scorching 40°C at the bottom of the mountain compared to a freezing -10°C at the top.

Caroline described the climb as *'a very rewarding experience and a once in a life time challenge'*.

Not content with just climbing mountains, Caroline has also set herself the task of running the London Marathon in April. She will be raising money for the Teenage Cancer Trust and anyone wishing to sponsor her can make a donation at www.justgiving.com/carolinehicks

NEW STAFF JOIN THE GEORGE HAY TEAM

A number of new members of staff have joined us in recent months. These have mainly been in our expanding outsourced services department, GH Online Accounting Ltd who provide outsourced book keeping services and a payroll bureau service to clients.

We welcome the following members of staff to the GH Online team: Teresa Newsome, Rebecca Jermy, and Andrew Pickard. We also welcome Rebecca Weedon who joins the George Hay team to commence her career in accountancy.

CREDIT CARD PAYMENTS

From 1st April 2008 we will be able to accept credit and debit cards as a method of payment. Anyone wishing to use this method can do so by phoning our Biggleswade office where payment can be made over the telephone.

THE STORK HAS LANDED

Congratulations to Toni Hunter and her husband Julian on the safe arrival of their son, Billy on 24th January 2008. Toni is a partner based at our Huntingdon office.

PROPERTY TAX CHECKS

HM Revenue & Customs have announced that they have launched a campaign targeted at Property Owners. It is their intention to carry out a number of compliance checks which will highlight those who have not declared all of their income from property.

The campaign involves the sending of letters to property owners along with a standard form on which details of any income to be declared are to be completed. HMRC have advised that where the property owner has an authorised agent a copy of the letter will be sent to the agent too.

The first batch of letters are to be sent to those who have completed Self Assessment Tax Returns but HMRC suspect have not disclosed all of their rental income. They will then focus on those who do not complete a Self Assessment Return.

HMRC would appear to be particularly targeting those with buy to let properties. It is thought that this follows the increase in recent years in the number of people who own investment properties. Those

who receive rental income under the rent a room scheme and those with furnished holiday lettings are also being targeted.

The property owner may have no income to declare related to the property, in which case they need simply complete the form advising as such. Alternatively income may have been received relating to the property but due to mortgage interest a net loss has been made so resulting in no taxable liability, in this scenario the income should still have been declared and HMRC should be notified.

In all instances the letter will need to be responded to within 30 days to prevent HMRC taking any further action. It is therefore important to ensure you do not ignore it. HMRC may be taking a light approach initially but failure to respond could lead to an enquiry into your tax affairs which could be a costly operation.

If you are a property owner and receive such a letter it is recommended that you contact your adviser as soon as possible to ensure you have made the full disclosure that is required. The important thing is to seek advice.

NOT QUITE A 'U' TURN

In not quite a 'U' turn a new relief "entrepreneurs' relief" has been introduced. This was in response to the uproar which surrounded the new Capital Gains Tax reforms that were announced in the Chancellors Pre-Budget Report in October 2007 and which take effect from 6 April 2008.

In the Pre-Budget report it was announced that Taper relief which in many cases means a person on the disposal of a business only pays tax at a rate of 10% is to be abolished from 6th April 2008 and that all gains are instead to be taxed at a rate of 18%. As is quite understandable, this increased rate didn't go down too well.

The Chancellor to pacify the business community has instead introduced Entrepreneurs' Relief, this is to be available in respect of gains arising on the disposal of all or part of a trading business or on gains arising on the disposals of shares in trading companies

by individuals who were involved in running the business.

The new relief will mean that gains which qualify will once again be charged at an effective rate of 10% on the first £1 million of lifetime capital gains. Gains in excess of £1 million will be taxed at the standard rate of 18%.

The conditions for the new relief will be broadly based on the old Capital Gains Tax 'retirement relief' rules which were phased out between 1998 and 2003, but it promises to be simpler. The new rules also take some of their definitions from taper relief rules relating to business assets. However there are major differences which could prove costly.

Business owners do still need to plan for the disposal of their business carefully. The new Entrepreneurs Relief does not quite make everything rosy again and professional advice should always be sought when carrying out a major transaction such as a business disposal.

BUDGET REPORT UPDATE

The Chancellor, Alstair Darling announced his first budget on 12th March 2008. Very little of it came as a surprise though, with majority of the legislation having previously been announced in either the Pre-Budget report in October 2007 or by Gordon Brown in his budget last year.

For further details on the budget either download a copy of our Budget Summary from our website or contact your nearest office and we will forward you a booklet.

IT'S NEVER TOO LATE



Following a recent House of Lords judgement new legislation has given a window of

opportunity for businesses to claim for VAT which they had previously either over declared or under claimed but were now out of time to do so.

Businesses have until 31 March 2009 to make a claim for either any output VAT which they had over declared or for any input VAT which they had under claimed relating to the period 1 April 1973 to 1 May 1997.

This one off claim period has been given as the House of Lords ruled that a transitional period should have been allowed when the three year time limit for claims was introduced from 1 May 1997.

It may mean trawling through old records to calculate your claim but for some businesses this could be a windfall. Particularly for any businesses which have successfully made claims for periods within the three year time limit but were previously not able to go back far enough.

TAX RATE CHANGES IMPACT ON PENSIONS

Basic rate tax reduces from 22% to 20% from 5th April. One of the negative aspects is that tax relief will reduce accordingly. This will impact upon those employers with pension schemes in two ways.

First, employee contributions will rise in April as tax relief reduces. Their net pay will therefore reduce. You may be approached by staff who will not understand or realise the reason why.

You may wish to advise your staff in advance or at least provide an explanation along with their April pay slip to prevent yourself from receiving a barrage of queries. Secondly, to ensure the higher level of relief is recovered on the March contributions, these need to be with providers by the 5th April and not the 19th as is normally the case. So make sure who ever submits your pensions payment to the provider is well aware.

CHANGES TO IMMIGRATION SYSTEM

Tougher penalties have been introduced for those who employ illegal migrants. The severest penalties of unlimited fines and prison sentences will be for those who knowingly break rules. Not knowing is not an excuse though, penalties of up to £10,000 for each illegal worker could still be faced if you have unknowingly employed an illegal migrant.

It is important therefore that you have a system in place to check that all workers

you employ are eligible to work in the UK. If you have checked the documents of a worker you will have what is known as a 'statutory excuse'.

You must make sure that you do not act in a discriminatory way with your checks, so the easiest method is to apply your checks to every potential employee and not make presumptions based on a persons background, appearance or accent. The important issue is to ensure you do check and can prove that you have done so.



MINIMUM WAGE INCREASE

HMRC have once again announced the minimum wage increases due to take effect from October (see table below).

The government have announced their intention to crack down on those employers who do not pay above the limit, the maximum penalty for which is now an unlimited fine. Employers should check that they are paying their staff above the new limits.

	From 1/10/07	From 1/10/08
22 and over	£5.52	£5.73
18 - 21	£4.60	£4.77
16 - 17	£3.40	£3.53



IF YOU CAN KEEP A COOL HEAD WHEN ALL ABOUT YOU ARE LOSING THEIRS...

Never have the words of Rudyard Kipling struck truer than in today's market turmoil. Shares are up one day and down the next, banks are announcing massive write downs on one hand but raising dividends on the other – investors are entitled to feel somewhat confused about what action, if any they should be taking.

Signs from America, in the form of economic data, are ominous. The housing market continues to slow, personal debt problems are mounting, and we believe that recession is all but a certainty, in spite of encouraging words from numerous experts to the contrary.

The action taken by central banks recently may help with liquidity, but cannot help the solvency issue.

So how can investors protect themselves?

At RHG, the watchword is caution. We have avoided investments in the financial sector, prepared to miss out on any upside until we can be sure the worst is over. Cash and fixed interest will provide a temporary safety net for whatever portion of your savings you really can't afford to lose; Gold is traditionally a safe haven in times of equity uncertainty, and we think there is further upside from current levels. Diversification is crucial – Don't have all

of your investments in one area of the market.

However, among all the gloom, it should be noted that most investors are there for the long term. We have been through down turns before, and will doubtless encounter them again. Unless your time horizons are short term, it is worth sticking with the markets and riding out the volatility. If you can keep a cool head...

For further information or to arrange a review, contact, Chris Purkis of RHG on 01438 350222 or email info@rhg.co.uk

RHG are a firm of Independent Financial Advisers who work closely with George Hay.



OUR SERVICES:

- Raising Business Finance
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- Business Loans
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