

SUMMER 2009
GH NEWS
The George Hay Newsletter

CONGRATULATIONS



Congratulations to Linda Hallybone for completing 25 years continuous service at George Hay.

Linda is the secretary at our Letchworth office. She has actually clocked up 33 years service with George Hay having originally started at the Biggleswade office in 1969. Linda took a break after 7 years to bring up her children then rejoined the practice a few years after the Letchworth office opened when a secretary was needed there.

Linda has seen the Letchworth office grow and provided much support to the partners there, Keith Middleton and Richard Dilley.

Keith commented, 'It has been a pleasure to work with Linda over the years. She is always cheerful when greeting clients and does a tremendous job in keeping me organised which is no easy task'.

Well done Linda from everyone at George Hay.

UK200 GROUP

Partner Nick Willis has recently taken up the position of Chairman on the Membership Services Committee of the UK200 group of which we are members.

The committee has a varied role including the development, management and review of the Group's provision of training and other services for partners and staff in UK200 Group member firms.

The position gives an ideal opportunity for the firm to be more active within the group and to ensure it continues to meet both our and our clients needs.

The UK200 Group is a national association of accountancy and legal firms to which we belong. George Hay benefits from the support and advice of other qualified professionals and experienced individuals who are members of the group. It provides a forum for the sharing of ideas which can assist us in providing our services to clients.

The UK200 Group also has global links with a number of international associates providing access to accountancy expertise in a number of different countries. We consider it an important aspect to be able to offer our clients with this added service.



COMMUNITY RADIO LICENCE

Huntingdon Community Radio after many years of trying have finally been awarded a community licence by OFCOM enabling them to now broadcast full time. The radio station had previously only been granted a licence which enabled them to broadcast for only a couple of weeks at a time.

The station operates as a charity manned by volunteers. They aim to provide local information to the community and play quality familiar music. Huntingdon Partner Barry Jefferd has acted for the station for a number of years and even appeared on the station himself giving tax tips to listeners.

EMBARRASSED!!!



It is with some embarrassment we report that Richard Dilley scored 48 Stableford points in a Businessmens' Occasional Golf Society golf day recently at Hatfield London Country Club.

EMPLOYING A FAMILY MEMBER

Family businesses still need to be aware of controversial legislation to prevent 'income shifting' even though it has been postponed until at least 2010, and did not feature in this year's Budget as originally planned.

Income shifting is the term used where a person in a family business, i.e. the director, shifts part of their income to another person, often their wife/husband, who is usually a lower rate tax payer.

Despite its absence from the Budget HM Revenue and Customs has reiterated its stance that it 'firmly believes it is unfair' to allow a small minority of taxpayers to benefit from shifting part of their income to someone, usually a family member.

Assuming the legislation is introduced, any subsequent inspections by HMRC could be bad news for small businesses that employ a family member to carry out a genuine role with the company. However, there are a number of steps a small business owner can take now to ensure their arrangements do appear genuine:

Pay a commercial rate for the work the family member is doing, which should at least be the National Minimum Wage (currently £3.53 for 16 and 17-year-olds, £4.77 for 18 to 21-year-olds and £5.73 for those aged 22 and over).

Record the work done and the hours worked to show that sufficient work was carried out to justify the wages paid.

If the wage exceeds the National Insurance threshold of £95 per week (for 2009/10), the wage should be processed through the payroll, with tax and NI deducted as necessary.

Wages should be seen to leave the business bank account and either go into the family members' bank account or be given in cash.

It is best that the family member has an official contract, like any other employee, setting out their terms and conditions of employment.

If there is no evidence actual work is being done for the wages paid, HMRC is likely to conclude that the family member concerned is not a 'real' employee and will refuse to let the business deduct the labour costs from its profits.

FUEL RATES REDUCED

The company car fuel rates were revised from 1 July 2009. There has been a small increase in the highest rate for petrol vehicles while all diesel rates have decreased by 1p.

The rates shown below should be applied when a company car is provided but fuel is not paid for by the employer.

Engine Size	Petrol	Diesel
1400cc or less	10p	10p
1401cc to 2000cc	12p	10p
Over 2000cc	18p	13p

CONSTRUCTION INDUSTRY HOLIDAY PAY SCHEME

Many businesses in the Construction Industry are not aware of a scheme which exempts them from paying National Insurance on eligible employees holiday pay.

The scheme is due to be withdrawn in October 2012 however until that time it is still available for use.

To be eligible to make the saving a business needs to carry on a trade which includes construction operations and register with a provider who operates a central, independently managed holiday pay fund which has been approved by HM Revenue & Customs.

The employer registers with the third party fund each eligible employee it wishes to include under the scheme and pays into the fund in respect of the

employee. For an employee to be eligible they must be personally engaged in an accepted employment type i.e. bricklayer, carpenter, plasterer.

When an employee goes on holiday, the holiday pay is paid from the fund. The fund will deduct tax from the payment at the basic rate and give the employee a certificate of tax deducted. No National Insurance is deducted from the employees pay and the employer themselves do not have to account for Employers National Insurance so saving the 12.8% National Insurance contribution.

For those with a number of eligible employees a considerable saving could be made and the scheme is worth considering before it is too late as this scheme will not be available forever.

SUBSISTENCE RATES

We are often asked by clients 'How much can be claimed for subsistence free of tax and national insurance where employees are working away from their usual place of work?'

This wasn't always the easiest question to answer, however HMRC introduced a new advisory system from 6 April 2009 whereby employers can now reimburse employees using a scale rate which should prove to be easier and less open to interpretation as to the level of cost allowable. Take MP's expenses for example!

The new rates are:

- Breakfast rate (irregular early starters only): up to £5 may be paid where a worker leaves home earlier than usual and before 6am and buys breakfast away from their home.
- One meal rate (five hour rate): up to £5 may be paid where the worker is away from their home/normal place of work for at least five hours and buys a meal.
- Two meal rate (ten hour rate): up to £10 may be paid where the worker is away from their home/normal place of work for at least 10 hours and buys a meal(s).

- Late evening meal rate (irregular late finishers only): up to £15 may be paid where the employee has to work later than usual and finishes work after 8pm having worked their normal day and has to buy a meal which they would usually have at home.

Employers wishing to use the scale rates need to notify HMRC by ticking the appropriate box on form P11DX before starting using the system.

The rates only cover day subsistence payments, if an employee stays away overnight the actual costs incurred should be used or a tailored scale rate should be agreed with HMRC.

CASE STUDIES

REDUCTION IN SHARE CAPITAL

From 1 October 2008 new provisions which make it easier for a company to reduce its share capital as introduced by the Companies Act 2006 came into effect. We have used this change in legislation recently to assist a few of our clients.

Case Study 1 – Our client had a company that was no longer required and wanted it struck off. The usual method of filing a 652a was not possible due to the share capital being in excess £4,000. When this is the case the excess share capital can be reclaimed by the Crown on the grounds that it is 'bona vacantia' (ownerless property). The alternative to this was a formal liquidation which would have involved costs of potentially more than £5,000.

We advised the client that they would be able to use the new share capital reduction provisions in order to assist them in getting round this problem. We suggested the company underwent a reduction in share capital exercise and re-designate the £1 shares as 0.0001p

shares so reducing its share capital to £6.

The company was then able to apply to be struck off as its share capital was now below the £4,000 limit.

Case Study 2 – Our client wished to pay dividends to its shareholders however a deficit on the profit and loss account restricted it in doing so. The company did however have other reserves in the form of a capital redemption reserve created by previous share buy-backs.

We explained to our client how the new share capital reduction provisions could be used to reclassify the capital redemption reserve as distributable reserves and so eliminate the deficit on the profit and loss account.

The company was then able to pay dividends from its future trading profits.

Both of the above examples utilised the new provisions of the Companies Act 2006 which have made the process of share capital reduction much easier. The new procedure has removed the previous need for court approval in

order to reduce the share capital of a company. Instead the only requirement is that the company is private and that the directors are able to make a solvency statement.

The solvency statement must be signed by all directors and states that in the opinion of the directors the company is able to meet its debts on the date of the statement and will continue to be able to do so as and when they fall due for a period of 12 months from the date of the statement.

The statement can not be qualified in any way and the directors will be committing a criminal offence if they make the statement without having reasonable grounds for the opinion they express within it.

The change in legislation provides various new opportunities for companies. We are pleased to have been able to make use of the changes already and are sure more instances will arise where we will be advising clients how they could benefit from the new provisions.

PAYE UPDATE

NATIONAL MINIMUM WAGE CHANGES

Two changes were recently announced concerning the National Minimum Wage. The usual annual increases were announced as shown in the table below.

Aged	From 1/10/08	From 1/10/09
22 and over	£5.73	£5.80
18 – 21 years	£4.77	£4.83
16 –17 years	£3.53	£3.57

The second change concerns a loophole which employers in the hospitality industry quite commonly use.

From 1 October 2009 it will be no longer be allowed for tips to be counted when calculating an employee's minimum wage. Many employers currently add tips to an employees wage to ensure they are within minimum wage levels, but this practice is to be brought to an end and the loop-hole closed.

NEW HMRC BANK ACCOUNT DETAILS

HMRC have recently changed their bank accounts to which you would normally make your monthly PAYE & National Insurance Contributions.

The change affects anyone who would usually pay by either CHAPS, BACS Direct Credit, Internet or Telephone banking. If you use one of these methods you will need to update the details you provide to your bank including changing any templates you may have stored for online banking.

The new account details are:

Accounts Office Cumbernuld	
Account Name	HMRC Cumbernuld
Sort Code	08-32-10
Account No.	12001039

The old account will remain open for the time being so there is no panic that HMRC will not have received your payment. However you should start using the new accounts as soon as possible.

You will not have to take any action if you use one of the other methods available to make your payment. These will have been updated automatically.

If you have any queries regarding the preparation of your payroll our in-house payroll bureau PayScheme will be happy to help. Contact a member of the team on 01767 220199.

Accounts Office Shipley	
Account Name	HMRC Shipley
Sort Code	08-32-10
Account No.	12001020



OUR SERVICES:

- Raising Business Finance
- Tax Planning
- Investment Strategy
- Business Start-ups
- Cash Flow and Budgeting
- Management Accounts
- Accounting and Audit Services
- VAT and PAYE Planning and Advice
- Payroll and Bookkeeping Services
- Inheritance Tax Planning
- Business Loans
- Management Consultancy
- Independant Financial Advice for Investments, Pensions and Life Assurance

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