

The latest developments in accounting and commerce and what they mean to your business

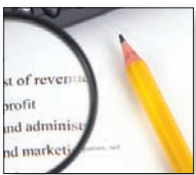
Inside



Bad debt



Employment & insolvency



Tax payments

... and much more

"...attention to detail, a true understanding of your personal and business needs and foresight in pointing out any pitfalls or opportunities in the future - Foxley Kingham provide all this and more..."

Business Payment Support Service

"Thank you very much for introducing this facility and in turn getting the HMRC to agree to a staged payment plan. This has taken a great weight off my shoulders and will allow me to concentrate more on dealing with the day to day challenge of running the business."

These are the words of just one of many clients we've already helped avoid potentially crippling tax liabilities by negotiating with HMRC to spread their payments over terms of between 3 and 12 months.

We first alerted our business clients of HMRC's Business Payment Support Service back in January, explaining how it could be used to relieve the burden of impending tax liabilities, or as a form of cheap finance, at a time when banks are decidedly reluctant to lend. And the response was

overwhelming! To date we have helped around 50 clients spread their tax payments into more manageable installments. And the total sum involved to date? Over £2 million!

Could we do the same for you?

If you're worried about an imminent tax bill or could benefit from retaining monies owed in your business for a little longer, please call Garrie on 01582 540800.

Important note:

We are beginning to get reports of some issues arising as a result of (or despite) Business Payment Support Service time-to-pay arrangements. It seems that neither the PAYE people nor the VAT people have set up a system yet to stop their routine collections activity and have been issuing Default Surcharge Liability Notices (we have seen no penalties to date), when these should have been suppressed according

to the terms of the offer. If you receive such a notice our advice is that you should not ignore it. Instead, contact the issuer of the letter and explain that a Business Payment Support arrangement is in place – this should stop the action. If you experience any difficulties please give us a call and we'll do our best to resolve the matter as quickly as possible.

NEW! Business Seminar: Strategies for Surviving the Downturn

Don't miss this unique opportunity to help safeguard your business against the worst effects of the economic downturn...

As the credit crunch continues to bite you could be forgiven for accepting the 'inevitable' and simply bracing yourself in the hope that your business will ride out the storm. However, that doesn't have to be the case. The businesses that survive will be those whose owners meet the challenges they face head on. And to help make sure you're one of them, experts from Foxley Kingham and Machins have pooled their own specialist knowledge and recent experience to show you how in our new seminar: Strategies for Surviving the Downturn

This half day event will be held on Wednesday 29th April at the Hilton Garden Inn hotel. Starting at 8 a.m. with a full breakfast buffet and chance to network with other local entrepreneurs, we'll then present a series of brief talks on the kinds of issues you might face and, more importantly, what you can do about them.

The aim is to provide you with a 'toolkit' of practical strategies to give your businesses the best possible chance of surviving the current financial storm.

The cost of the morning session is £35 to cover expenses, but we're offering you the chance to

benefit from this invaluable advice for just £25, if you book and pay by Friday 3rd April. Places are limited

so reserve yours today using the fax back form on page 4. As far as helping your business goes, this could be the best £25 you ever spend!

If you book and pay by Friday 3rd April

ONLY
£25

Bad Debts



If the recessionary trends continue we are all likely to face bad debts. And although we've covered this before, it's such a critical issue that it's worth a reminder that you should be investing time in sharpening your credit control procedure. This is something we are more than happy to help you with so please do call us on 01582 540800 for more information. **The advice is free but it could have a dramatic effect on your cashflow.** Meanwhile, this article offers a few pointers on dealing with the VAT and tax consequences.

VAT

Unless you are registered to use a special scheme which protects you from bad debts, particularly

Cash Accounting, you may have paid over the VAT on sales invoices issued as part of your VAT return. Subsequently you may have been unable to recover the VAT from your customer.

If that is the case you are entitled to reclaim the VAT when the debt is 6 months overdue.

In passing it is well worth converting to Cash Accounting for VAT if your business qualifies. Presently the turnover limitations are £1.35m per annum. If your annual turnover is under this amount registering would provide a possible positive effect on your cash flow. Again we can help if you would like to consider this.

Tax

Whether your business is incorporated or not, if a customer does not pay your invoice this needs to be recorded in your accounts. Trade debtors should be reduced and transferred to a bad debts account. (Adjusted for VAT if you are registered.)

When you provide us with your accounts data for the current financial year, make sure you provide a list of all the debts you have identified as possible write offs. As long as any claim for bad debts is based on real, specific transactions they should be accepted by HMRC. What you cannot do is transfer an arbitrary percentage of total debts to a bad debts reserve and claim this as a tax write off.

HMRC's Powers of Investigation Could Extend to the Bedroom!

HM Revenue and Customs now have extensive powers to require that you provide evidence to back up entries on your tax return. And if they can demonstrate that your records are less than effective you will face penalties.



The legislation requires you to:

"keep all such records as may be requisite for the purpose of enabling [you] to make and deliver a correct and complete return for the year or period."

That means keeping a careful eye, not only on the results generated by your accounting software, but also on the completeness of supporting documentation such as accounts, books, deeds, contracts, vouchers and receipts.

If you would like us to review your accounting system and record keeping prior to the tax year end please give us a call.

Even more alarming, the new legislation allows an officer of HMRC to enter a person's business premises, which includes premises (or any part of premises) that an officer has reason to believe are used in connection with the carrying on of a business by or on behalf of the person being investigated. Thus 'to give the definition its broadest possible meaning, if a person carrying on a business sits in bed one morning and looks at or responds to the emails that have come in overnight, then that person has used the bedroom in connection with a business, and the bedroom becomes susceptible to a visit.'

You have been warned!

NEW Health & Safety Legislation

On Friday, 16 January 2009, the Health and Safety Offences Act 2008 came into force, increasing the penalties that can be levied on employers and providing courts with greater sentencing powers for those who break health and safety law. Its effect will be to:

- raise the maximum fine which may be imposed in the lower courts to £20,000 for most health and safety offences
- make imprisonment an option for more health and safety offences in both the lower and higher courts
- make certain offences, which are currently triable only in the lower courts, triable in either the lower or higher courts.

The Health and Safety Executive (HSE) says that the Act should place no new duties on employers or businesses and that it is not changing its approach to how it enforces health and safety law, so provided you comply with the existing legislation you shouldn't have to do anything.

If you are in any doubt about whether your workplace is safe, the article on page 3 will help make sure you're not at risk from the new more stringent penalties...

HMRC Banking Change

During 2009 HMRC will be switching banks. This won't affect you if you currently pay by direct debit, BillPay, over the counter via bank/building society/Post Office or by post. However, if you make direct payments (using the internet or phone) you will need new sort code and account number details in order to do so after the switch takes place. This affects payments made by CHAPS or BACS.

If the change will affect you and you'd like us to pass on the new details when the information becomes available, please complete and return the fax back form on the back page.



Protection if the worst happens

We all work hard to provide a good standard of living for ourselves and our dependants. But have you paused to consider what would happen if you died or suffered from a serious illness?

Fortunately it is possible to protect your financial position and that of your family if either of these events occur, with suitable life insurance and health insurance policies. As an independent financial adviser, FK Financial is able to provide advice on the most cost effective method of protecting you and your family, and providing you with peace of mind now.

During the initial consultation we'll discuss your requirements and review any existing policies you have. That way we can be sure that the solution we come up with is exactly the right one for you.

Help keep your family safe by calling us today on 01582 540800 to book an appointment.

Retrospective Claims for Overpaid or Underclaimed VAT

If you have overpaid VAT output tax or underclaimed VAT input tax you may benefit from a claim to recover the amounts involved from HM Revenue & Customs.

Claims can be backdated as far as April 1973, or the date of registration if later.

The deadline for submitting a claim is the end of this month, 31st March 2009.

Sources for a possible claim include mileage costs paid to employees, staff expenses, subsistence and recovery of VAT on imports.

If you are at all unsure about VAT that has been added to particular supplies you have made, or whether VAT should have been received on certain costs, please call.

ECJ rules on paid holidays for employees on sick leave

The European Court of Justice has ruled that workers who are absent due to sickness continue to accrue paid annual leave. At present the ruling does not apply here but it is likely that the House of Lords will decide that employees and workers are either entitled to take paid annual leave during any period of sickness absence or to carry it over to the next leave year, and to hold that employees and workers who have been off sick for all or part of a holiday year are entitled to be paid their accrued annual leave on termination of their employment. We'll keep you posted when the House of Lords has given its ruling.

How to Make Your Workplace Safe

All employees, whether chained to their desk (not literally – that would be a fire risk) or painting the Forth Bridge, are entitled to work in a safe environment. Here, we take a look at what you, as an employer, must do to ensure your workplace is compliant with health and safety legislation.

Provide a 'comfortable' working environment

This doesn't mean the office needs sofas, coffee tables and widescreen televisions, merely that basic standards are met. Toilets are essential, though separate male and female facilities are not necessary. Water must be available for both cleaning and drinking and the office must not be too cramped – a minimum of 11 cubic metres is required per employee. Finally, the temperature must be at least 16 degrees centigrade, though a temperature down to 13 degrees is acceptable if the work is physically active.

Provide health and safety information

As an employer, you must either display the poster 'Health and Safety Law – what you should know' or provide staff with the leaflet 'Your health and safety'. Specific hazards must be clearly marked and you must also display your certificate of liability insurance.

Carry out a thorough risk assessment

This can be a fairly straightforward process – look around for any potential hazards, establish who might be at risk and then decide whether your current provisions are adequate. If not, you will have to take steps to address any potential problem areas. Companies with more than five employees must record their risk assessment.

Provide first aid equipment

A basic first aid kit is essential. It must also be someone's responsibility to check and maintain the first aid equipment. It is not a legal requirement to appoint a first aider, though it is often advisable.

Fire safety

The law relating to fire safety changed in 2006, with a risk assessment style approach introduced. Fire certificates for higher risk premises may no longer be valid.

Provision of suitable equipment

Equipment must be suitable for the intended use and safe as defined by the Provision and Use of Work Equipment Regulations (PUWER) 1998. Employees must have suitable training in the use of any equipment and the equipment itself must be suitable and safe, well maintained and be labeled with any pertinent safety information.

Serious incidents must be reported

Although there is no set format for keeping the records, whatever system you chose to use must be capable of keeping the records on file for at least three years. Certain incidents must be reported to the local authority, deaths being one obvious example.

More information

Following the points above will give you a good basis for ensuring that you follow health and safety protocol in the workplace but remember it only contains an outline of the legislation. For more help and advice visit www.businesslink.gov.uk and follow the link for Health, Safety, Premises.



Failure of a trading company – tax relief

As the recession gathers momentum, we are increasingly looking for ways to help our clients get through this difficult time. One way we can do this is by making sure you get all available tax reliefs at the earliest possible time, and one of the most common areas in which owner managers may benefit is on the failure of a trading company.

A Director/Shareholder may have one or all the following:

- A subscriber shareholding;
- A loan account surplus; or
- A Personal Guarantee, relating to finance provided to the company by a third party.

The first of these is potentially the most valuable, as it may result in a loss claim, which can be used to relieve other income, for the year of loss, the previous year, or both. This needs to be differentiated from a shareholding acquired from, say, a third party, which cannot qualify.

A shareholding subscribed for via a "debt-to-equity" arrangement may qualify, but the true value of the debt at the time of exchange needs to be considered.

Failures arising in the current tax year could therefore reduce tax liabilities for 2007-08. In any case, reductions in payments on account may be achievable.

The latter two are unfortunately capital loss claims, assuming the qualifying conditions are met. However, there is every reason why these losses should be claimed. Entrepreneurs Relief is not the incentive that Business Asset Taper Relief used to be, so capital losses, which can be carried forward indefinitely may well come in useful in future years.

Regulatory Changes in Employment and Insolvency

The following is a summary of the main regulatory changes likely to affect you and your business, that come into effect early this year. For a full list, please go to www.businesslink.gov.uk and search for 'regulation update'.

Employment

We have already seen a change in the amount of **Statutory Redundancy Pay** as well as the increase in tribunal awards. Since 1 February, redundancy pay has increased to a maximum of £350 per week.

A key change for employers will be the end of the **Statutory Dismissal Procedure**, to be replaced

by a new approach using the revised ACAS code from April 2009. Businesses should obtain professional advice on their discipline and grievance process to see that they comply with the new requirements and make them easier to understand, now that a less structured approach is required.

The leisure and hospitality industry needs to keep a careful watch out for the implementation of changes during the year in relation to the use of tips. The **National Minimum Wage** rules will be changed to stop tips being included in staff wages. The Government will also implement changes in the penalties for failure to pay the National Minimum Wage so businesses that operate wage rates close to the limit will need to ensure that they interpret the regulations on what can and cannot be included, otherwise they may face more robust and costly action from the enforcement agency.

Statutory holiday entitlement will increase to 5.6 weeks (28 days for those who work a 5 day week) on 1 April 2009. Don't forget that bank holidays are still not compulsory, but, if you do give bank holidays, add those to the other contractual ones

given and provided it comes to 5.6 weeks then you are fine. On 6 April 2009, the **Statutory Sick Pay** rate increases to £79.15.

April 2009 will also see the implementation of an extended right to take time off for civic duties, although the roles envisaged are unlikely to affect large numbers of employees.

On 5 April 2009, the standard rate of pay for **maternity, paternity and adoption leave** will increase to £123.06 a week. In addition, the right

to request **flexible working** is extended to parents who have children aged 16 or under from 1 April 2009. It is crucial to remember that this is not a right to flexible working, but a right to ask for it. As an employer, you can refuse, but you should always take professional advice to ensure that the

reasons for refusal are sound legal reasons.

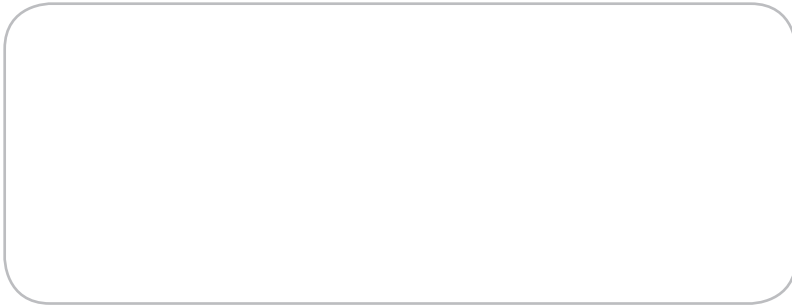
Insolvency

Debt Relief Orders (DROs) will be introduced to provide a debt remedy aimed at the financially excluded who have relatively low liabilities, little surplus income and few assets, and who are currently unable to access other forms of debt relief. DROs will be delivered in partnership with the advice sector and will be administrative rather than court-based.

Insolvency practitioners will have the discretion to decide whether an advertisement is necessary to publicise an insolvency and will be allowed greater flexibility as to what form the advertisement may take.

Various **statutory fees** that are payable in connection with bankruptcy, winding up proceedings and DROs will increase; the fee that licensed insolvency practitioners are obliged to pay will also be amended.





More help with tax payments: Extended Loss Relief

We've mentioned HMRC's Business Payment Support Service and their Time-To-Pay arrangements as a means of easing your cashflow, and it's worked well for a number of our clients. This month we look at a second scheme that may be able to help your tax payment position:

Extended Loss relief

Announced in November's Pre-Budget Report, this new relief extends the ability of all companies and unincorporated businesses that incur trading losses to carry them back against profits of earlier years to get a tax repayment.

This is effective for losses incurred in accounting periods ending between 24 November 2008 and 23 November 2009. For unincorporated businesses, the measure will have effect in relation to trading losses for tax year 2008-09.

All businesses have a number of means available to them to ensure that tax from profitable years is off-set against losses that arise in subsequent periods when times are harder:

They can offset unlimited trading losses against profits in the preceding year and thereby reclaim tax previously paid

Start-up unincorporated businesses in the early years of operation can carry trading losses back for three years

Businesses ceasing to trade can also carry trading losses back for three years

Ongoing trading losses can be offset against profits in future years

The extension will apply for one year and extend the period that current trading losses from

businesses can be carried back against previous profits, from the current one year entitlement to a period of three years, with losses being carried back against later years first.

The amount of losses that can be carried back to the preceding year is unlimited. After this, a maximum of £50,000 of the balance of unused losses is then available for carry back to the earlier two years.

Unincorporated businesses may make a loss claim under the new rules as soon as they have calculated their losses for their basis period for tax year 2008-09.

More information can be found on HMRC's website, or speak to your usual advisor on 01582 540800.

FAX BACK 01582 480901

For more information on any of the items featured in this issue, please tick the appropriate box(es) below and fax this page to 01582 480901

- Please reserve(qty) places at Strategies for Surviving the Downturn
- I would like help with my cashflow. Please contact me to discuss
- Please send new bank details for HMRC when they are released
- Please send future issues by e-mail to
- Please amend my contact details (make any changes in the address box above)
- Please delete me from your mailing list

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