

Newsletter

August - September 2006

Contents:

1. Opening commentary
 2. The definition of an accountant and some light-hearted world news
 3. Minimum wage increases – are they unfair?
 4. Increased interest rates charged on unpaid tax
 5. Filing deadlines and important dates
 6. VAT – changes to mileage rates and the fuel scale charge
 7. Overseas property investments
 8. Age discrimination by “Jon Phillips”
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1. Opening commentary

Welcome to our August / September newsletter. This is our thirteenth issue and it marks the second anniversary of Resolve Business Solutions in Cambridge.

We would like to thank our clients, business partners, suppliers, introducers and everyone that has supported us over the last 2 years.

In this newsletter we have asked for a contribution from a new business partner in the area of HR consulting. Jon Phillips from Caliam Consulting has written section 8 for us and will contribute regularly to future newsletters, bringing useful help and advice on HR related issues.

Referrals

Remember we pay £75 for every referral that is passed to us, providing the referral becomes a client and the annual fee is greater than £600.

2. The definition of an accountant

News this month that the Republic of Ireland will give legal status to the term accountant has made the industry in Great Britain sit up and take note and may have an impact on businesses, especially those not subject to an audit.

As it stands in England, Scotland, Wales and N. Ireland, there is little to stop anyone operating as an accountant. However, it may become more difficult or even impossible for many firms and individuals in the market if everyone practicing as an "accountant" must achieve certain qualifications or be members of particular institutions.

There are many firms of chartered or chartered certified accountants. The ICAEW and ACCA hold registers of their member firms. Businesses that are not subject to an audit will be particularly affected by a change in the legislation.

Light-hearted world news:

The Institute of Chartered Accountants of India (ICAI) is finalising a proposal that gives its members a dress code! It says that the dress code could be long sleeve shirts, suits, ties and shoes. Flamboyant is definitely not what it has in mind.

In Libya, companies agree their annual tax liabilities in some cases through bargaining with the government. This sounds like great fun, but we are sure that after a short time it might prove tedious!

3. Minimum wage increases – are they unfair?

With five weeks to go until another above inflation rise in the national minimum wage, HMRC recently published a list of excuses used by employers for not paying workers the minimum allowable rate of pay. Whilst excuses such as "he's disabled" and "he doesn't deserve it" cannot be condoned, they do show that the minimum wage is having too heavy an effect on businesses.

Accountants have already expressed their views on the issue. Many complain that as minimum wage levels rise, so do employers' national insurance bills. Some argue the only way the low paid will benefit is if the personal allowance and national insurance threshold is raised, while business members complain that minimum wage hikes have forced them to cut jobs or raise customer charges. A director of a care home, for example, said he has had to resort to charging private residents more than local authority residents to absorb the pressure of increased staff costs.

4. Increased interest rates charged on unpaid tax

The rates of interest (ROI) on unpaid tax (and allowed on overpayments) have been increased to reflect higher rates in the economy as a whole. The new rates take effect from 6 September 2006.

Taxes on personal income

The rate charged on unpaid income tax, CGT and Class 4 NIC will rise from 6.5% to 7.5%. This also applies to investigation settlements, tax credits overpaid and NIC not remitted by the employer by 19 April following the tax year end.

The rate allowed on overpayments relating to these items will rise from 2.25% to 3%.

Company payments

The ROI applicable to underpaid ACT and income tax on company payments which became due on or after 13 October 1999 will rise from 5% to 5.75%. The ROI on income tax on company payments which became due on or after 14 October 1999 will rise from 6.5% to 7.5%.

Corporation Tax

For CTSA (accounting periods ending on or after 1 July 1999) the ROI on unpaid tax will rise from 6.5% to 7.5%. Interest will be payable on overpayments at 4%, from 3%.

Inheritance Tax

The ROI charged on IHT, capital transfer tax and estate duty paid late, and allowed on tax and duty overpaid will rise from 3% to 4%.

VAT and other indirect taxes

The rate of default interest will rise from 6.5% to 7.5% and the rate of statutory interest (paid in the cases of official HMRC errors) from 3% to 4%.

Stamp Duty Land Tax (SDLT)

The rate of default interest on unpaid stamp duty, SDLT and stamp duty reserve tax will rise from 6.5% to 7.5%. The rate on overpayments of these taxes will rise from 2.25 to 3%.



5. Filing deadlines and important dates

29 September 2006

This is the last day for HMRC to receive personal tax returns for 2005/06 where the taxpayer wants HMRC to calculate the tax on their behalf.

1 October 2006

The National Minimum Wage (NMW) rises to £5.35 per hour (£4.45 for employees aged between 18 and 21).

15 November 2006

The state opening of the new session of parliament will take place on this day. The centrepiece is the Gracious Speech, in which the Queen will announce the Government's legislative programme for the coming year. Financial measures announced will be reported by us in our newsletters.

30 November 2006

If we receive clients SATR information before this date we will guarantee it gets filed before 31 January 2007 and will accept responsibility for penalties that might arise due to late filing.



6. VAT – changes to mileage rates and the fuel scale charge

Business Journeys in your car or the company car:

The pence per mile on which VAT can be claimed has increased with effect from 1 July 2006. The new rates are:

Engine size	Rate per mile	
	Petrol	Diesel
Up to 1400cc	11p	10p
1401 to 2000cc	13p	10p
Over 2000cc	18p	14p

Fuel Scale VAT

Fuel Scale for VAT – increased charges came into effect for VAT quarters commencing after 1 May 2006. If you apply a fuel scale VAT calculation and need the new rates, please get in touch with us.



7. Overseas property investments

Some general issues

Investment in a property overseas requires a lot of research. Europe's attempts to standardise lots of processes and transactions across member states have not gone as far as the complexities of property acquisition at this stage.

The overall (professional) costs of buying overseas are generally higher than in the UK. For example, in some cases, not only does the purchases have to pay their own legal fees, but a percentage of the estate agents fee! Local solicitors (in the country of the property) tend to be relatively inexpensive, however, much better information and better assurances can be gained by using a UK solicitor, but there is a premium to be paid for this.

In Croatia, the typical costs for purchasing a property are:

- Tax at 5% of the purchase price (the equivalent to our SDLT)
- Notary's fees – typically £200
- Legal fees of 2% of the property price
- VAT (or the equivalent) is payable at 22% on all new properties
- Part of the agents fees will be payable
- Forming a property company speeds the process up. If this is important this will cost up to £1,500

It's not all bad news though; the use of one currency has meant that savings can be made through foreign currency dealers such as Foreign Currency Direct and HIFX.

Investors need to consider their tax positions carefully and should seek professional advice before entering into these sorts of transactions.

Property values

Firstly, the investor needs to be aware of how market information in that country is calculated or arrived at. In France, Spain and Florida for example, we are told that property values increased by 12% last year. However, we know that these figures are based on the asking prices for properties, not their final selling prices.

If the property is to be rented, then rental yields are important. In Ireland for example, rental yields are at an all time low and with three relatively poor summers in a row, the trend may not recover for a number of years. In order to cover the costs of the mortgage, taxes and other costs, this is an important consideration.

Property companies

In many countries it is faster and more efficient to purchase a property through a company. There are advantages and disadvantages to operating your overseas property like this and you should always seek professional advice before deciding on a particular course of action.

Sources of help:

The Federation of Overseas Property Developers, Agents and Consultants www.fopdac.com maintain a list of solicitors specialising in properties abroad. The law society maintains a similar list.

8. Age discrimination

From 1 October it will be unlawful to discriminate on the grounds of age in relation to, for example, recruitment, terms & conditions, dismissals and training – effectively every area of managing employees in a business!

Discrimination may take 4 forms:

1. Less favourable treatment (direct)
2. Any practice which disadvantages a particular age group (indirect)
3. Harassment
4. Victimisation

Is this political correctness gone mad? Some may say so, but there are commercial reasons why this is likely to become more critical. For example, by 2010, almost 40% of the workforce will be over 45.

Two immediate implications are that the upper age limits for redundancy and unfair dismissal will be removed and that employees will have the right to request to work beyond 65 or any retirement age set by the employer.

There are clearly further implications for businesses:

- They may need to review their recruitment advertising and procedures
- They should ensure that their managers and supervisors understand their roles in ensuring compliance, review policies in relation to, for example, redundancy payments, holiday entitlement, and financial benefits such as pensions
- They must put in place a complaint procedure to handle impending retirements up to a year before an employee's date of retirement

In effect, virtually all aspects of managing staff are affected by the new legislation, but with careful planning and consideration, businesses may use the legislation as a powerful tool to both attract and retain quality employees.

For further guidance in relation to these, or any other employment related issues, please contact Jon Phillips at Caliam Consulting Limited on 0845 241 2828 or at jon.phillips@caliamconsulting.co.uk

Disclaimer

Resolve Business Solutions are a registered firm of Chartered Accountants and advise that you seek professional advice before making decisions on tax and accounting matters that may be referred to above.