

# proactive

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SUMMER 2009

## New arrival

Tax associate Amanda Gunter gave birth to her second child, James, in April. James has already visited the office with his sister Jasmine and tried out Amanda's chair. We look forward to welcoming Amanda back later in the year.

## Queen's Birthday Honours

Tax partner Paul Aplin was awarded an OBE in the Queen's Birthday Honours List "for public service and for services to the accountancy profession". Paul has just stepped down as Chairman of the Tax Faculty of the Institute of Chartered Accountants in England and Wales, where his role involved lobbying government on tax issues. He was placed 33rd in this year's Accountancy Age magazine financial power list of people who influence tax and financial policy, one place ahead of Lord Mandelson!

Paul remains on the Institute's Council and will continue to be involved in the ICAEW's lobbying activities. He also serves on H M Revenue and Customs Administrative Burdens Advisory Board, on their Powers Implementation Oversight Forum and advises HMRC on electronic filing issues.



# We're all going on a...

...summer holiday? No, actually this is how we have been visiting some of our clients recently. Although we remain firmly rooted in Somerset we have clients across the UK, from Cornwall to Newcastle and from Scotland to the South East.

In addition to providing a range of services encompassing audit, tax, business support, corporate finance and IT advice to our existing clients, we increasingly find ourselves being asked to provide tax and internal audit services to businesses using national firms for their statutory audit.

Recently we carried out a PAYE review for a company employing over 8,000 people and we provide corporation tax compliance services to several groups with turnover in excess of £300 million.

Technology enables us to exchange information electronically wherever our clients are in the world – last month for example we advised clients as far away as Kazakhstan and Peru on their UK tax position - and to work anywhere we need to while still being connected to the office.

There is, however, no substitute for personal contact and we always endeavour to meet our clients face to face at some point in the year, wherever they happen to be. Well, almost...

# The Finance Act

The Finance Act has now put into law most of the announcements made in April's Budget. There are measures of special interest for farmers, builders, trustees and people with let property. There are also important tax planning opportunities.

Buried away in the Budget small print was the announcement of a crackdown on "false self employment" in the construction industry. The Treasury has recently set out the government's thinking. It is proposed that workers will be treated as employees for tax purposes unless they provide the plant and equipment required for the job, provide all materials, or provide other workers (and pay them). If implemented – and there will be extensive lobbying in the meantime – the measure would result in many self employed subcontractors being taxed as employees.

The new 50% income tax rate from 6th April 2010 for people earning over £150,000 was more widely publicised than the withdrawal of the personal allowance. The allowance will be withdrawn by £1 for each £2 of income over £100,000 meaning that the tax on income between £100,000 and £112,950 will effectively be at 60%. Beyond £112,950 the allowance will disappear completely. In the run up to April 2010 there may be scope to mitigate the effects of the new rate, depending on your circumstances.

The trust income tax rate will also increase to 50% next April. The impact is likely to be greatest on discretionary trusts holding shares and existing trust arrangements should be reviewed.

From 6th April 2011, higher rate tax relief for pension payments will be reduced for those earning over £150,000 with relief limited to 20% for incomes above £180,000. Anyone hoping to circumvent the change by making higher payments before 2011 will have to negotiate some very complex "anti forestalling" rules. If your income was in excess of £150,000 in any of the last three tax years you may find the amount you

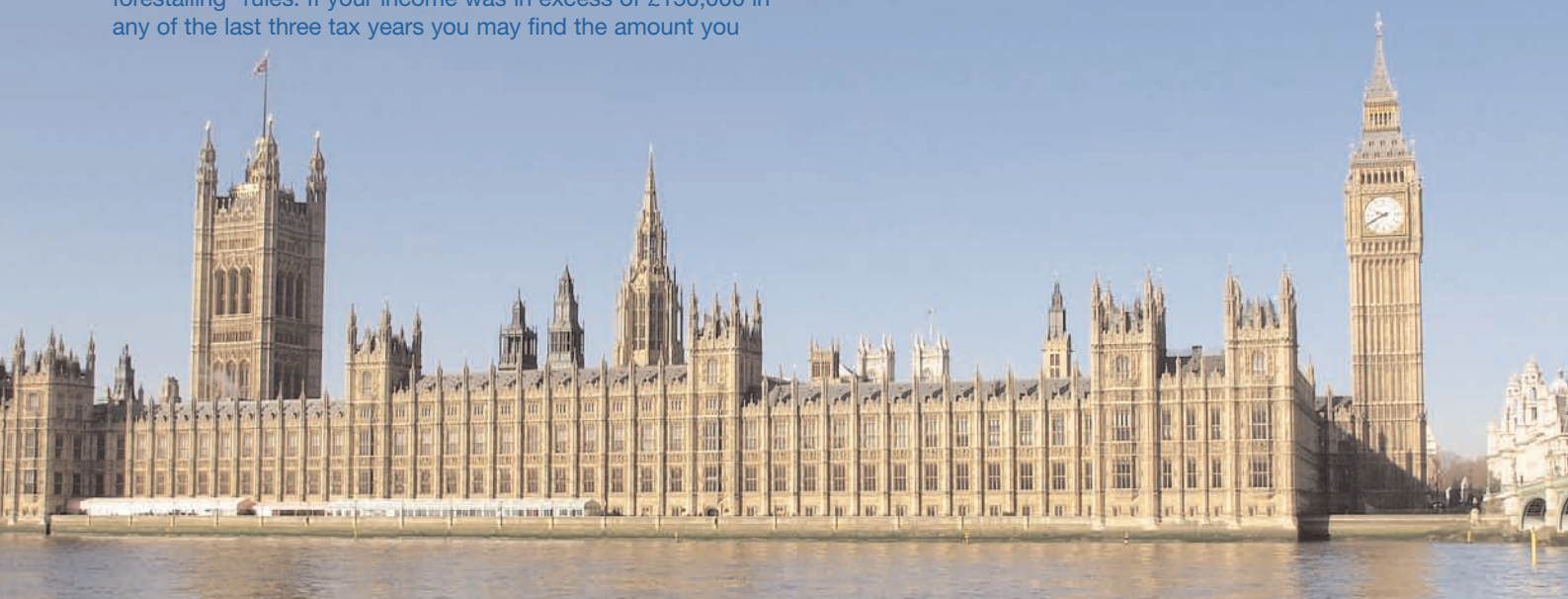
are able to obtain 40% tax relief on between now and April 2011 restricted, but it is worth checking.

The limits for Individual Savings Accounts (ISAs) will increase significantly to allow a maximum annual investment of £10,200 of which up to half can be cash. ISAs are exempt from both income tax and capital gains tax (CGT). The change will take effect from 6th October 2009 for those over 50 and from 6th April 2010 otherwise.

There was some good news for businesses. Companies showing losses in accounts years ending between 24th November 2008 and 23rd November 2010 will be able to set those losses back up to three years. The self employed – including partnerships – will also be able to set back losses from the 2008/9 and 2009/10 tax years up to three years. The amount to be set back one year is unlimited but there is a £50,000 cap for each year on the amount set back further.

In addition to the Annual Investment Allowance covering the first £50,000 of expenditure on plant and machinery (including vans), there will be a new first year allowance of 40% for acquisitions in the twelve months to April 2010.

And finally, the government has accepted that agricultural property and woodlands anywhere in the European Economic Area qualifies for IHT reliefs and for CGT hold over relief. It may be possible to make claims for relief back as far as the 2003/4 tax year.



## Furnished Holiday Lettings

The tax breaks for furnished holiday lettings (FHL) are to be extended to properties in the European Economic Area (EEA) until 6th April 2010 - but then entirely withdrawn from that date.

An FHL property must be available for letting for at least 140 days in the "season" and actually let for at least 70 days, but for not more than 30 days to the same person. A longer winter let is permitted. Losses are available for offset against other income, capital gains on sale of the property can be rolled over into the acquisition of another trading asset and gains on sale of other trading assets can be rolled over into the acquisition of an FHL property. It is also possible to claim CGT holdover relief where a property is given away. None of these reliefs apply to normal lettings.

It may now be possible to make claims going back several years in respect of let properties in the EEA. Also, if you are

considering giving an FHL property away then you may wish to do so before April 2010 to secure holdover relief.

Alternatively you may wish to consider securing rollover relief either on a sale of the property before next April or on the acquisition of a new FHL property before then. Once a capital gain has been rolled over into an FHL property, it will not crystallise until the property is disposed of.

There may also be other issues – such as IHT and the potential to maintain tax reliefs by qualifying as a trade - to consider and as always, we would be happy to advise.

## Finding finance

Obtaining finance from banks has become more difficult in the last year and if you haven't reviewed your business funding yet, this may be the time to do so.



The bank is often the first port of call, but many people do not appreciate – until it is too late - a vital distinction between overdrafts and loans. An overdraft is repayable on demand whereas a loan is secure as long as the lender's conditions are being complied with. Overdrafts are also renegotiated frequently, giving the bank more opportunities to increase the cost of the facility. In good times an overdraft is more flexible than a loan but when times are tough, it may leave the business more exposed. The usual approach is to use loan finance to fund long and medium term assets and the overdraft to fund working capital fluctuations.

Alternative sources of commercial finance include leasing and hire purchase for the acquisition of assets and factoring or invoice discounting to ease day to day cash flow by advancing the receipt of sales cash. For significant injections

of funding, the venture capital market could be considered, but the returns required by venture capitalists can be considerable and it is likely that they will also want a say in the way the business is run.

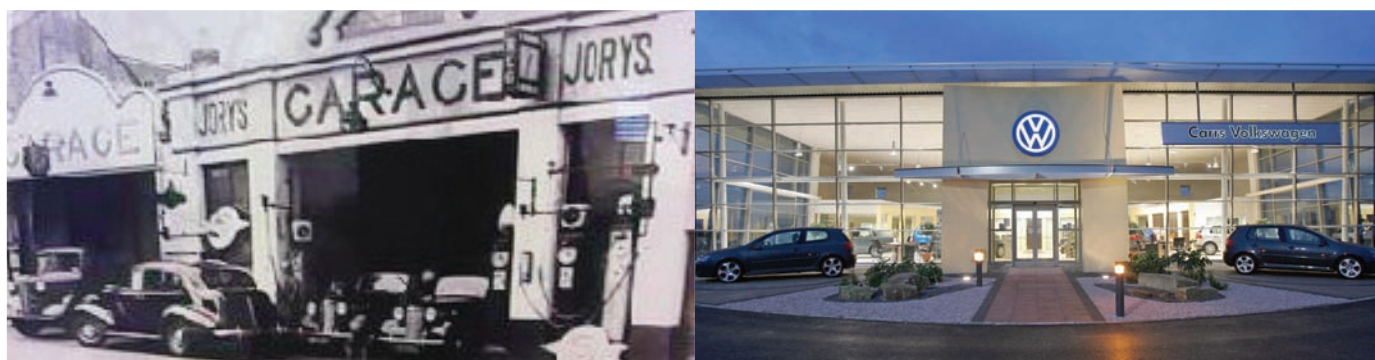
In seeking long term finance a distinction needs to be made between loans and equity. Loans will carry interest, which will impact on reported profits, but leave the business under your control. Equity – essentially shares – will not carry an interest charge (though issuing shares may lead to payment of dividends) but will potentially affect the degree of control you have. Shareholders cannot, however, call in their funds easily whereas lenders often can.

There are many factors to consider in sourcing finance and we will be pleased to guide you through them.

## Client Focus

# Helston Garages

In December 2006 we were appointed auditors to the Helston Garages group, a family owned and run business with 20 dealerships across Cornwall, Devon and Somerset. The Group supports a portfolio of brands ranging from Porsche and Ferrari to Land Rover and Volkswagen, employs over 700 people across the South West and posts a combined turnover of £300 million.



The original company, Helston Garages Limited was formed in 1960 by Mr Carr Senior who purchased Helston Garages as a filling station and repairs workshop. After completing his engineering apprenticeship, his son David returned to work at Helston Garages with his father. This resulted in David and his wife Betty purchasing the business from his father in 1975, quickly followed by the acquisition of Taunton Garages on the Bridgwater Road in 1976. This was the beginning of over 30 years of steady and controlled growth for the business. Today the Helston Garages group is firmly established as one of the top 30 motor retail groups in the country.

In addition to our role as auditors, we provide tax compliance services and transactional tax advice to the group and our corporate finance team has carried out due diligence assignments on the acquisition of new group companies.

“We chose A C Mole and Sons as our auditors and advisors after conducting an extensive review of the main South West based chartered accountants. We were looking for a firm with similar commercial values to ourselves, and for somebody who offered an extensive range of professional services that could be relied upon, and at a price we were prepared to pay. Moving to A C Mole and Sons has been good for us - we have not been disappointed.”

David Carr, Chairman, Helston Garages



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