

# proactive

Money Laundering  
So now it's our turn!  
Read more inside

SPRING 2004

## In the next Newsletter...

A C Mole & Sons student Chartered Accountant Amanda Paddick follows in the footsteps of partners Paul Kingdom and Nigel Banks by winning a prize in the Institute's examinations. Amanda will be collecting her award from the Institute's President at a special ceremony at Chartered Accountants Hall in London on 6 April.

We help the Inland Revenue launch yet another new electronic service when the revamped PAYE On Line goes live with an A C Mole & Sons client. This will be the third new service that we have been the first accountants in the UK to use. Over the past year, members of our payroll and tax teams have helped to shape the evolving new service, working closely with the Revenue to ensure that it incorporates what clients and agents want to see. The Revenue's verdict on our input? "Invaluable".

We look at how the new PAYE On Line service could net your business £825 in tax free incentives and how our payroll department could take the worry of operating a payroll from your shoulders.

Could our new Stamp Duty Land Tax service help you through the SDLT minefield? We can help with advice on transactions before you undertake them and deal with enquiries under the new regime.

Thanks to Geoff Earnshaw for the photo of Wells Cathedral



## Eastward Ho!

Although we closed our Castle Cary office in 2001, we still have many clients in East Somerset and in Dorset. We have facilities to see clients by appointment in both Castle Cary and Wells. During 2004 we intend to increase our presence at these locations both to improve the level of service we offer to existing clients and to build our client base in the area.

The regular team will have a strong tax bias, comprising tax partners Paul Aplin and Paul Kingdom, together with Amanda Gunter and Claire Earnshaw; all are Chartered Tax Advisers. Partners and staff specialising in accounts, business support and audit will supplement the regular team as necessary.

Our Wells facility is within the Sadler Street offices of financial advisers A Wills and Co, who look after the financial affairs of a growing

number of our clients. Initially we plan to base one or two members of the team there one day a fortnight, increasing to a day a week later in the year. There is already a dedicated telephone number - 01749 689200 - and the infrastructure to link us to the A C Mole & Sons computer network.

One of our clients based in Dorset - Casterbridge Tours - features on page 4.

# Money Laundering

So now it's our turn! By the time you read this the accountancy profession will have followed banks and financial advisers in having to report suspicious transactions to the National Criminal Intelligence Service (NCIS).

As you can imagine, this has caused quite a stir among us! This new layer of bureaucracy, raising questions of confidentiality and potentially putting pressure on client relationships has fuelled heated discussion around the teapot in the office kitchen. But what will it mean in practice?

The new laws came into force on 1st March 2004. From that date, we are required under the Proceeds of Crime Act 2002 to report suspicions that our clients or others have committed money-laundering offences. Non-compliance includes the threat of imprisonment. Whilst some readers may think that this is appropriate for some of us, we beg to differ!

What is money laundering? Most people think that it only relates to the proceeds of terrorist activity or drug trafficking, but the new regulations deal with the proceeds of any crime. And it is not just crime within the UK: the definition includes an act committed outside the UK, which would be a crime if it had been committed here. The three main money-laundering offences are concealment, making arrangements for, and acquiring, using or possessing criminal property.

One criminal offence of particular relevance is tax evasion.

Tax evasion must not of course be confused with tax avoidance. We have always been duty bound to do all in our power to prevent the former, but it remains perfectly legal for

us to advise clients how to do the latter. If we are aware of tax evasion, and where it is apparent that the client has no intention of correcting the problem, we are legally bound to make a report to NCIS. So if the Revenue make an error in a client's favour and the client refuses to refund it, we must report them to NCIS. This also applies, for example, to errors on VAT returns. If we fail to do so we commit a serious offence and face the risk of a jail sentence.

If we decide that a report must be made to NCIS we cannot tell the client concerned that we intend to do so, as that would constitute another criminal offence known as "tipping off".

An onerous complication arises in that there is no lower limit for reporting suspicions. Any amount, great or small, must be reported, and the Act grants us no discretion whatsoever on this point. This legislation has been introduced into all other European countries, but generally with sensible lower limits in place to stop a plethora of reports deluging the reporting offices. Representations have been made to the government on this issue, but they have fallen on deaf ears.

The new law is well meant and we fully support the government's wish to make life for criminals as tough as possible, but as usual there are far ranging consequences that were not originally intended.

How have we reacted to this new legislation?

As required by law, we have appointed one of our partners as our MLRO (Money Laundering Reporting Officer). He has set up internal procedures, so that if any partner or member of staff suspects a transaction that may involve money laundering, a report is made to him. He then has to decide whether it merits passing on to NCIS.

The change will be most noticeable to new clients, as we will now have to take steps to confirm their identity. This will mean that we will - as banks and building societies have had to do for some time - be asking for sight of passports, driving licences or utility bills.

The nature of the legislation and of its implications for the work we do will inevitably lead to some difficult situations. We hope that our clients will understand however that we have no choice but to comply with the law. The idea of five years behind bars holds little appeal...



# Child and Working Tax Credits

The end of the first claim year, 2003/04 will shortly be upon us and claimants will soon be sent annual review packs by the Inland Revenue. The aim of this exercise is to confirm current awards, recalculating income to 2003/04 levels where necessary and also to establish the basis for claims in 2004/05.

Since the first claim year began on 6th April 2003 there has been a requirement to notify certain changes of circumstances during the year rather than waiting for the annual review process. These include:

- New babies
- Changes in the make up of a family unit, i.e single person becoming part of a couple and vice versa
- Changes in hours worked where this involves crossing the 16 or 30 hours per week thresholds
- Changes in child care costs of more than £10 per week on average
- Increases to income of more than £2,500 per year

Awards which are increased as a result of changes can only be backdated by 3 months and claimants should therefore notify as soon as possible. Where awards are decreased the backdating is to the date of change but there are fines for late notification.

Those claimants who only receive the family element of child tax credits will continue to receive this (currently worth £545 p.a) unless the Revenue are advised that the entitlement has ceased. Some of these cases may require a statement of income but most will continue automatically.

In other cases the annual review pack which will be sent out after 6th April 2004 will require a reply by 30th September 2004. A declaration of income will be necessary which means that where we prepare your accounts and/or tax return, we may need your records earlier in the year. Estimates are allowed but must be followed up with actual figures by 31st January 2005. These forms will be similar to the original claim forms.

Where you have been sent a "reply-required" review pack and fail to submit it by 30th September 2004 your tax credit award will stop and you could be fined up to £300.

If you subsequently manage to submit your form by 31st January your entitlement will be backdated to 5th April and provisional payments will only be recoverable if an overpayment has arisen.

You should be aware that if you fail to submit your renewal form by 31st January 2005 you will have dropped out of the renewal process. You will need to submit a new claim which will only be backdated 3 months. All provisional payments paid between 6 April 2004 and 30 September 2004 will then be recoverable by the Inland Revenue.

## Are you claiming?

If you have children under 18 in full time education and earn less than £50,000 you are probably entitled to the family element of £545 per year. Between £50,000 and £58,000 you can probably claim some of it. The upper limit rises to £66,350 in the year of a child's birth. Families will receive extra credits where their income is below around £15,000 with one child or around £20,000 with two children.

If you are under 60, self employed and with variable profits it may benefit you to make a protective claim so that any entitlement can be backdated for periods where your profits are low enough. If you have no children you can receive credits if your income is below around £13,000.

## Do you need our help?

To prepare your accounts and tax returns we need your financial information. If we are to help you with tax credits we shall need further information about your family circumstances, such as that identified above. We cannot advise whether a claim would be appropriate unless we have a full picture.

Please let us know if you would like us to help either with an initial claim or an annual review. You could be losing money if you do nothing!



## Jenny Summerhayes

It is with great sadness that we report the death of our colleague Jenny Summerhayes. Jenny fought a determined battle against cancer and resolutely refused to allow her illness interfere with her life or her work. She will be remembered with great affection and sadly missed.

What links a haunted Edwardian former maternity hospital, 37 suitcases of excess baggage and an expedition to the North East Ridge of Everest? The answer: Sherborne based Queen's Award winning special interest tour operator Casterbridge Tours – for ten years an A. C. Mole & Sons client.

Casterbridge Tours was founded by the present Chairman, Michael Bromfield and his wife, Sharron Best, in 1979 when they purchased a former hospital in Templecombe. Their plan was to operate residential and touring educational programmes for American students. To save postage, Michael flew standby to New York with 37 suitcases containing 30,000 mailings addressed to wealthy Americans with teenage children. Sadly the mailing was too late and Casterbridge changed its focus to selling directly to schoolteachers who would recruit groups from their own schools. After such an inauspicious beginning, with a turnover of barely £5,000 in 1980, Casterbridge grew steadily, operating tours around the world exclusively for Americans and Canadians. In 2001 the company recruited 196 customised groups from North America and over 5,500 passengers; it also achieved turnover in excess of £7.5m and pre tax profits in 7 figures. A significant factor in this growth was the opening of a Sales Office in the USA in 1988.

In 2000 the Board decided that the company was too dependent on the North American market and agreed to diversify into Casterbridge's 'home' market in the UK. Now, nearly 20% of the company's turnover is generated from three UK divisions – Casterbridge School Tours, Casterbridge Concert Tours (for performing bands and orchestras) and Great Walks of the World.

But between these events came September 11th...

Few companies in Britain were so exposed: over 99% of Casterbridge's income then came from the North American travel market. Every penny of expenditure was reviewed – all staff,

including Non Executive Directors, took turns to replace the contract cleaners. The company survived and was on course to recover well in 2003 until the Iraq War, which saw requests for cancellations from over half the company's 165 American groups!

In 2002 the reward of the Queen's Award for Enterprise (Casterbridge was only the fifth UK Tour Operator to be so recognised) was a timely boost for staff morale, as was a lengthy visit from their Royal Highnesses, Prince Edward and Sophie, Countess of Wessex, in March 2003 to the company's Sherborne headquarters.

"Ian Pinder and the A C Mole & Sons team have been involved in providing advice at key stages of the company's development in the last decade, including a recent share restructuring. The company and its shareholders, thanks to this input, have always managed their affairs as tax efficiently as possible."

Michael Bromfield – March 2004

A. C. Mole & Sons are associated with a range of unusual innovative and successful companies - and Casterbridge certainly meets all three criteria!

In many ways Casterbridge is a classic company case study – evolving from a Mom and Pop business to an International company. In other ways it is highly unusual, with its innovative approach to selling into a niche overseas market from rural Somerset. Its commercial success is backed by sound financial discipline: Casterbridge has not utilised an overdraft facility for over ten years, managing to trade successfully and pay dividends with a strong cash flow.



And the North East Ridge of Everest? Casterbridge's Great Walks of the World division is operating a once in a lifetime 30 day visit to Tibet this coming October. This is for fit walkers (not climbers) and, after a circumnavigation of the Holy Mount Kailash, the group will trek past Everest Base Camp and Advanced Base Camp (Used by Mallory and Irvine's expedition to Everest in 1924) to the very foot of the North East Ridge of Everest at 6,500m. If you are fit and are interested, check out the Great Walks website at [www.greatwalks.net](http://www.greatwalks.net)

Casterbridge Tours Chairman Michael Bromfield with Mount Everest in the background