

Business Briefing Seminar

Tuesday 17 May 2011

The Haycock Hotel, Wansford near Peterborough PE8 6JA



Agenda

7.30 - 7.50am Registration & Breakfast

8.00 am Introduction, Chris Collier, Senior Partner, Rawlinsons Chartered Accountants

8.05 am Employment Law Update

Tim Thompson, Partner, Hegarty LLP Solicitors

Employment law legislation has seen a lot of changes in the last year, some you will be more familiar with than others. Tim will outline some of the most recent changes that affect your business, including the Agency Workers' Regulations and removal of the Default Retirement Age.

8.25 am Topical Tax Update

Ken Craig, Partner, Rawlinsons Chartered Accountants

Never have tax, national insurance and pensions been so much in the news. Ken will review how changes in these areas will affect you, your business and your employees and will offer planning opportunities to mitigate increased liabilities.

8.45 am Business Property Relief

Joanna Grewer, Associate Solicitor, Hegarty LLP Solicitors

Jo will advise as to the availability of Business Property Relief and how this can apply to reduce the value of a lifetime gift and an estate when dealing with any liability to Inheritance Tax.

9.05 am Questions & Answers

9.15 am Briefing Finishes

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Rawlinsons looks after the financial and fiscal needs of over 3,000 clients with some associations going back over several generations. Relationships have been built on trust and understanding, through the provision of cost effective, timely and relevant advice.

At Rawlinsons we know that effective accountancy is about working closely with clients - getting to know you and your business. We provide everything you would expect from a large firm but we are a local independent practice so you enjoy the added benefit of our personal attention. We deal with a wide diversity of sectors, from charities to professional practices and our skills range from audit and tax mitigation to due diligence work and business valuations. Building close relationships with clients enables us to offer sound, practical advice. When you ask Rawlinsons to take care of your affairs you are effectively appointing a strategic business partner. A partner who is as focussed on your success as you are.

PROFILES OF SPEAKERS



Chris Collier FCA CTA – Senior Partner

Chris Collier joined Rawlinsons in 1967 and qualified as a Chartered Accountant in 1972 and as a Chartered Tax Adviser in 1974, the same year he became Partner. He acts for many owner-managed businesses of all sizes and his consultancy includes reviewing their strategic development and business plans, business purchases and sale of private companies. Chris is also a Director of Rawlinsons P.I.P. Limited.

Chris is a regular speaker at seminars and is also recognised by The Law Society as an expert witness. Chris, who became senior partner in 1999, follows Denis Rawlinson's example, encouraging Rawlinsons to be involved in the community. He is a founder member of the NSPCC Peterborough Business Support Group, holding the role of Chairman since 1998. Within his role of Chairman he regularly visits and talks to prospective Business Support Groups and has been as far as Belfast and Southampton. He is also a past member of the Soke Round Table of which he was Chairman in 1983/84.

In his spare time he enjoys spending time with his 2 children, reading, playing golf and enjoys watching most sports.

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PROFILES OF SPEAKERS



Ken Craig BA (Hons) FCCA CTA – Partner

Ken graduated in 1987 with a BA (Hons) in European Finance & Accounting from Leeds and a Diplom Betriebswirt from Bremen, Germany. He joined Rawlinsons in 1988 and qualified with the Association of Chartered Certified Accountants in 1993 and with the Chartered Institute of Taxation in 1994, becoming an associate in 1998 and a partner in 2002.

Ken is a Chartered Tax Adviser and works with a wide range of clients throughout the UK and abroad, assisting partnerships, companies and individuals with their accounting and tax affairs and helping them to start up and to plan and mitigate tax liabilities more effectively. In addition, he has specialist knowledge of medical practices and is a member of AISMA (Association of Independent Medical Accountants).

Ken is a regular seminar presenter, contributes articles to the business pages of the local press and magazines and is the business and money 'expert' on Peterborough's local radio stations.

Ken is a member of the Rotary Club of Peterborough, a governor of the Peterborough and Stamford Hospitals NHS Foundation Trust and a founder member of the Peterborough (POSH) Chapter of BNI (Business Networking International). Ken's personal interests include playing golf and watching most sports.

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Over 35 years supporting local people and businesses

It's been more than 35 years since Hegarty LLP opened its doors in Peterborough. Since then we have grown in size (including opening our Stamford office in 1984) but we haven't lost our commitment to providing high levels of personal attention.

Our solicitors think big when it's appropriate, but never lose sight of your individual situation and needs. This is why over 70% of our work comes from existing clients or people they have recommended use our services.

Whether you require legal support for your business or for you as an individual or family, we offer you a diverse range of skills and knowledge covering all major areas of the law.

PROFILES OF SPEAKERS



Tim Thompson – Partner

Tim joined Richard Hegarty, who then was a sole practitioner, in 1977 and the partnership was formed in 1979. During his career he has had experience in a variety of commercial areas and has for the last ten years concentrated on employment law.

Expertise. Tim advises on a wide range of employment matters mainly for employers but does act for some employees and normally carries out his own advocacy at Employment Tribunals.

Experience. Tim provides day-to-day advice to clients on all employment law issues, such as implementing redundancies and business reorganisations, TUPE, managing employment terminations and conducting disciplinary and grievance procedures.

He has extensive experience of managing claims within the Employment Tribunal system and negotiating settlements in a practical and, wherever possible, cost effective method.

Clients. Tim acts for a range of SME's and some private individuals. Tim's clients say he provides practical, commercially sound advice putting their minds at ease with his no-nonsense approach.

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PROFILES OF SPEAKERS



Joanna Grewer (née Scales) – Associate Solicitor

After completing her training contract with the firm Jo worked for a Top 50 law firm based in the north, building on her experience of wealth management and tax planning. Jo returned to Hegartys in the spring of 2009 to enhance the firm's offering in this complex area of law.

Expertise: Wills, Inheritance Tax Planning, Wealth Management services, Trusts, Trust administration, Powers of Attorney and Probate and elderly clients' issues.

Experience. Jo has extensive experience of estate planning and advises private clients on the various issues which may include resolving tax issues and setting up trusts. Jo has significant experience of complex, high value cases and working with UK based clients who own property and/or businesses abroad and clients who reside overseas and own property and/or businesses in the UK.

Memberships: Law Society's Private Client Section & The Society of Trust and Estate Practitioners and Solicitors for the Elderly (SFE). Joanna is a co-opted Trustee of the Board of Age UK Peterborough.

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General Update in Employment Law

Tim Thompson
Partner, Hegarty LLP

The logo graphic consists of three overlapping, curved lines that form a partial circle. The top line is light blue, the middle line is a darker blue, and the bottom line is a dark red. These lines are positioned on the right side of the slide, partially overlapping the text.

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Bribery Act

Becomes law 1st July 2011

Four offences

- Bribing another
- Being bribed
- Bribing a foreign official
- Commercial organisation failing to prevent bribery
- Maximum penalty – 10 years' imprisonment or unlimited fine
- Defence: Adequate procedures

Government Guidance issued 31st March 2011

- Not one size fits all
- Doesn't stop hospitality

Six principles

- Proportionality
- Top level commitment
- Risk Assessment
- Due diligence
- Communication
- Monitoring and Review



Retirement

- Reason as a fair dismissal removed
- Last notices could be served by 6th April 2011
- Performance or Some Other Substantial Reason
- Better record keeping
- Better monitoring
- Open culture
- Await Government guidance

Additional Paternity Leave

- Effective for children born after 3rd April 2011
- Father must be employed continuously for 26 weeks up to 15 weeks prior to the expected week of confinement
- It is in addition to the two weeks' existing Paternity Leave
- Must remain in employment up to commencement of Paternity Leave

Additional Paternity Leave

- Must be biological father or married to or partner of mother or civil partner of child's mother
- Must have or expect to have main responsibility for care of the child
- Time off must be to take care of the child
- Applies to Adoption as well
- Mother must be entitled to Maternity Leave and have returned to work
- Potential for father to receive balance of Statutory Maternity Pay which the mother would have received had she remained off for the full 39 weeks of her paid Maternity Leave

Equality Act 2010

- Consolidates the Discrimination legislation
- Widens definition of Disability
- Associate discrimination
- Affects pre-employment medical questionnaires
- Possible removal of third party discrimination

Round Up

- Agency Workers Regulations 2010
- Minimum wage now £5.93 from 1st October increase to £6.08
- 18 – 20 rate £4.92, increase to £4.98
- 16 – 17 rate £3.64, increase to £3.68
- Statutory Maternity Pay £128.73
- Statutory Sick Pay £81.60

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Topical Tax Issues

Ken Craig BA(Hons) FCCA CTA

Partner

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Personal Allowances and Rate Bands

2011/2012

Personal allowance £7,475 (increase of £1,000 from 2010/11)

Basic rate band to £35,000 (reduction of £2,400 from 2010/11)

Overall a 40% tax payer is worse off by £80



Personal Allowances and Rate Bands

2012/2013

Personal allowance £8,105 (increase of £630)

Basic rate band to £34,370 (reduction of £630)

Overall a 40% tax payer is better off by £126



Personal Allowances and Rate Bands

- Personal allowance reduction at £100,000
- Personal allowance lost at 'adjusted net income' of £114,950
- 50% tax rate where taxable income exceeds £150,000



Reduction of the Personal Allowance

‘Adjusted net income’ is total income less:

- trading losses
- allowable interest
- pension contributions made gross
- grossed up pension contributions paid net
- grossed up Gift Aid donations

Personal allowance withdrawn at the rate of £1 for every £2 of excess income



The 50% Tax Rate – What can be done?

- Income shifting
 - Jones v Garnett
 - Government consultation
 - What still works?
 - Investment income
- Pension contributions
- Gift Aid donations
- EIS and VCT reliefs



The 50% Tax Rate – What can be done?

- Partnership
- Incorporation
- Company in partnership



NICs for 2011/12

- Primary threshold £139 / week (£7,225 p.a.)
- Lower earnings limit £102 / week (5,304 p.a.)
- Upper earnings limit £817 / week (£42,475 p.a.)
- Class 1 for standard rated employees 12%
- Earnings above upper limit incur additional charge of 2%
- Employer rate at 13.8% on earnings over £136 / week (£7,072 p.a.)



NICs for 2011/12

- Class 1A - 13.8%
- Class 1B - 13.8%
- Class 2 - £2.50 / week. Small earnings exception of £5,315
- Class 3 - £12.60 / week
- Class 4 - 9% on profits between £7,225 and £42,475
- 2% on profits above £42,475



Salary Sacrifice

- Mobile telephones
- Training costs
- Employer supported childcare
- Pension contributions
- **WARNING** – getting it wrong can be expensive!



Salary Sacrifice : Training Costs

- Failure of employees to get tax relief
- “Wholly, exclusively and necessarily in performance of duties”
- More generous rules for employers
- Savings for both employee and employer



Salary Sacrifice : Employer supported childcare

- Tax relief and NIC exemption
- Changes from 6 April 2011
- Evening out of tax saving for all employees
- Changes apply to anyone joining a scheme from 6 April 2011
- Anyone in a scheme at 5 April 2011 is unaffected



Childcare Vouchers – exempt amounts for employees who join from 6 April 2011

	Basic rate	40% rate	50% rate
Weekly	£55	£28	£22
Monthly	£243	£124	£97
Yearly	£2,915	£1,484	£1,166



Employees in an existing scheme at 5 April 2011

- Can receive the following amounts whatever their tax rate:

Weekly £55

Monthly £243

Yearly £2,915



Basic earnings assessment

- Carried out by employer for any employee joining scheme from 6 April 2011
- Made annually at start of tax year (or when employee joins scheme)
- Remains valid for tax year
- Assessment reflects income from the employment (and ignores any other employment)
- Include personal allowance
- Include
 - basic pay
 - contractual or guaranteed bonuses
 - taxable benefits
- Exclude
 - performance related or discretionary bonuses
 - overtime
 - exempt earnings and benefits



Salary Sacrifice : Pension Contributions

- Employee takes pay cut equivalent to their contribution
- Addition of employer saving?



Pension Scheme Regime

Lifetime Allowance:

2011/12 £1.8 million

2012/13 £1.5 million

Annual Allowance:

2011/12 £50,000



Unused annual allowance carry forward

- Annual allowance not fully utilized can be carried forward for 3 years
- Use on a FIFO basis
- Applies to 2008/9, 2009/10 and 2010/11



Illustration:

	Pension paid	Actual limit	Deemed limit	c/fwd
	£	£	£	£
2008/9	28,000	235,000	50,000	22,000
2009/10	30,000	245,000	50,000	20,000
2010/11	35,000	255,000	50,000	15,000

So annual allowance for 2011/12 is $£50,000 + £57,000 = £107,000$
 If pension paid of £60,000, relief is available in full, but £12,000 of the 2008/9 unused annual allowance is lost.



Unused annual allowance carry forward

For 2008/9 and 2009/10 it is only possible to carry forward allowance not used in a later tax year:

E.g. Pensions paid:

2008/9	£40,000
2009/10	£70,000
2010/11	£45,000

The unused annual allowance of £10,000 for 2008/9 is treated as utilized in 2009/10. The 2010/11 unused annual allowance of £5,000 is still available for carry forward.



Defined benefit schemes from 6 April 2011

- Contribution value is 16 (previously 10) times the increase in the annual pension entitlement
- Can have some dramatic tax charges
- If the tax charge is more than £2,000 then, by election, it can be deducted from pension pot. Otherwise pay under self assessment or through PAYE code



Illustration

- Salary £50,000; other income £20,000; 25 years' service
- Pension = $\frac{25}{60} = £20,833$ p.a. reduced by inflation (say 3%) to £21,458
- Salary increase of £10,000 therefore pension $\frac{26}{60} \times £60,000 = £26,000$
- Increase = £26,000 - £21,458 = £4,542
- Contribution value = $16 \times £4,542 = £72,672$
- Charge = £72,672 - £50,000 = £22,672 @ 40% = £9,069



Company Cars and Fuel

- List price cap of £80,000 is removed
- Car fuel benefit is calculated by applying car percentages to £18,800
- Future changes to the bands



Authorized mileage rates

First 10,000 miles	45p (from 6 April 2011)
Excess	25p



PAYE on payments after leaving, or for new employees with no form P45 from 6 April 2011

- no longer taxed at basic rate
- instead normal marginal rates of tax to apply as if individual had no allowances



ISA limits

- £10,680
- £5,340 cash ISA within overall limit above
- Junior ISA of £3,000 from 1 November 2011





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Rawlinsons - Where people count



Inheritance Tax and Business Property Relief

Joanna Grewer, Associate Solicitor

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Inheritance Tax overview

- Chargeable on lifetime transfers & on death
- Exemptions
 - Spouse / Civil Partner
 - Small gifts - £250
 - Annual - £3,000
 - Gifts on marriage
 - Normal Expenditure out of income
 - Dependent relative
 - Charities and Political Parties

Inheritance Tax overview

- Threshold - £325,000, frozen to 5 April 2015
- Transferable NRB introduced from 9 October 2007

Inheritance Tax overview

- Lifetime
 - into trust generally chargeable
 - outright gifts – potentially exempt transfers
- Reliefs e.g Agricultural Property Relief ('APR') & Business Property Relief ('BPR')

What is a business?

- No statutory definition
- Clearly must be carried on for profit
- Does not qualify for BPR if it is wholly or mainly dealing in securities, land or holding investments – in other words it needs to be a trading company

What qualifies for BPR?

6 categories of “relevant business property”

- 1) a business or an interest in a business
- 2) unquoted securities in a company giving control
- 3) unquoted shares in a company
- 4) Quoted shares giving control of a company

What qualifies for BPR?

- 5) land, buildings, machinery or plant used for the purposes of a business carried on by a company controlled by the person making the gift or by a partnership of which he is a partner
- 6) land, buildings, machinery or plant used by a business carried on by the person making the gift which is part of a trust of which that person is entitled to the income

Qualifying period of ownership

- Must have been owned by the person making the transfer (gift) throughout the two years immediately prior to the transfer
- The condition may be met in some instances where property is inherited or replaced

What is the relief?

100% rate applies to:-

- Interest in a business
- Unquoted securities giving control
- Unquoted shares in a company

50% rate applies to:-

- Quoted shares giving control
- Land etc used in a business
- Land etc used in the business of a life tenant

Traps

- Excepted assets do not attract BPR, e.g a company owns a let residential property; too much cash held for the future use of the business
- Existence of binding contract to sell the shares
- If gifted, die within 7 years, recipient still has to own the gifted asset at date of death of the person making gift
- If gifting in Will ensure there are no pre-emption rights

Planning points

- Consider gifting whilst favourable IHT treatment – ‘freeze’ the value of the gift
- Generally gifts into trust attract hold over relief for CGT
- Will
 - gift to discretionary trust – 2 year - window
 - ensure powers to run business

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