



## AUTUMN NEWSLETTER

### October Changes

This autumn the month of October is clearly in fashion as 1 October 2009 heralds a number of changes of interest to individuals and businesses alike.

#### For savers

From 6 October 2009 those aged 50 or over will be able to increase the level of investments in ISAs to £10,200 from the existing £7,200. The increased limit will be available to all from 6 April 2010. The maximum cash investment within the overall limit of £10,200 rises from £3,600 to £5,100.

#### For employers

It brings an increase to both the National Minimum Wage (NMW) rates and to the maximum wage used for statutory redundancy pay calculations.

The NMW for workers aged 22 and over increases to £5.80 per hour from £5.73. For 18 to 21 year olds it increases to £4.83 from £4.77 per hour and for 16 to 17 year olds increases to £3.57 per hour from £3.53.

The weekly wage limit for calculating statutory redundancy pay is normally increased annually, at the beginning of February. However, as well as the increase which occurred on 1 February 2009, a further rise in the limit from £350 to £380 was announced in the Budget 2009. The increase is to apply from 1 October 2009 instead of 1 February 2010, four months earlier than usual.

#### For companies

1 October 2009 also represents the final stage of implementation for the Companies Act 2006. A comprehensive summary is available from our website at [www.bulleydavey.co.uk](http://www.bulleydavey.co.uk).

### New Partner – Brad Revell

**We are delighted to announce the appointment of Brad Revell as a new partner based at our Peterborough office.**

Brad qualified as a Chartered Accountant in 1995. He trained as an auditor in London with a large international practice before moving to the East Midlands to focus on corporate finance work, principally management buy-outs and company sales. His experience includes a secondment to New Zealand where he specialised in advising clients in the food and beverage sector, particularly the burgeoning New Zealand wine sector, on corporate finance and business strategy.

For the last 5 years Brad has been based back in the UK where he has focused on providing pragmatic and commercial advice to owner managed businesses across a number of different sectors. His main areas of expertise are accounts, audit, business advice and strategy, business plans, business funding and succession and exit planning for owner managers.

We are confident that Brad's appointment will bring significant benefits to our Peterborough based clients and also clients of our other offices where Brad's specialist skills can be utilised.



### Associates Appointed

See the back page for details of the appointment of Simon Mason, Rachel Ward and Rachael Dudley as Associates.

# Increasing the flow

**Effective cashflow management is as critical to business survival as providing services or products. Below are some of the key methods to help reduce the time gap between expenditure and receipt of income.**

## Customer management

- Define a credit policy that clearly sets out your standard payment terms.
- Issue invoices promptly.
- Consider offering discounts for prompt payment.
- Compile an aged debtor list to identify specific invoices that are overdue.
- Implement a process for chasing outstanding payments - this could involve a reminder letter, followed by a telephone call.
- Calculate the "debtor days" so that you can monitor your business's overall performance in collecting debts month by month.
- Consider exercising your right to charge penalty interest for late payment.
- Negotiate deposits or staged payments for large contracts.
- Sell your invoices to a third party in return for a percentage of the total.

## Supplier management

Considering alternative suppliers who may provide goods or services at a lower cost is not always beneficial to the business. Cost reviews are of course essential to ensure the business is spending its money competitively. Information

about lower costs can be used as a

negotiating tool with existing suppliers but service and quality are also key aspects of supplier management.

It is no good for example changing telephone suppliers if the level of service causes business disruption. Instead consider the following:

- Negotiate better terms of settlement with suppliers.
- Discuss with your key suppliers ways to reduce overall costs through the size or timing of orders. Giving your suppliers incentives such as large or regular orders may help but make sure you have a market for the orders you are placing.
- Alternatively consider reducing stock levels and using just-in-time systems.

## Asset management

Buying plant such as equipment and vehicles outright can result in a huge drain on cash so consider alternatives such as leasing or buying them on hire purchase.

If you are VAT registered and you do decide to buy a major piece of plant, consider buying at the end rather than the start of a VAT period. This can improve cashflow because the VAT outlay on such purchases, which is generally recoverable, can then be set against the VAT you need to account for on your sales, thus reducing the net VAT liability payment.

## Taxation management

You may be liable for several different taxes including PAYE, income tax, corporation tax and VAT. It is essential to keep good records to help you calculate your liability and complete your returns accurately. This is vital not only for cashflow management but to avoid further costs in the form of HMRC penalties!

A Business Payment Support Service (BPSS) has been launched by HMRC to help businesses struggling to meet tax, national insurance or other payments owed to HMRC. HMRC staff will review your situation and discuss temporary instalment payment arrangements tailored to your business circumstances.

If you are concerned that you may not be able to pay amounts that are owed or will soon be owed to HMRC, you can either contact the BPSS direct or contact us for assistance on how it can operate.

## Last chance saloon

HMRC have now published details of the new disclosure initiative, announced provisionally in the Budget 2009. This 'New Disclosure Opportunity' (NDO) is aimed at taxpayers who have undeclared income and gains from offshore accounts and assets. An incentive of capping any additional penalty at 10% is offered in exchange for full voluntary disclosure and settlement of any tax liabilities. In fact no penalty will apply where the outstanding tax does not exceed £1000.

A previous opportunity in 2007 that allowed taxpayers to settle tax arrears on undeclared offshore income also attracted an additional penalty of only 10%. At the time of that amnesty, HMRC wrote to certain taxpayers offering the 10% rate as a result of information they had managed to obtain about account holders of offshore bank accounts with five of the High Street banks (Lloyds TSB, HBOS, HSBC, Barclays and RBS). The potential threat of being found out prompted tens of thousands of individuals to disclose with a resulting yield of £400m to HMRC.

## So why a second opportunity?

HMRC and other foreign tax authorities have worked hard over the last few years to increase co-operation in an attempt to further reduce tax evasion. It is reported that HMRC now have authority to seek information about offshore assets and accounts from a much wider range and volume of financial institutions (other banks, building societies and brokers) than previously. This increases the odds in their favour of identifying undeclared income and gains.

## Higher penalties

The 10% penalty restriction will not apply to those to whom either HMRC or the banks wrote in 2007 and who chose not to disclose at that time. Instead those individuals who now make a full disclosure will attract a penalty of 20%.

If a taxpayer does not disclose it is clear that HMRC intend to use the full extent of their enhanced powers to identify defaulters and to vigorously pursue all outstanding liabilities. In such cases the minimum penalty level is expected to be 30% rising potentially to 100%.

The NDO will run from 1 September 2009 until 12 March 2010. However taxpayers need to notify their intention to disclose by 30 November 2009.

The actual disclosure must then be submitted:

- on paper between 1 September 2009 and 31 January 2010 or
- electronically from 1 October 2009 to 12 March 2010.



# Happy Homes??

**The press focus on MPs second homes earlier in the year has thrust the capital gains tax (CGT) position on the sale of homes generally into the limelight, so what does tax law actually allow?**

First, to be exempt the property must not have been purchased for the sole reason of making a profit and, second, the dwelling must be an individual's only or main residence throughout the period of ownership.

The exemption is for one property per person or married couple (including a registered civil partnership) only; so if another residence is acquired an election can be made as to which property is to qualify and which is not. The election can be made within two years of a change in the number of residences available.

For example in a situation where, on marriage, each party owns his or her own property, an election can be made within two years of the marriage as to which residence is the main qualifying one. As many couples are unaware of the need for an election to be made, they miss the cut off date. In that situation HMRC and not the couple have the right to decide which property is exempt based on the facts presented.

## Is it ever possible for two properties to be eligible for exemption?

The answer is potentially yes because where an owner does actually reside in more than one property for some time during the period of ownership, the last three years of ownership is generally treated as exempt as well as any period of actual occupation as a main residence. In some cases that will mean that the entire gain on both residences is exempt.

### Example

Charles has owned a main residence in Leicestershire for the last eight years. Fed up with commuting he buys a flat in central London and elects for this to be his main residence. Exactly five years later he sells his home in Leicestershire. This is exempt for the first eight years as it was his main residence and for the last three years of ownership. So 11/13 of the gain will be exempt from capital gains tax. If, two years later, he sells the London flat and moves elsewhere, the whole of that gain will be exempt.

The main residence exemption can be complex and often causes a good deal of misunderstanding. This article only deals with one aspect. There are further considerations such as:

- selling off part of the garden;
- restricting the exemption on properties with large grounds;
- using part of the property for another purpose; and
- letting out part/the whole of the property for periods during ownership.

It is strongly recommended that you contact us for further advice before carrying out transactions in property.

## Ten step guide to preventing and detecting fraud

The risk of fraud to businesses is at its greatest in times of economic downturn. Big companies can be badly shaken by fraud; small ones can be destroyed.

Given the wide range of fraud that can be committed, what steps could you take to minimise the risk of fraud being perpetrated within your organisation?

Consider these top ten tips for detecting and preventing fraud.

1. Begin by recruiting the right people to work in your organisation. Make sure that you check out references properly and ensure that any temporary staff are also vetted, particularly if they are to work in key areas.
2. Ensure that you have a clear policy that fraud will not be tolerated within the organisation
3. Consider which areas of your organisation could be at risk, then plan and implement appropriate defences.
4. Target the areas where most of your revenue comes from and where most of your costs lie. Develop some simple systems of internal control to defend these areas. Effective controls include:
  - segregating duties
  - supervision and review
  - arithmetical checks
  - accounting comparisons
  - authorisation and approval
  - physical controls and counts.
5. Wherever possible avoid having only one person responsible for controlling an entire area of the organisation.

and ensure that this is communicated to all staff.

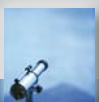
This in particular includes the accounting function but will also include other key areas. For example, ordering goods, stock control and despatch in a business where stock includes attractive consumer goods.

6. Always retain a degree of control over the key accounting functions of your business. Do not pre-sign blank cheques other than in exceptional circumstances and ensure that the corresponding invoices are presented with the cheques.
7. Be on the lookout for unusual requests from staff involved in the accounting function.
8. Watch out for employees who are overly protective of their role - they may have something to hide. Similarly watch out for disaffected employees who might be bearing a grudge

or those whose circumstances change for the worse or inexplicably for the better!

9. Watch out for any notable change in cashflow when an employee is away from the office, for example on holiday or through sickness. This could be an indicator of fraud.
10. Prepare budgets and monthly management accounts and compare these against your actual results so that you are aware of variances. Taking prompt investigative action where variances arise could make all the difference by closing the window of opportunity afforded to fraudsters.

If you require any assistance in protecting your business please contact us.



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# Appointment of Associates

It is with great pleasure that we announce the appointment of Rachael Dudley, Simon Mason and Rachel Ward to the position of Associates within the Firm. This new position represents a significant career advancement, which we believe will result in considerable benefits for both the firm and its clients.

## Rachael Dudley

Rachael joined Bulley Davey in August 2001, having trained with a local accountancy practice. She qualified as a Chartered Certified Accountant in 2002.

Rachael has a wealth of experience within a general practice role dealing with individuals, sole traders, partnerships and small to medium owner managed companies on both accounting and taxation matters. More specifically Rachael enjoys assisting with the provision of management information through implementing successful reporting systems, often using Sage, improving the information available to businesses on a regular basis.



## Simon Mason

Simon qualified as a Chartered Accountant in 2004, having previously studied Accountancy at the University of Hull. He has been based in the Oundle office since qualifying and joined Bulley Davey from a large regional firm of Accountants based in Norfolk.

Simon specialises in advising family owned businesses and heads a team which provides a comprehensive annual accounting and tax compliance service, forecasting and management accounts, together with bookkeeping software advice and implementation for businesses.



## Rachel Ward

Rachel trained as an accountant in practice and has worked for both national and large regional firms. She qualified as a Chartered Certified Accountant in 2002 and joined the team at Bulley Davey in 2007.

Rachel has extensive experience in the audit field and has been involved in complex assignments involving corporate accounting and disclosures, solicitors' assignments, and other large unincorporated businesses. She now specialises in corporate audit and assurance assignments. Rachel is based at our Peterborough office and is plays a key role in the management of the firm's audit function.



## Race for Life 2009

Our congratulations go to the two teams of ladies that represented the firm in this year's Race for Life fundraising events at Peterborough in aid of Cancer Research. Adele Chapman, Alison Day, Laura Green, Helen Jex and Mandy Webb of our Spalding office took part on 30th June. Lisa Adams, Maggy Chapman, Allison Davies and Annette Gedney of our

Oundle office participated in the 1st July event. Generous donations from clients, colleagues, family and friends enabled the ladies to raise a total of £1,200 between them.

