

Newsletter



Andrew Webster
Limited

Budget 2005

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Gordon Brown delivered his ninth budget as Chancellor on Wednesday the 16th of March. This pre-election budget was very light of new rules and regulations. This was a change from the last few years, where amongst other things the new non-corporate dividend distribution rules and pre-owned assets rules for inheritance tax were introduced.

It is generally considered that the budget was geared to be election friendly. There has been the usual increase in tax rates, duties and state benefits. The Inheritance tax band was increased but it is generally considered not enough with the soaring house prices in the last few years.

The two major changes were the increase of the 0% stamp duty rate to £120,000 from £60,000 for properties and the removal of the commercial disadvantaged development zones, which gave beneficial treatment for stamp duty in designated areas.

Other points to note are:

- ♣ ISA limits have been frozen (as they were due to fall) and extended to 5 April 2010.

- ♣ Research Institution spinout companies can now elect to not have any income tax and national insurance applied to the value that flows to the employees until the company is successful.

- ♣ For Businesses & Companies, the VAT registration threshold up from £58,000 to £60,000 from 1 April 2005 (deregistration limit up from £56,000 to £58,000).

- ♣ For Inheritance Tax, the Nil rate band up from £263,000 in 2004/05 to £275,000 in 2005/06, £285,000 in 2006/07 and £300,000 in 2007/08.

- ♣ For Pensioners, Council tax refund of £200 for households with someone over 65, to be made at same time as 2005 Winter Fuel Payment, and free off peak local area bus travel for over 60's from April 2006.

- ♣ Anti Avoidance Measures extended to prevent "exploitation" of double taxation agreements to avoid UK Capital Gains Tax, and to close down several identified "schemes".

In essence, the budget was very much inline with a pre-election budget. We will have a Finance Bill between now and the general election. This is expected to be published on Maundy Thursday for the second year running.

Nonetheless, here's to a Happy Easter!

Newsflash...

We are pleased to announce the launch of the South African Edition of WebsterAccounts – our professional Online Accounting Service.

The Launch took place at the scenic Johannesburg Country Club on the 17th of March 2005.

Andrew Webster, Managing Director and founder of WebsterAccounts flew down to Johannesburg for the launch.

Details of the launch will be available in the next newsletter.

KEY DATES

- **March 2005**
Pre-year End Planning
- **5th April 2005**
End of Tax Year
- **To be Confirmed**
Cambridge Biotech Consortium Seminar
- **To be Confirmed**
Cambridge Biotech Consortium Workshops
- **To be Confirmed**
Seminar on Pensions Simplification

“ To avoid this charge you should get a written agreement that states the van is not to be used for any significant personal journeys ”

Help With Childcare Costs

Tax & National Insurance free

The Government is introducing new exemptions for childcare from 6 April 2005, to encourage employers to assist employees with their childcare responsibilities.

If certain conditions are met then the first £50 per week (£217 per month) of childcare costs, provided by the employer, are tax and national insurance free.

The £50 limit applies to each parent and is not affected by the number of children in the family. Your child will qualify up to 1 September following their 15th birthday, or following their 16th birthday if they are disabled.

You can use this as another tax efficient method of drawing money from your company. For example if you have drawn salary and dividends from the company to utilise your basic rate tax band, you can receive an additional £2,604pa in childcare costs, with a tax and national insurance saving of £1,067pa.



Basic rate earners can save up to £859pa. The childcare support provided by the employer must be available to all directors and employees. It must be either purchased directly from the childcare provider, or childcare vouchers provided, and the childcare provider must be registered or approved.

Catriona Freebairn, Senior Accountant and Team Manager of the accounting and Business tax department at the firm has a word of warning though; “providing childcare benefit can affect entitlement to tax credits. If in doubt speak to your account manager to see how you might be affected”

- If you would like any further information please contact Catriona Freebairn for an informal discussion.

Van Drivers Tax

Significant vs. Insignificant private use



Previously the Inland Revenue considered that a home to work journey was private use and therefore employees that had a van from their employer which they took home each night should be taxed on a benefit of £500 (£350 for older vans).

From 6 April 2005 under the new rules these home to work journeys are no longer caught so long as there is insignificant other private use.

An example of insignificant use would be taking rubbish to the tip once or twice a year or regularly making slight detours to stop at the newsagents on the way home. What is classed as significant is using the van to do the weekly supermarket shop or taking it away for a week's holiday.

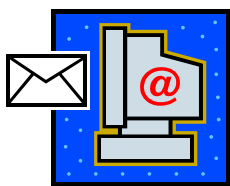
Antony Signorini, deputy head of the accounts department states “it is important if you are an employer/employee and you wish to avoid this charge, you should get a written agreement that states the van is not to be used for any significant personal journeys and make sure that in reality this happens”.

This becomes more important from 6 April 2007 when the charge increase to £3,000 for use of the van and a further £500 for use of fuel for private use.

- For further information, please contact Antony Signorini for an informal discussion.

Electronic Filing

Incentives & Costs



Two years ago, the government undertook a review of payroll services aimed at making it easier for employers to meet their payroll obligations and helping them reduce costs.

The proposal includes mandatory electronic filing of end of year returns (forms P35 and P14) for all businesses from 2009/10

However, there will also be financial incentives for a five-year period starting from 2004/05 to encourage small employers (with fewer than 50 employees) to file their end of year returns with the Revenue electronically.

To meet the e-filing requirements, employers will have to send their end of year return forms by either

- ♣ the Internet service for PAYE; or
- ♣ Electronic Data Interchange (EDI) ;
- ♣ an intermediary such as a payroll bureau/agent, who will submit them on the employers behalf as above;

When does it start ?

The filing timescale depends on the size of the business.

Staff	1st Yr of Compulsory Filing	Filing Deadline
<50	2010	19-May-10
50-249	2006	19-May-06
=>250	2005	19-May-05

Financial Incentives

Employers with less than 50 employees are expected to receive the following amounts

- ♣ 2004/05 Return £250 ;
- ♣ 2005/06 Return £250 ;
- ♣ 2006/07 Return £150 ;
- ♣ 2007/08 Return £100 ;
- ♣ 2008/09 Return £75 ;

Hence, an employer e-filing all their

end of year returns from now would qualify for a total incentive of £825

Be wary of the extra costs

For businesses who are not currently filing electronically, the cost of updating their technology and retaining their staff can be way in excess of any potential savings. Furthermore, the cost of electronic transmission via third party telecoms companies can be expensive.

- For further information please contact Antony Signorini for an informal discussion.

IR Apologise for Incorrect Penalty Notices

The Inland Revenue has apologised for the "very unusual" problems which resulted in taxpayers receiving incorrect penalty notices,



The Revenue revealed that 2.6m tax returns were filed in the last 2 weeks of January.

A spokesman for the revenue stated "We apologise if any of your customers have received a penalty notice in error. The problems your contributors have had are very unusual and we are sorry to hear of them."

He added: "There is no question of anyone having to pay a penalty if their return was filed on time. We have carefully reviewed the clerical processes used when receiving an SA return to ensure any errors are kept to an absolute minimum."

There is no need to panic on receiving an incorrect penalty notice. The penalty notice itself tells you what to do if you do not know why you have received such a penalty notice.

- If you believe you have received an incorrect penalty notice, please contact your Account Manager at the firm and we shall resolve the issue with the Revenue.

"An employer e-filing all their End of Year Returns from now would qualify for a total incentive of £825 but be wary of the extra costs of upgrading current technology & training staff "

E-filing Update

With effect from 18 March 2005, the Inland Revenue has introduced anti-avoidance provisions (S1826) to refuse tax-free incentive payments for filing an Employer's Annual Return online in the tiny minority of cases where they suspect that there is abuse of the process. Another change in the regulations clarifies how the tax-free incentives will be applied or paid. Further information is available on the Inland Revenue Website

Rebuilding lives after the Tsunami

Andrew Webster Limited Client leads the way

“building in India has always been about affordable quality, not cheap rubbish. We were shocked by the Tsunami but delighted that we are in a position to help those who suffered the most”

Dr John Crabtree, an Andrew Webster Limited Client and Director of Kondo Syokai Ltd (UK) has come up with a novel way of helping fishing families affected by the Asian Tsunami on the coastlines of India.

The Kondo Syokai Boatyard in India is a division of the company and has directors and managers from India, Japan and the UK.

The Boatyard which is on the south western coast of India was protected from the Tsunami by the land masses of Sri Lanka and South East India and was subject to no more than tidal surges.

However, having survived the Tsunami relatively unscathed, the team were shocked to see the devastation the Tsunami brought to other areas around the Indian Ocean and were spurred into questioning how they could assist those who had suffered great losses.



Travelling around the area, Arun Louis, operations manager at Kondo Syokai noted that “for more than 2 kms, the coastal area is destroyed and all the houses were gone.” Statistics suggested that 13,000 fishing boats were lost. Replacing these vessels was deemed essential if these fishing families were to rebuild their economic livelihood.

As a company of boat builders,

Kondo Syokai decided that they were best placed to assist with the replacement of these fishing vessels in the affected areas and unanimously agreed that this should be done on a non-profit basis.

This venture is being further funded by donations from various charities around the world. Dr Crabtree has also arranged for donations from contributors in the UK to be collected by the Rotary Club in Aldershot. Funds from the club are released only upon confirmation that a fishing family has received a replacement boat.

In fact the first replacement boat for the Asian Tsunami is now out of the mould.



Paid for by the Rotarians of Aldershot, UK, this is a 9M vessel. She will be named IONA after the 12 year old daughter of Lt. Col Alan Flavell who by herself raised £200 towards the cost.

Organisations wishing to fund a complete vessel have their name moulded into the hull of the boat as a tribute to their support.

Dr. Crabtree states that “building in India has always been about affordable quality, not cheap rubbish. We were shocked by the Tsunami but delighted that we are in a position to help those who suffered the most”.

- If you would like to make a donation or fund a complete boat, please send donations by cheque made payable to “Aldershot Rotary Club Boat a/c” and mail to John Jerome, Treasurer, Aldershot Rotary Club, Hants, GU11 3LZ.

Exam Successes!

Antony Signorini, Certified Chartered Accountant at the firm has passed the exam conducted by the Chartered Institute of Taxation and is now eligible to be a Chartered Tax Advisor and will be taking on more tax consultancy work. Antony states “it was an achievement to have passed my accountancy exams but the tax exams are widely regarded as a more difficult qualification so I am extremely pleased to have passed.”

Sarah Richmond and Nicola Dudley moved closer to completing their ACCA and AAT by passing their respective exams. A hearty congratulations all around!