

SNAPSHOTS

Autumn 2009



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As you return to your desk after the summer break

As you return to your desk after the summer break, hopefully refreshed, we have traditionally seen you start to consider your financial circumstances or get into action sorting out the problems you had before you went away. Many of you will be considering whether the recession is over? Recently issued statistics tell us that green shoots have been appearing and whilst the sunny weather may have withered them slightly things might improve this autumn. Have you got sufficient working capital to process larger orders should they be placed in the coming weeks? History tells us that your most vulnerable point is as the economy comes out of recession and you may need to prepare a business plan and cashflow forecast to allow your Bank to agree your requirements. **We can help** you with this and have the software products available to produce monthly profit and loss, balance sheets and cashflows.

The 50% tax rate is starting to loom large and most of our technical courses are making us ready for this environment. It is the first increase in higher rate tax since 1974 and with public finances under pressure may not be the last. If you have a directors loan account that is overdrawn and needs attention now is the time to consider how much this might cost to put right if it is left till after the new rate comes into play. **We can help** in this calculation and also the most tax effective method of clearing it up.

A first year capital allowance of 40% has been reintroduced as a temporary measure for plant and machinery expenditure until 31 March 2010 (Companies) or 5 April 2010 (Sole Traders, Partnerships and LLP's). **We can help** by providing advice on capital allowance planning to maximise your tax relief and in securing funding for the respective assets.

The changes in the Companies Act 2006 are now hitting the desk hard and fast with year ends commencing after 6 April 2008 having only 9 months to file the accounts. The fines have also increased so as a result you may need to be more organised to avoid penalties.

We can help by booking you onto our 52 week rolling programme for accounts preparations and audits.

2010 also sees the introduction of mandatory electronic VAT returns if your turnover is in excess of £100,000. To some of you this might prove a frightening thought if you are not computer literate and have no real requirement to

become so. Filing your VAT return online also allows you to register to pay by direct debit which gives you an additional 10 days before the direct debit is taken from your bank account. **We can help** by providing you with the help and support you need to make this transition. Please call our tax department to discuss your needs.

The rules relating to pension contributions have an added twist for income tax purposes which could create an income tax charge if you make one off lump sum individual or company contributions rather than a regular monthly sum and your income is over £150,000 in either of the last three tax years. **We can help** by liaising with your Independent Financial Adviser to identify whether action needs to be taken.

From these points alone you can see that the need for a strong relationship with your accountant is as necessary now as it has ever been. At Lambert Chapman LLP we recognise this and are available to support you during the autumn and beyond. If you need assistance please contact your local Lambert Chapman LLP Partner or visit our website for more details. As you know; **we can help**.



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Company Cars - time for a rethink?



Mike Carabine

From 1 April 2009 (6 April for partnerships and sole-traders) the capital allowance regime regarding cars has fundamentally changed, moving from a value-based system to one which uses CO₂ emissions.

Previously any car that cost over £12,000 had to be in its own pool and the WDA restricted to a maximum £3,000 irrespective of that cost. When that car was sold normally a

large balancing allowance was received, as it was worth substantially less than the tax written down value.

From April 2009, however, the tax treatment for cars purchased is based on the emissions figure, as follows:

- Up to 110g/km qualifies under the Enhanced Capital Allowance rules for 100% allowance.
- 111g/km – 160g/km qualifies for the standard 20% WDA and must be posted to the General Pool within the Capital Allowance computation. (This also applies to cars registered prior to 1 March 2001 without a qualifying emissions certificate, such as kit cars)
- 161g/km + only qualifies for the special 10% rate WDA and must be posted to the Special Rate Pool within the Capital Allowance computation. (This also applies to cars registered on or after 1 March 2001 without a qualifying emissions certificate, such as kit cars)
- For car leasing restrictions, new leases commencing April 2009 onwards will either require no restriction if the emissions are 160g/km or lower (i.e. would qualify for 20% or 100% allowance) or for emissions at 161g/km or above (i.e. would be posted into the Special Rate Pool) a fixed 15% of the lease payments made in the period. Leases that were entered into prior to 31 March 2009 are treated under the old rules and restricted on the value basis.

So what does that mean to the average businessman/ woman? Initially not a lot. The real sting in the tail won't be felt for at least a year or so for the vast majority of clients and that is when a car acquired under the new rules, with emissions of 111g/km or more, is sold. Whereas previously for cars costing over £12,000 there would likely be a balancing allowance benefit, now, since cars are all within either the General or Special Rate pool, any remaining balance has to be carried forward and claimed at 10% or 20% as appropriate over the life of the business.

An example of the difference is as follows:

ABC Limited wishes to acquire a car for £50,000, with CO₂ emissions of 225 gm/km. It is likely to sell the car after four years by which time the proceeds will be £20,000. If it had bought it in March 2009, it would have received a capped WDA of £3,000 pa for three years, followed by a balancing allowance in year four of £21,000 upon sale. The total net cost of £30,000 (purchase price less sale proceeds) will have been relieved in four years. Buying now gives £13,550 WDA for the first three years of ownership (an increase on the £9,000 before), but with no balancing allowance on sale it will take eight years to relieve the first £20,000 of that £30,000 cost to the business, and a further 20 years to relieve the next £10,000!

However, if the business concerned is not a corporate entity (e.g. partnership or sole-trader) it could now be advantageous to generate a small element of private use of a car. Imagine our above example was for a partnership not a limited company and the car was for the use of one of the partners. In such a scenario, where there is private use, the car has to be kept separate so that there can be a restriction of the allowances claimed. This remains the case post April 2009 and therefore by ensuring that the partner has personal use we can still identify and therefore claim any balancing allowance at the point the car is disposed of.

Also cars generating emissions of 160g/km or under, which are acquired on a lease contract, now have the lease payments qualify for full tax relief. This may mean that this type of asset financing becomes more popular again. This of course should only be part of the decision making process and the rest of the deal must be commercially viable.

As every business and individual's circumstance is different, if you are considering a change in business vehicles please contact us on 01376 326266 or email cars@lambert-chapman.co.uk

Lambert Chapman Forensic

In the last two years we have made a positive effort to develop the amount of expert witness work we have been undertaking with some positive results on a national basis. Having gained valuable experience in these areas and stood in the witness box in a couple of cases we feel now is the time to advise you of our areas of expertise and those individuals who are involved in this area of work.



Paul Short

Our team is headed by Paul Short who along with being a Chartered Accountant and holding the Corporate Finance qualification is listed on the UK Register of Expert Witnesses. Paul has 30 years of experience in practice and has acted alone and as a joint expert plus given Court evidence in both civil and criminal cases. He is supported by Richard Thomson who as a Certified Accountant is

involved in the majority of Forensic and Expert Witness cases taken on by the Firm. Nigel Whittle and Mike Carabine have also assisted in this type of work in the area of valuation of business assets.

Our areas of expertise

- Matrimonial and Family
- Personal Injury
- Oppression of minority shareholders
- Compensation for loss of office
- Share and Business Valuations
- Partnership Disputes
- Fraud
- Business Interruption and loss of profits
- Business Disputes
- Fraudulent and wrongful trading

Enquiries or Instruction

If you are interested in this service please contact Paul Short in the first instance either by email or telephone. He will be delighted to run through our services in more detail and provide a quotation on the matter under discussion for you to consider.

Contact:

Telephone: 01376 326266

Email: paul.short@lambert-chapman.co.uk

Web: www.lambertchapmanforensic.co.uk

A belated birthday for NMW

Following the tenth anniversary of the introduction of the National Minimum Wage (NMW) earlier this year, it is claimed that around one million people should benefit from the latest increase to the NMW to apply from 1 October 2009.

- Workers aged 22 and over should receive a minimum of £5.80 per hour up from the previous £5.73.
- The 18 to 21 year olds rate will increase to £4.83 per hour from £4.77.

- The 16 to 17 year olds rate will increase to £3.57 per hour from £3.53.

Further, following recommendations from the Low Pay Commission, the adult minimum wage rate is set to include 21 year olds from October 2010.

For further information on all aspects of the NMW, please see www.berr.gov.uk/whatwedo/employment/pay/index.html



The Car Scrappage Scheme – Is it for You?

The car scrappage scheme was introduced at the last budget until 31 March 2010 in an effort to provide £300 million support to the car industry. It follows on from schemes that have been operating successfully in some European Countries. Essentially you can get £2,000 for trading in a 10 year old car that you have owned for at least a year for a new vehicle. £1,000 comes from the government and the balance from the vehicle manufacturer. With cars always being a touchy topic we asked Nick and Chris to put forward points in favour or against the scheme.



Nick Forsyth

For: I'm no car enthusiast so for me the vehicle is designed to get one from A to B in the maximum of comfort. I am hopeful that the scheme produces increased orders and allows employment to be maintained within the car industry in the United Kingdom.

Safety is an important point. Whilst I look back warmly to travelling around the country in a Ford Cortina or a Hillman Hunter it does not mean I need to repeat the experience. Whilst classic cars look lovely I have to confess I don't feel comfortable in them and even with the safest of drivers I am not convinced we will get round the next corner. A 10 year old car might not necessarily present such a problem but we do forget that a previous car does not have the brakes that our current model has!

Comfort comes a strong second to safety in my book. If we spend time in our car surely we want to be as comfortable as possible. I am sure that the current model for the majority of cars is more comfortable and therefore preferable to the one being scrapped!

The green issue is also an important consideration. In the small car market I am sure that huge strides have been made in the last 10 years to make the engines more efficient and with car taxation being changed over from the old CC method to the new CO₂'s continued efforts are being made to reduce the emissions that are harmful to the environment. What gets overlooked is the miles travelled to bring vehicles into the Country but this is a political hot potato, along with food miles, that will be debated more and more as time passes.

The majority of people want to drive the newest vehicle that they can. When I started driving you aspired to a new vehicle but knew it was a distant dream. Long journeys were planned with spare parts in mind or not even contemplated and starting the vehicle on cold winter mornings a lottery to say the least! Youngsters have never experienced these problems and there is no reason to suggest that they would want to start. Affording the vehicle and insuring it are the current problems but that's another issue altogether!



Chris Harman

Against: I look at the car scrappage scheme as a classic car enthusiast, someone who is concerned for our environment and as a Tax Partner of Lambert Chapman LLP. The three don't mix. I recollect we were told the car scrappage scheme was to boost the UK car industry and take older vehicles off the road in favour of newer, safer and potentially greener cars.

Let me break down this sentence into the following:

“UK Car Industry”

I consider that the UK doesn't have a car industry anymore, at least, not of the importance it once was. We used to be a world leader in the car industry but by a mixture of complacency, poor management and over enthusiastic union power, it was destroyed. The car scrappage scheme certainly brings newer cars onto the road and a lot of them are the small lower end market vehicles which, by the very nature of their manufacturers, means a lot of our money is leaving these shores. I recently saw a newspaper report that a certain Japanese manufacturer was having to get its work force to work overtime so they could build enough cars to ship to Britain in time for the new batch of UK registrations.

“Newer Cars”

Why do we have to love “newer cars”? Why don't we look to having well built cars that last? We are preoccupied with fads and fashion.

“Safer Cars”

I agree that if cars are poorly maintained they become unsafe so why not channel some of the money into resources to make sure the authorities can finance more rigid checking of more vehicles to ensure they are safe? A modern car is easier to drive than an old car but if the driver adapts their style an old car, driven correctly, is safe (maybe a purge on unsafe drivers is needed?)

“Greener Car”

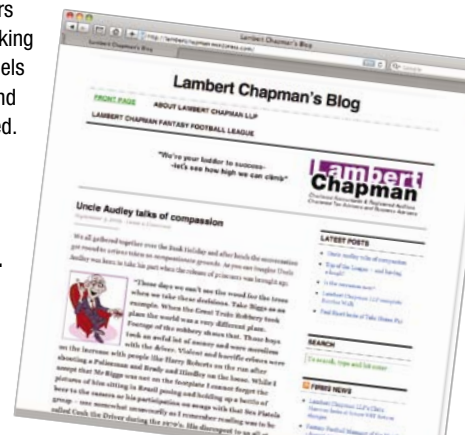
I am not convinced on this. I said I was a car enthusiast and my classic car is a 1972 Rover V8. People may say that it is a gas guzzler and not very green but I counter that argument by pointing out I am driving 37 year old metal. There hasn't been the cost of using fossil fuels to destroy the old vehicle and refine metal to make a new vehicle (never mind the transport costs, etc of new vehicles). Our Government introduced, in April 2002, a 100% capital allowance relief on cars with low emissions. The 100% only applies to new cars so a second hand car doesn't qualify for the enhanced relief. That is not green as it does not encourage recycling!

I don't see the car scrappage scheme as really being the answer. I feel that the money could have been better spent in supporting industries that generate wealth for our country. There is also the impact on small businesses who rely upon making parts for old cars. Many of those businesses are in Britain and close to the old car manufacturing establishments. As at August 2009 it was reported that there has been over 35,000 new cars ordered because of the Government scrappage scheme. I am surprised at the number which means 35,000 less opportunities. If the green issue is to be addressed then why is there not a heavy charge on new luxury motor cars or why did they not use the car scrappage money as an incentive on new green vehicles that really are green and are being produced in the normal course of replacing cars?

Recently there was a report that some manufacturers have increased their car prices because of the car scrappage scheme so that they end up being in the same position. That is disappointing but from an economic point of view, who can really blame them?

On a final note, I know of a number of good classic cars that have gone into the scrappage scheme. The scheme means they must be destroyed so it is likely there have been some good, running and reliable old cars that provided transport to a family and the vehicle isn't going to depreciate any more and could possibly be appreciating. Will the replacement cars depreciate? I suppose one way of looking at it is that the owners of similar models of cars that are in turn classics will find the value of their classic has increased. I could be one of them.

So there you have it – but what do you think? Visit our blog site at <http://lambertchapman.wordpress.com/> if you wish to add your own comment at the foot of this article.



Did you know about?



Nigel Whittle

Who are you	Nigel Whittle
When (year of birth)	1960
Where (place)	Chelmsford
Qualifications	FCA CF 25yards breast stroke
Work done for LC LLP	Lots!
My life outside hobbies likes etc.	Garden Projects , Old Buildings, Visiting Italy
1st job	Apple Picking followed by Night milking
Favourite genre	Books
Favourite film	American Werewolf in London
Favourite tv show (Ever)	Fawlty Towers
Most listened to music/album	Emerson Lake & Palmer
Favourite book	Brave New World
Daily journal	The Times
Favourite place	My garden
Great meal	Lobster and chips at Mersea
Tipple	Scotch
Favourite decade	1960's
Biggest fear	Moved home and don't know why
Ideal day away from the office	My garden

Last Quiz Winner

The American West provided an interesting and different set of questions to our normal fare and was won by Paula Barry of Handelsbanken in Chelmsford. Paula is seen receiving her prize from Chris Harman and chose a red iPod Nano as her prize.

This edition's quiz looks at the reissue of the Beatles catalogue and offers you the chance to win four non compilation Beatles albums of your choice by identifying the album cover, lyric and writer of the song so get downloading your question sheets from our web site on the www.lambert-chapman.co.uk homepage.



You may have seen on that we have a twitter site. Please join up and follow us to know when articles are posted on our website or important financial announcements are made. Our site is to inform you not bombard you with messages.

Exam Successes build team strength

It has been some time since our last edition and a number of staff have had exam successes in this period. Gill Philpott was awarded a distinction in her STEP exams, Graham McNeill and Dan Drake have qualified as Certified Accountants and Cathy Smith passed her Chartered Tax exams. Also passing exams on their way towards qualification were Craig Weavers, Mark Pearson, Halim Rashid, Clare Taylor-Green, Wendy Bulling, Josh Pachent and Tom Maddocks.



Lambert Chapman LLP sponsor events

We were delighted to be asked to co sponsor the first Farleigh Hospice Sunrise walk which started and finished at The Discovery Centre in Braintree and went out towards Dunmow and through Felsted on route. Our team of walkers, pictured, also contributed to the £62,000 the walk raised and we thank all of the clients and contacts who sponsored them in their efforts. As the walk was ladies only the Gentlemen had to make do with being marshals on the route and a number of staff and Partners participated in this role.



We also co-sponsored the first Strings in The Park evening which was held in Braintree Public Gardens on 5th August 2009. A pleasant evening saw a good crowd gather to hear the Stringcognito String Quartet play a selection of classical and well known pieces which were well received by their audience. The monies raised go towards the upkeep of the Public Gardens which are a lovely area near to the Town Centre.