

# SNAPSHOTS

## Autumn 2008



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Maldon



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## We're here: ready and waiting



The potential collapse of the financial system has focused all of our minds on what lies ahead in the coming months for our respective businesses and what actions we might find necessary should the economy slide into recession. The skills of running a business should be the same whatever the economic conditions but you may be required to reflect less and make dynamic decisions when the opportunity to make profits is lower. Strong professional support may be a part of this decision making process and I believe that the Partners of Lambert Chapman LLP are well placed to support you in your efforts.

We see our role as facilitators, offering proactive advice to help secure the working capital you need to keep the business focus on making profits rather than fire fighting. Over the years my partners and I have seen many difficult financial positions turned around so 2008 offers no great fear to us. An early indication of the situation always helps. This often

presents the biggest difficulty for clients who worry that once shared the problem might slip from their control. If the situation is hopeless then this will be the case, the trick is to give an early "heads up" to see what options exist.

The last thing your banker will want is to lose a customer, so it is important to present a plan that is difficult to turn down. In the last recession we saw too many plans stamped "NO" before we got the chance to be involved. This puts you on the back foot as changing banks is the most improbable option and resubmitting may require the same individual to consider reversing a previous decision. In our view the plan should be discussed with the bank before preparation to see whether it can be done and if it cannot what options can the Bank put forward before the client signs up for professional costs.

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Nigel Whittle

At Lambert Chapman LLP all of our accounts partners are skilled in preparing business plans and our relationships with local bankers see us well placed to assist if needed. We also have Chris Harman and his tax team who are able to negotiate agreements with HM Revenue & Customs if you have fallen behind with payments or may not be able to meet future VAT or tax bills as they fall due.

The key to planning forward is to identify your fixed and variable overheads so that you are able to quickly calculate the effects on your business of a downturn in sales. Having done this one can then identify the effects on working capital enabling management to judge how much overheads need to be reduced and what the cost of this reduction might be.

Taking stock of a situation before it develops helps management to make themselves ready and may act positively in terms of credibility with third parties such as your banker. As I said earlier Lambert Chapman LLP are here to help in this process by supporting your planning process using our analytical skills

If this review produces a need to reduce headcount we are also able to offer appropriate advice through David Kemp from our HR company Active HR Limited.

The last Braintree Business Builder Forum seminar programme for 2008 is going to focus on preparing a financial business plan for 2009 so if you feel that you need help in this area please contact Lisa or Nick at Braintree to find out more details.

The remainder of 2008 promises further surprises and uncertainty and most commentators believe 2009 will be a difficult year. Melinda and Beverley in Chelmsford, John in Maldon and Nick, Paul, Lisa, Chris and I in Braintree believe we can provide all the help you may need to plan your future through 2009 and beyond. We await your calls.

## Globalisation can provide some interesting wealth management opportunities:



Melinda Atkinson

Increasing globalisation of our economic markets and improvements in travel and communications have opened up opportunities for many of our clients which previously would have been beyond their reach. Over the years we have developed extensive contacts and now have worldwide access to leading taxation and legal specialists. An excellent working relationship with this team of experts enables our clients to consider proactive opportunities to restructure their businesses for maximum commercial benefit as a result of their expertise.

A number of clients have successfully established offshore tax structures with our support in a variety of ways. This includes project managing the setting up of the structures and providing practical solutions to assist with the day to day bookkeeping and accounting issues to then preparing trust accounts and liaising with the trustees on their behalf. All of these structures use the established legal and tax framework that exists within the UK.

This innovative and proactive approach to wealth management by making clients aware of the opportunities available means that we now have a number of businesses seeking our help and assistance. This has enabled us to successfully expand our client base countrywide and yet still provide a very personal service tailored to each client's needs.

If you would like to discuss what opportunities may be available for you and your business please contact Melinda Atkinson on **01245 216800** or by email at [Melinda@lambert-chapman.co.uk](mailto:Melinda@lambert-chapman.co.uk).

## Beverley Hill looks at saving tax through Charitable giving

From 6 April 2008, the reduction in the basic rate of tax from 22% to 20% has another tax saving impact if you are a higher rate UK tax payer making charitable donations.

Under Gift Aid, Charities can claim back the basic rate of tax on any gift aided donation from a UK taxpayer (as long as certain conditions are met). If you are a higher rate tax payer, you are able to claim tax relief on the difference in tax rates. As the lower tax rate dropped to 20%, you are now able to claim tax relief on 20% compared to 18% previously. So the more you give to Charity the more tax savings you make!

It may have dawned on you that this benefit to you also has a downside in

that the decrease in the basic tax rate will mean that the charities will be able to claim less tax back. This has been addressed by the Government and they have announced a transitional relief basically keeping the gift aid reclaim at 22% for the next 3 years.

So giving to charity under Gift Aid benefits all round!

Beverley is a registered auditor with specific experience in charities and the not for profit sector. Please contact her on **01245 216800** to discuss issues in these areas.



Beverley Hill

## Louise Main considers the Consolidation of Medium Sized Groups

One change that the 2006 Companies Act will bring is the requirement to consolidate the financial statements of medium sized groups. We have many clients at Lambert Chapman LLP that are a part of such groups.

This change will apply to periods commencing on or after 6 April 2008, so in the main years ending 30 April 2009 and so on.

If two of the following conditions are met then a group is seen as medium (these are obtained by adding all of the group companies' figures together):

- aggregate turnover more than £6.5 million net (£7.8 million including all intercompany sales);
- aggregate balance sheet more than £3.26 million net (£3.9 million including all intercompany assets);
- aggregate average number of employees more than 50.

Though we have to consolidate the financial statements for this period we must also consider that the comparatives will need to be consolidated, therefore we should be looking at preparing all the information needed for consolidated

accounts whilst producing the accounts for the comparative year.

The main complication is where companies

have been acquired by the parent and have previously traded. There will potentially be pre-acquisition reserves which will need to be removed on consolidation and adjustments needed for goodwill and any minority interest if held.

But generally in a simple group the main adjustments needed will be the removal of any intercompany trading and intercompany loan accounts. If you are part of a medium sized group it will be useful to record all intercompany transactions separately including any sales, purchases and management charges for the year so these are easily identifiable. If any companies are acquired a copy of their accounts at the date of acquisition will also be useful.

If you are a member of, or represent, a group of companies and want further guidance on this area please contact Louise for further guidance on **01376 326266**.



Louise Main



## Chris Harman examines the new rules on Options to Tax

Nineteen years ago the Election to Waive Exemption (more commonly known as Option to Tax (OTT)) VAT rules took effect. Those rules included the revocation of an Election after twenty years had elapsed. In 1989, 2009 seemed a very long way away and consideration as to whether people should Opt to Tax was, quite understandably, on the benefits and disadvantages in the short and medium term.

Well, twenty years will soon be up and people can revoke Elections on or after 1st August 2009 as long as their Election has reached its twentieth anniversary. In anticipation of revocations being made, H M Revenue and Customs considered the legislation as it stood and decided, quite rightly, that some simplification needed to be put in place. Unfortunately simplification, especially when undertaken by H M Revenue and Customs, doesn't mean less across the board. The old schedule contained nine sections and following the simplification, which took effect from 1st June 2008, we now have one schedule containing three parts with forty sections.

OTT on land and buildings was put in place because, in broad terms, sales of residential property and qualifying charitable buildings are zero rated and sales of non residential property can be exempt from VAT or standard rated. Standard rate usually applies where the sale of the freehold is a new commercial building. Income from the rental of property is, in most cases, exempt from VAT which means there is a disadvantage inasmuch that input VAT incurred on property costs such as repairs, refurbishment, supplies of services and indeed the cost of the property itself (if VAT is chargeable) would have to be borne by the payer and no reclaim of VAT can be made in view of the exempt supply of rental income. To get round this, where commercial properties are involved, an OTT election could be made in writing to H M Revenue and Customs so that all future rental income from the building is then standard rated for VAT instead of being exempt. The OTT election means that the input VAT tax can be recovered on costs attributable to the rental. An OTT Election cannot be made on a residential property or on rental income from a residential property.

The OTT Election has to be in writing and the Revenue has replaced the previous "one size fits all" form with nine new OTT forms in the series VAT 1614. The VAT 1614 forms are sub divided from VAT 1614A "Notification of an Option to Tax Land and Buildings" through to VAT 1614J "Revoking an Option to Tax after Twenty Years" (there is not a 1614I).

There are some other key changes, one centres around a commercial building which has an OTT Election and where the owner sells to a buyer who intends to convert it to a residential building or split it into a number of residential buildings. In this case the OTT would be disapplied (this could have input tax issues). However, under the new rules it will only be disapplied on receipt by the seller of a certificate from the buyer which certifies that they will convert the building for residential use.

Some owners may wish to take the opportunity to revoke the OTT Election once their twenty year period has elapsed which, as mentioned above, will not happen until at least 1st August 2009. There is a set procedure and

four rules have to be met for the revocation to be possible. It should be noted that all four rules must apply in all cases i.e. to satisfy three out of the four is a failure. I would expect people would only want to revoke an OTT Election if they were renting to tenants unable to reclaim input tax on the rent being charged to them, or, where the owner of the building wishes to sell the property and the concern is that potential buyers of the property may be an exempt activity such as an insurance broker who is unable to reclaim VAT or, at the very least, the tenants business means that input tax claims may be restricted.

The demolition of buildings could result in some interesting situations. The policy had been that where someone Opted to Tax a building but not the land on which it stood, the OTT Election ceased to apply when the building was demolished. This policy was concessionary and has now been withdrawn so no-one can OTT land and OTT buildings under separate Elections. If they OTT the building, the land upon which it stands also falls under the same OTT Election and visa versa.

A new VAT Election (Real Estate Election (REE)) has been introduced. Under this Election, all property acquired will automatically come under the OTT REE Election with each property being treated as being separately OTT which means that each property can be individually revoked if circumstances and legislation allow. A REE Election does mean there is no longer the opportunity to consider each building on a building-by-building basis. Also, a REE is irrevocable and the implications of entering into one should be considered in great detail before such an Election is made.

The complexities of VAT as it applies to land and property means this is an area which should be considered in great detail, brick by brick you may say, so that all circumstances can be fully considered. The importance of observing the new rules and ensuring compliance and record keeping is observed and adhered to can't be stressed too much. If you require further advice please do not hesitate to contact me on **01376 326266**.



Chris Harman

## Melinda Completes 56km bike ride for Farleigh Hospice

Having completed a Himalayan Trek with Farleigh Hospice a couple of years ago, a bike ride on a Sunday morning sounded a relatively simple task. As usual it was well organised with the start and finish being at the Hospice in Chelmsford with well over a 1,000 cyclists taking part with a choice of either a 20km or 50km route.

Despite training for the event being woefully poor Melinda and her partner Mark completed the distance with only one stop for alcoholic refreshment near the end of the

route. They also discovered Essex is surprisingly hilly and what hard work it is peddling up hill against the wind.

Farleigh Hospice provides a fantastic service and is located in the same towns as our firm. They rely on donations and fund raising to provide their care and support services and it is truly a local charity that deserves our fund raising efforts and despite her post bike ride fatigue Melinda hopes to continue contributing in the future. *If anyone feels they would like to make a donation then please feel free to send it to her at Chelmsford office and she will ensure that it makes a difference.*



## Traders knock Police around the PARC

The annual charity cricket match between the Braintree Tradesmen and Police produced another victory for the Traders after some heavy scoring and an enjoyable game and luncheon. The beneficiaries are PARC (Essex) who are based at Great Notley near Braintree and offers play opportunities for disabled children and respite to their families. Mike Carabine and Graham McNeil (pictured batting) once again represented the Traders and we thank all our clients and contacts who bought tickets and made cash donations or prizes and helped us to raise £1,950.

## NMW changes

The National Minimum Wage (NMW) will rise to £5.73 (£5.52) an hour in October 2008.


The hourly rate for 18 to 21 year olds will increase to £4.77 (£4.60) and for 16 and 17 year olds to £3.53 (£3.40) an hour.

HMRC have an ongoing programme of targeted enforcement. The sectors currently subject to special attention include hairdressers, childcare providers and the hotel industry.

Please do get in touch if you have any concerns in this area.



## Did you know about?

	<b>John Smith-Daye</b>
<b>Born</b>	Clacton-on-Sea 1958
<b>Qualifications</b>	FCA
<b>Work done</b>	Resident partner in Maldon office – thus anything and everything that gets thrown at me by our many and varied clients staff and contacts, as well as HM Revenue & Customs.
<b>Life outside</b>	Collecting, fiddling with and riding old English motorcycles, of which I have a few! Following my 5 children around, picking up the pieces and taxiing them about also takes up a fair amount of time.
<b>First Job</b>	Replenishing the shelves of a travelling grocers van in Clacton, after school – and it was primary school too, my parents sent me out to work very young.....
<b>Fave: Film</b>	"If"
<b>TV Show</b>	Spitting Image
<b>Group/music</b>	Varies with my moods – frequently an angry chap, so lots of old heavy stuff like Hendrix or Sabbath, but also some nice relaxing stuff or blues from the likes of Fleetwood Mac.
<b>Book</b>	I don't read a lot – recently read a couple of Dennis Wheatley books which managed to keep my interest.
<b>Decade</b>	1960's
<b>Daily journal</b>	Telegraph
<b>Favourite Place</b>	Widemouth Bay, Cornwall, on a sunny day with the surf up.
<b>Great Meal</b>	A nice rare fillet steak, pepper sauce, fresh vegetables and new potatoes – lovely!
<b>Tipple</b>	Maldon Gold, by The Mighty Oak Brewery
<b>Biggest fear</b>	The Unknown, and Major Change – I like to live a settled life.
<b>Ideal day away from the office</b>	Enjoying a thrilling activity with family members – for example, go-karting, dry slope ski-ing, body surfing.

## Managers charity quiz event a winner

On 10 July 2008 our managers hosted a quiz evening in order to raise more funds for PARC. Eleven teams entered included several banks, solicitors, and teams from PARC and BNI.



A great night was had by all, especially Holmes & Hills who were the winners, and £715 was raised. We hope that this turns into an annual event and will be looking for more teams next year.

## Summer Quiz winner in the Euros

The responsibility for the Summer Snapshots quiz fell to Lisa and she was asked to consider airport codes. "I thought lets make this a bit of fun and look for airport codes which are actually 3 letter words and I was shocked at just how many there were."



The winner, Justin Hill from Barclays Bank Plc was picked from the correct answers and here he is being handed his euros which will be spent on a holiday being taken later in the year. This was the first snapshots quiz to have a download question form on the internet and the entries reflected this. We shall persevere in an effort to get you onto the web site!

The Autumn quiz on the American West offers an Ipod Nano for the winner so get downloading the questions!

## Charity Golf Day raises £1,685 for Farleigh Hospice

Lambert Chapman LLP held their first golf day for many years at Braintree Golf Club on 30 July 2008. In all 52 golfers played two Texas Scramble competitions over the front and back 9 holes, an individual and team yellow ball 18 hole stableford competition with a longest drive and nearest the pins for both ladies and all comers. Back at the club house there was also a chipping competition for all the players and a 9 hole putting round and longest putt competition. Players had also bought ball sweep tickets which offered the chance to win sleeves of Titleist ProV1 balls and these were handed out during the after dinner prize giving and charity raffle. If you would like to see a list of the prize winners please visit our website.



Our thanks go to Tony Evans of TES 2000 Limited for providing a Scotty Cameron putter and to Royal Bank of Scotland, Barclays Bank, Clydesdale Bank and Clive Frampton of Stewart Wealth Management Limited for contributing to the prize fund which enabled the ball sweep to go ahead.

In his presentation speech Nick Forsyth thanked the staff members who had helped with the event. Sue Sibthorpe had been involved in all of the organising and Sean Wiegand held the day together as off the course organiser ably supported by Amanda Lawrence and Halim Rashid. The Partners would like to thank all those who attended for digging deep and helping us to raise more money for Farleigh Hospice.

## Mark scores highest in East Anglia

Congratulations go to Mark Pearson who has received a letter from Paul Leech, the current President of the East Anglian Society of Chartered Accountants, telling him that his mark in his Financial Accounting AAT Top Up paper was the highest recorded by a student in East Anglia in the June 2008 sitting. The Partners are delighted that Mark has received such recognition as he has put a great deal of effort into his studies.

