

Business Focus

LAWRENCE GRANT
CHARTERED ACCOUNTANTS



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An invaluable online tool for you and your business

In today's global business and investment world, it is an almost inescapable fact for most of our clients that there will be an element of "internationality" in their business or personal lives. We are talking here about "international operations", which we like to think of as any situation where goods, services, people or monies cross an international border. Whether it is intra-EU trading, cross-border investing, personal relocation or similar, all "international operations" have the potential to impact on a business's or individual's tax position, not to mention statutory compliance in the target country.

Which is why our membership of **Geneva Group International ("GGI")** is potentially so important to our clients. GGI is an international network of professionals which, according to a recent ranking in the UK's leading accountancy journal, is the 8th largest international accountancy-based network worldwide, and we are proud to be a member. GGI affords access for all of our clients to a known, trusted and reliable network of worldwide professionals. Members of GGI include accountants/auditors, solicitors, management consultants and other financial specialists. Examples of where GGI can assist you abroad include:

- Setting up a new business
- Purchasing property
- Investing in a business
- General international investments
- Pursuing foreign debtors for late payments
- General tax and legal advice in other countries

International work represents a significant proportion of our services at Lawrence Grant and much of that is carried out in liaison with a GGI associate. Please do not hesitate to contact us for any assistance you may require abroad.

Lawrence Grant has years of international experience in the following fields:

- Formation of companies in other countries
- Personal and company tax advice in other countries
- Formation of offshore companies
- Formation of offshore trusts
- Advice and tax planning for non-domiciled UK residents
- Advice and tax planning for domiciled UK non-residents
- Simple and complex international tax structures to suit your circumstances and your budget



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The new ISA regime: benefits for savers

Changes to the rules governing Individual Savings Accounts (ISAs) are set to come into force on 6 April 2008. The Government believes that the reforms will provide more 'certainty, simplicity and flexibility for savers'.

Under the Government proposals, the following key changes will take effect:

- ISAs will be made available indefinitely; there is no set end date
- Every adult will have an annual ISA investment allowance of £7,200. Up to £3,600 can be invested in a cash ISA with one provider; the remainder of the £7,200 can be invested in a stocks and shares ISA with the same or another provider
 - The regulations remove the designations of 'mini' and 'maxi' ISAs
 - Savers will be allowed to transfer existing savings from their cash ISA to their stocks and shares ISA, including cash ISA savings from earlier years; for past years the transfer will not affect the annual investment allowance
 - For the current tax year, the transfer

of existing cash ISA savings will have to relate to the whole amount saved in the current tax year, up to the day of the transfer

- Personal Equity Plans (PEPs) will be converted to stocks and shares ISAs.

There are also proposals to allow Child Trust Fund (CTF) accounts to rollover into ISAs on maturity. The first CTF accounts will mature in 2020, and there will be consultation on the best way to facilitate the rollover.

Northern Rock customers

The Government has also introduced special measures to ensure that Northern Rock customers are not penalised for withdrawing savings during the bank's period of financial instability last year.

Special dispensations enable Northern Rock savers who withdrew cash from their ISA accounts between 13 and 19 September 2007 inclusive, to reclaim lost tax advantages by re-investing that money into an ISA account.

Those people to whom the rules apply have until 5 April 2008 to re-deposit their funds into an ISA at Northern Rock, or obtain a certificate from the Newcastle-based bank for the amount withdrawn and present this to an alternative ISA provider.

These regulations are to be covered under the 2008 Finance Bill and apply retrospectively from 13 September 2007.

For more details on the changes to the ISA regime and the dispensation available for Northern Rock savers, and for further help with planning your finances, please contact us.

Employment references: a legal minefield?

As an employer you will inevitably be called upon to supply a reference for a current or former member of staff at some stage during your career. With many job offers subject to obtaining satisfactory references, they play a pivotal role in the recruitment process.

While an employer is not legally bound to supply a reference for a current or past employee, it is considered good practice to do so. However, provide an inaccurate or misleading reference and your company could find itself subject to litigation. Remember, data protection rules dictate that the individual concerned may request to view their reference. You can help to avoid the potential dangers by following some simple steps to help your business comply with the relevant legislation.

Keep to the facts

A key part of writing a legally sound reference is supplying only factual information. Confirming dates of employment and the job title are a minimum requirement if you are going to provide a reference. Detailing the employee's main responsibilities and their reason for leaving is also recommended.

Even if a reference is factually correct, the employer must take measures to ensure they avoid creating an unfair or misleading impression of the individual concerned. Avoid deceptive or ambiguous wording to ensure clarity and accuracy.

If you have limited knowledge of the individual on a personal level then it is advisable to make this known – it is better to keep your statement short rather than risk creating a misleading representation of the employee's character.

Take extra care when dealing with sensitive information

Employers should be wary when providing information of a sensitive nature. Whilst confirming the employee's absence record is acceptable, supplying in-depth details relating to their medical history is not. If an employee has experienced significant periods of ill health, it may be worth advising the prospective employer to liaise with the individual concerned on the matter to avoid a potential breach of confidentiality.

Maintain consistency

Devise a company policy on supplying references in order to guarantee consistency. Determine who should complete incoming reference requests and follow this procedure for all future references. It is also recommended that employers refrain from supplying verbal references in today's litigious society.

Disclaimers

Research suggests that not enough employers are attaching a disclaimer to references they provide. An organisation may state that they do not accept liability for any action brought by the employee over the reference. However, it is important to remember that a disclaimer alone may not be enough to negate the duty of care owed when completing a reference.

Five tips to aid success

- Keep to the facts
- Avoid misleading or ambiguous language to ensure clarity
- Attach a disclaimer
- Devise a company policy to ensure consistency
- Avoid giving verbal references and disclosing detailed medical records

The Companies Act and your business: what you need to know

Many features of company law date back more than 100 years, and are not necessarily suitable for regulating modern companies. The new Companies Act, passed in 2006, aims to modernise and simplify company law and thereby reduce the red tape burden faced by businesses.

Following the Government's recent publication of a final implementation timetable for the Act, selected changes are set to come into effect in April and October 2008, while some of the remaining provisions have been delayed until 1 October 2009.

Reforms to commence in April 2008

Despite the delay to key parts of the Companies Act, the changes scheduled to come into force this April will still go ahead as planned. The biggest change for small companies is that the post of Company Secretary will be optional from 6 April 2008. Your current Company Secretary may resign from that date, although all the forms and registration documents they may currently deal with will still need to be completed and filed. This change will make it easier for a single person to run their own company.

Also coming into effect are important changes to the way company accounts have to be prepared and filed at Companies House. At present, private companies have ten months from the end of their accounting year to file full or abbreviated accounts with Companies House. This period will reduce to nine months for accounting periods beginning after 5 April 2008. Abbreviated accounts will still be permitted for small companies.

In addition, a comprehensive code of accounting and reporting will be required from April 2008, while provisions stating that shareholders may agree limitation of auditors' liability will also come into effect.

Reforms to commence in October 2008

Key parts of the new legislation that are scheduled to come into force in October this year include new rules that prohibit the use of another company to fill the post of sole director in order to protect the owner's personal details. From 1 October 2008 companies must have at least one director who is a 'natural person'.

Changes to the legislation governing child directors are also scheduled to commence on this date. If you currently have young relatives registered as directors of your company they will have to resign if they will be under 16 years old on 1 October 2008.

Measures affected by the delay

Key provisions affected by the delay include the reforms relating to share capital, company formation and directors' residential addresses. Under the latter, directors may file 'service' rather than home addresses. Although you must provide Companies House with your private residential address, it will be kept on a secure private register.

For help and further information on the forthcoming changes, please do contact us.

Rise in fuel charges for company cars

From 6 April 2008 the cost of providing fuel free of charge for company cars will increase by over 17%.

The fuel multiplier will rise from £14,400 to £16,900. This is used to calculate the amount on which directors and employees pay tax at up to 40%, and employers pay national insurance contributions (NICs) at 11.8%.

Directors paying tax at 40% will incur a rise of up to £350 a year from 6 April 2008, with an increase of up to £103.25 in NICs for the company.

Meanwhile new advisory fuel rates, used for negotiating mileage payments for business travel in company cars, came into effect from 1 January 2008. Recommended reimbursement for journeys made in petrol vehicles up to 1400cc now stands at 11 pence per mile.

It may still be beneficial for some directors and employees to receive free fuel – remember that private motoring includes travelling from home to work – so talk to us to reduce the impact the changes may have on your business.

Five tips to reduce fuel consumption

1. Use your gears wisely
2. Check your tyre pressures
3. Choose an economical vehicle such as a hybrid or diesel car
4. Check that your spark plugs are in good condition
5. Leave the car at home and choose public transport



Business Round-Up

Businesses to incur new penalties over illegal workers

Stiff penalties for businesses that employ illegal migrant workers are due to take effect from 29 February 2008.

Under new measures outlined by the Government, employers that negligently hire illegal workers could incur a fine of up to £10,000, while businesses that knowingly take on illegal migrants could face an unlimited fine and/or a two year custodial sentence.

The new penalties are designed to discourage what the Government has called 'exploitative recruitment methods.'

Employers are currently required to carry out checks to determine whether prospective employees are permitted to work in the UK, providing them with a statutory defence from conviction if these legal obligations are fulfilled. For this exemption to be valid, employers must conduct repeat document checks at least once a year for members of staff that have limited leave to enter or remain in the UK. Employers that consciously take on illegal workers are prohibited from using this defence.

The changes are just part of a wider Government clampdown on immigration and a drive to strengthen 'British values'. Plans to ban unskilled non-EU workers from entering the UK have also been announced by the Home Office, while an Australian-style points system is set to come into effect later this year.

Migrants from outside the EU will have to pass a series of tests designed to ensure they possess skills that will benefit the UK economy.

For more information on the new penalties, please visit the Border and Immigration Agency website at www.bia.homeoffice.gov.uk.

Taxpayers could sue Revenue following court ruling

A landmark court ruling has found that HM Revenue and Customs (HMRC) owes a duty of care to the taxpayer for errors that it makes.

The Court of Appeal found that HMRC was liable for a series of mistakes made when processing builder Neil Martin's Construction Industry Scheme application in 1999. As a result of the errors, Mr Martin lost £500,000 and experienced severe disruption to his business.

The court unanimously agreed that HMRC owed a duty of care to the claimant under common law, creating a precedent that will potentially affect future judgments. The ruling will reportedly have major implications for HMRC, whose staff regularly assist taxpayers in completing HMRC forms.

The decision repeals a 2006 High Court ruling in which HMRC was found to owe no duty of care if negligence occurred.

Please contact us for help in completing HMRC documentation – we will be delighted to assist you.



Web Watch

Essential sites for business owners

Fraud Advisory Panel
www.fraudadvisorypanel.org

Aims to raise awareness of the damaging effects of fraud and offers advice on how you can prevent it.

The Pension Service
www.thepensionservice.gov.uk

Contains useful information for businesses on pension schemes and benefits.

J4B Grants
www.j4bgrants.co.uk

Funding information for UK businesses.

Just Giving
www.justgiving.com

Provides tools to help with fundraising, including a charity search facility and automatic Gift Aid reclaim.

Reminders for your Spring diary

February 2008

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|----|--|----|---|
| 14 | Last date (for practical purposes) to request NIC deferment for 2007/08. | 6 | Disposals from today are subject to the 'new' CGT rules. |
| 28 | Last day to pay any balance of 2006/07 tax and Class 4 NIC to avoid an automatic 5% surcharge. | 14 | Due date for income tax for the CT61 period to 31 March 2008. |

March 2008

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| 31 | End of corporation tax financial year.
End of CT61 quarterly period.
Filing date for Corporation Tax Return Form CT600 for period ended 31 March 2007. | 19/22 | Quarter 4 2007/08 PAYE remittance due. |
| | | 20 | Interest will begin to accrue on unpaid PAYE/NI for 2007/08. |
| | | 30 | Normal annual adjustment for VAT partial exemption calculations (monthly returns). |

April 2008

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| 5 | Last day of 2007/08 tax year.
Deadline for 2007/08 ISAs.
Last day to make disposals using the 2007/08 CGT exemption and the 'old' CGT rules.
Last day for contracting back into the State Second Pension for 2007/08. | 3 | Last day for notifying car changes in quarter to 5 April – P46 (Car). |
| | | 19 | Last day for filing forms P14, P35, P38, and P38A – 2007/08 PAYE returns – without incurring penalties.
Also last day for filing contractors' returns. |
| | | 31 | Last day to issue 2007/08 P60s to employees. |