

# CONNECT

SUMMER 2009

CHIENE + TAIT'S QUARTERLY NEWSLETTER



## Budget 2009 Minimise the impact on you

Alistair Darling delivered his second budget on Wednesday 22 April 2009. Against a backdrop of economic gloom and a banking system in meltdown, tax increases were inevitable. The increases take various forms and are spread over several tax years so it remains to be seen whether all the proposals will be implemented, if there is a change of government within the next year. It is clear, however, that money is tight so any new incumbent at No 11 Downing Street may be very hard pushed to come up with alternatives.

There was some good news but not a lot! Capital allowances on plant and machinery may attract a new 40% first year allowance and the enhanced relief for trading losses has been extended for a further year. The Stamp Duty Land Tax "holiday" for residential property costing up to £175,000 has also been extended up to the end of 2009 when the threshold will revert to £125,000 but there was no extension to the VAT rate reduction announced previously and this will return to 17.5% at the end of the year.

There will be ways to minimise the impact of the budget changes and some of these will be as straightforward as ensuring that both spouses make full use of their income tax allowances and basic rate bands. With the capital gains tax rate currently set at 18% against income tax rates of up to 50%, there will be an increased focus on investing for gains rather than income. Offshore wrappers designed to defer tax charges will also become more popular. Family company owners will need to review arrangements and consider the timing of bonuses and dividends. Sole-traders

### BUDGET "HIGHLIGHTS" INCLUDE:

- A new 50% top rate of tax from April 2010 for those with income over £150,000.
- A phased reduction of personal allowances from April 2010 for those with income over £100,000.
- A further attack on trusts, which will result in the 40% trust tax rate increasing to 50% from April 2010.
- The removal of higher rate tax relief on pension contributions for high earners. Transitional rules take immediate effect from budget day.
- Higher rate tax on dividend income received increases from 25% of the net dividend to 36% from April 2010.
- Immediate inclusion of holiday homes in European Economic Area (EEA) countries in the favourable Furnished Holiday Lettings (FHL) scheme but the complete abolition of the FHL scheme from April 2010.
- New powers for HMRC to inspect taxpayers' records, a new penalty regime and a further crackdown on tax evaders with a "name and shame" policy.

and partnerships should review the timing of capital expenditure and there may be scope for tax savings by changing the business year-end date. Additionally, some businesses will wish to consider restructuring, since the differential between the corporate tax rate of up to 28% versus income tax of 50% is significant.

Details of the proposals are set out in our budget summary and contained in our Informs, which can be accessed via the news section of our website. Please contact us if you would like paper copies.

## IN THIS ISSUE

### PRIVATE CLIENTS

VAT: PARTIAL  
CHANGES



### REGULATED CLIENTS

PRO-ACTIVE  
APPROACH  
TO CHARITY  
MONITORING



### CORPORATE

PLAN TO  
SUCCEED



### NEW FOR YOU

CONNECT  
WITH  
CHIENE + TAIT



## VAT: Partial changes

### HMRC announced four changes affecting VAT partial exemption with effect from April 2009.

The first of these changes allows businesses to provisionally use the overhead recovery rate of the previous VAT year, as opposed to calculating a recovery rate each quarter. The second allows businesses to make the annual adjustment at the end of relevant year, rather than in the quarter after the end of the VAT year. Businesses can implement either or both of these changes. A decision should be made and documented but there is no need to inform HMRC.

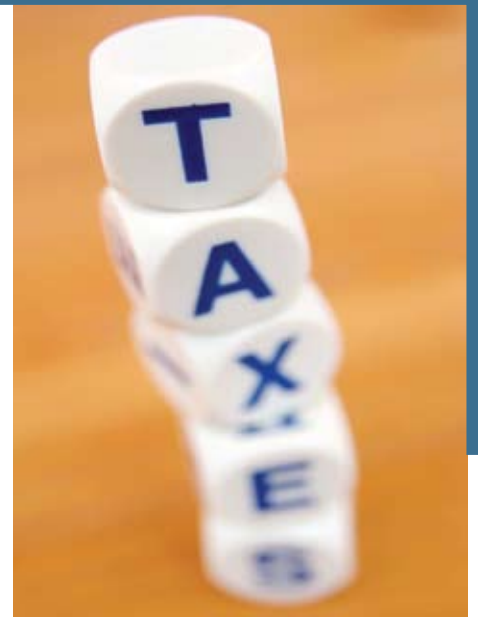
Businesses may find that using the recovery rate of the previous year eliminates fluctuations in recoverable VAT that would

otherwise arise due to seasonal activities. In addition making the annual adjustment at the end of the relevant year may improve cash flow, depending on the individual circumstances of the business.

The third change applies to new businesses that are partially exempt or to existing businesses that become partially exempt for the first time. Rather than use the standard partial exemption method businesses can opt to use a method based on use, during an initial period.

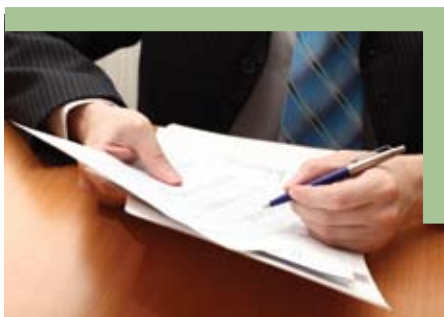
The final change relates to services to non UK customers and simplifies the calculation of the recovery of related VAT.

Please speak to your usual C+T contact, or Lynn Gemmell to discuss this further.



## Pro-active approach to charity monitoring

**Every charity must complete an annual return and submit this alongside the accounts within nine months of the accounting period end. For those charities with an annual income above £25,000, a Monitoring Return is also required, analysing aspects of the charity's financial statements.**



The information contained in the Monitoring Return is assessed by OSCR, the Scottish Charity Regulator, against no fewer than 41 *Exception Reporting* triggers that may highlight areas of potential interest or concern, such as:

- Large charity or major fundraiser
- Sudden growth or contraction
- Possible failure to apply funds for charitable purposes
- Poor liquidity, low reserves or threats to viability
- Fundraising issues
- Adequacy of governing board
- Transactions with trustees
- Trading company issues

Where a trigger is activated, the accounts will be subject to a more detailed review by OSCR Monitoring staff who will seek further explanation in the accounts to justify the exception.

If the exception is not resolved by review, OSCR will request further information from the charity. Following this process, any unresolved queries will be referred to the Compliance Support or Investigation teams at OSCR for further enquiry.

We would therefore advise charities to review the list of exceptions that could be triggered and ensure that where a trigger may be activated, there is an express justification of this in the trustees' annual report or elsewhere in the financial statements.

Philippa Pinkerton, of our Charities & Education Group, said: "We work pro-actively with our charity clients in the drafting and review of disclosures throughout the accounts with the aim of pre-empting any regulatory concerns."

# Plan to succeed

**With many business owners now needing to look at their sources of funding and thinking about the direction of their business, it may be a good time to think about producing or updating an existing business plan.**



## What is a business plan?

It is a written statement of your business; what you want to achieve with it and how you will do that. It should outline the structure of your business, the product or service, the customer, the growth potential and the financials. In simple terms it is a plan for the future of the business.

## Why produce a business plan?

Most people think of a business plan as a document that is needed to secure external funding. Funders will be interested in how good your business idea is and your ability to implement it. Businesses will commonly obtain funding as a result of the strength of their plan.

There are also other good reasons for preparing a plan for internal use:

- It helps to develop management's own thinking about the business and make them look at strengths and weaknesses. It can also help spot pitfalls before they happen.
- It provides a structure for management activity both in the early years of a business and in taking an existing business forward.
- It allows the setting of business objectives against which actual performance can be measured and assessed.
- It allows you to structure the financial side of your business efficiently.

A business plan should not therefore be a 'static' document that is dusted down every few years when funding is needed, but should be updated and amended as the business evolves.

## Elements of a good business plan

- It must be succinct and follow a logical manner.
- It should have clearly defined sections.
- It must be clear and objective, emphasising the strengths of the business but it must not be unrealistic.
- It must identify the particular attributes of the business that should make it successful i.e. what is the 'Unique Selling Point'.
- Where it is for funding purposes it must state the amount and timing of the finance required, how it is to be used and how it will be repaid.
- It must convince the reader the management have the skills and determination to succeed.
- It should have a well written executive summary outlining your whole business proposal. This may be the only part of the plan that funders read so it must stack up in its own right.

## What should a business plan include?

It should include an executive summary, background to the business, details of markets and competitors, sales and marketing strategy, management team and key personnel, operations, financial forecasts and funding requirement.

## Tips on presentation

- Keep the plan short – focus on what the reader needs to know
- Make the presentation professional even where the plan is for internal use
- Get at least two people to read it to check it makes sense
- Get feedback from external advisers
- Avoid the use of jargon and put detailed information in appendices at the back.

## Summary

Many people are daunted at the thought of pulling together a business plan but it is not an intimidating process. A good business plan updated on a regular basis will help keep track of your business' development as well as helping to secure finance and support.

If you would like more information on business plan preparation, please contact Carol Flockhart, Business Support Director or a member of our Business Support team.



## Connect with Chiene + Tait

**Chiene + Tait's (C+T) quarterly newsletter has changed. Welcome to the first edition of our redesigned newsletter, now renamed Connect. In addition to the new look Connect, we are pleased to announce the redesign of our website [www.chiene.co.uk](http://www.chiene.co.uk) and email information services.**

Our new site has a series of features, aimed at giving clients better access to information and demonstrate the full breadth of C+T experience.

Our Connect newsletter now presents articles under our key service areas:

- Regulated clients (Charities & Education, Social Housing and Pensions)
- Private clients
- Corporate
- Property

Encapsulating our knowledge under four main banners, will allow easier access to information and advice from the C+T team.



To keep fully up to speed with how changes in legislation and regulation could affect you, why not sign up to our new e-information service by visiting [www.chiene.co.uk](http://www.chiene.co.uk), completing the enclosed form and posting back to C+T, or contact the C+T marketing team on 0131 558 5800.

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## New for you



**The C+T website contains a unique library of short summaries on items of topical interest. There are now over 150 summaries available in our news section at [www.chiene.co.uk](http://www.chiene.co.uk). The latest additions are outlined below.**

#### COMPULSORY PENSIONS

The Government failed in its first attempt, under stakeholder pensions, to persuade employers and employees to fund pensions. Businesses are warned that the Government is returning with compulsory rules to take effect from 2012 onwards. However, businesses should start to plan now for these rules and their consequences.

#### GAIN FROM YOUR LOSSES

One of the future tax 'give aways' in the 2009 Budget was an extension of loss reliefs for companies and sole traders and partnerships. Details are set out in our inform.

#### GOODWILL BLESSINGS

You can significantly reduce your tax liabilities on a purchase of a business by properly identifying goodwill. See our inform summary for up to date information on a significant recent HMRC change of policy.

#### COMING TAX PAIN

Read a summary of the Government's proposals for future tax and NI increases in our summary.

#### VAT UPDATE

You should read our inform on the latest changes to partial exemption, if your business makes exempt supplies.

#### OVERSEAS PERSONAL DIVIDENDS

If you receive dividends from abroad you might be interested to see the latest- and helpful- tax changes.

#### FOREIGN CORPORATE DIVIDENDS

Did you know that tax changes mean that most overseas dividends are now exempt when received by companies?

#### PENSION TAX RESTRICTIONS

The government decided to axe full tax relief for pension contributions for higher earners with effect from budget day.