

CONNECT

AUTUMN 2009

CHIENE + TAIT'S QUARTERLY NEWSLETTER

UK Pensions Crisis or Conquest?



Some may say we are in the middle of a pension crisis. The post-war promises to the 'baby boomers' have become unaffordable. Increasing life expectancy and poor investment returns have pushed up the cost of retirement. Baby boomers are swelling the number of retired people between now and 2040, resulting in a large deficit in pension funding. The solutions could include higher taxes, coupled with cut backs in pension benefits for the younger generation.

It was recently announced that half of private sector final salary schemes will close to existing staff within the next three years. A large percentage of final salary schemes are already closed to new staff. So with final salary pension schemes becoming a thing of the past, and with deficits in their funding increasing rapidly, it is no longer possible for many of these schemes to be maintained. Alternative options for company pension schemes such as Money Purchase are gaining in popularity as they are more cost effective and more easily managed.

The State Pension age is currently 65 for men and 60 for women. However, from 2010 to

2020, it will rise gradually for women from age 60 to 65, making it equal to that of men. The current plans are then for the State Pension age for both men and women to increase from 65 to 68 between 2024 and 2046, with each change phased in over two consecutive years in each decade.

The entitlement to the basic State Pension depends on the number of qualifying years a person has accrued over his or her working life. These are years over the working life for which NI contributions have been paid, treated as paid or credited.

WITH THE ONGOING 'CREDIT CRUNCH' HERE ARE SOME POTENTIAL CONCERNS:

If recently made redundant, can I free up any of my pension pot early to help my current situation?

Not until you are aged over 50 (increasing to 55 in 2010).

What would happen if a pension scheme went into liquidation?

Check you are covered by the Pension Protection Fund.

When and under what circumstances should I buy an annuity?

You cannot buy an annuity after age 75. There are a number of options available prior to this, dependent on annuity rates, your age and your health.

If I have an old scheme with a previous employer, should I try and join the scheme with my new employer's pension scheme?

Yes, as you are likely to benefit from your new employer making pension contributions.

Is it better to opt in or opt out of a state second pension?

The industry standard view is that you should opt in. There are currently rare circumstances when you should opt out. But it is not a once-and-for-all choice.

For more information on pension changes, speak to your usual C+T contact or CTFS Ltd.

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More Charity Regulations Come into Force

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CHARITY + EDUCATION

The Charities and Benevolent Fundraising (Scotland) Regulations 2009 came into force for charities and benevolent bodies on 1 July 2009.

The Regulations require that charities and/or benevolent organisations, which utilise the services of professional fundraisers and “commercial participators”, must formalise this arrangement through a signed written agreement. The guidance does not cover cash collections or the collection of goods, which will be covered by future Public Benevolent Collections regulations.

Fundraisers, whether benevolent or professional, and commercial participators must also provide information to the prospective donor about the organisations they are fundraising for. This should include: the name of the benevolent body or bodies; how funds raised will be distributed; and the level of payment the fundraiser will expect to receive. Commercial participators are required to provide additional details surrounding the way in which this remuneration will be calculated.

Where funds are solicited orally or through radio and television campaigns, potential donors must be given specific information regarding their right to a refund. If particular criteria are met, donors who have made payments as a result of oral solicitation are entitled to a full refund on request or cancellation of their ‘repeat donation’ agreements.

The final sections, go on to say that any contributions acquired for the benefit of a benevolent body must be transferred into the possession of the recipient charity as soon as possible, but no later than 28 days after receipt.

Philippa Pinkerton, from our Charities and Education Group, comments,

“These regulations represent a significant development for charities, which rely heavily on fundraising activities. There has never been a more important time to ensure your fundraising activities are compliant with up to date regulations.”

Full details of the fundraising regulations can be downloaded from the OSCR and Institute of Fundraising websites. Alternatively, please speak to your usual Chiene + Tait contact or any member of our Charities & Education Group.



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Plan to Succeed - part 2

In the last edition of Connect we discussed preparation of business plans. If businesses don't want to commit to a business plan they may find it beneficial to prepare a KPI (key performance indicators) plan.

KPIs are quantifiable measurements, agreed beforehand, that reflect the critical success factors of a business. KPIs are the key numbers that are important in the business and inform management about performance.

Putting a performance measurement system in place can help keep track of the progress of your business. It gives vital information about what is happening in your business now and provides the starting point of a system of target setting that will help you implement growth strategies.

Selecting KPIs

Selecting the right KPIs and using them effectively will help you improve your business' performance but remember:

- It is only key when it focuses on the areas that determine overall business success and should be closely linked to top level business goals.
- In relation to performance it must be clearly measurable and be capable of being influenced by the organisation.
- It is only an indicator if it provides information on future performance.

For example if you decide that customer service is a strategic priority for your business, consider measuring:

- The proportion of sales accounted for by repeat customers.
- The number of customer complaints received.
- The number of returns.
- The time it takes to fill an order.

Choose measures which help you improve your business and that are tailored to your specific circumstances and objectives. A manufacturer producing and selling low cost goods in high volume may focus on production line speed.

Another manufacturer producing smaller quantities using high cost components might focus on reducing production line errors that result in defective units.

Measurement of KPIs

Having selected KPIs, the business needs to have the systems in place to gather the data. Some businesses will use a colour coded system of measurement, such as traffic lights - red signifying a problem and green that all is going well.

Getting the most from your KPIs

There are two main ways you can use KPIs to drive future improvements in performance:

- Use KPIs to spot potential problems or opportunities as KPIs indicate trends in business performance.
- Use KPIs to set targets for departments and employees to help work towards overall strategic goals.

If you would like to discuss any aspect of this article please contact Carol Flockhart, Business Support Director.

Property Capital Allowances – are you claiming enough?

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PROPERTY

Capital allowances reduce corporation or income tax for businesses. The relief is given for capital expenditure on machinery within a building, as well as on various types of property. Allowances are also available on moveable equipment but this is not covered in this article.

Property businesses are likely to be suffering from cash flow issues - greater efficiencies in their capital allowance claims to reduce tax will assist. Capital allowance planning should therefore form an essential part of any property transaction. The capital allowance regime underwent a major overhaul in April 2008.

Allowance	From 2008/09
IBA / ABA / HBA (1)	3% (nil by 2011/12)
First year allowance (2)	Nil
Writing down allowance	20%
Annual investment allowance	£50,000
Integral features	10%
Long life assets	10%

(1) Allowance claw backs now only relate to enterprise zones

(2) Temporary 40% in 2009 - 10

Overall there has been a decrease in capital allowances available so it has become more important to classify expenditure correctly to maximise claims. Particular attention should be paid to assets which qualify for Enhanced Capital Allowances (energy-saving and environmentally friendly assets) as a claim can be made for an immediate tax write off.

What are capital allowances worth?

The amount of capital allowances in a building vary, but as a guide, businesses are generally able to claim the following:

Hotels	20-40%
Offices	15-30%
Retail	0-5%

The Claim Procedure

A claim schedule should be submitted to HMRC with the tax return. HMRC may submit the claim to the Valuation Office and only if there is a significant difference between the claim and the valuation office opinion, would negotiations be required to reach an agreement.

Action points:

- If you are planning to acquire, refurbish or extend existing properties contact us from the outset so we can help to maximise amount and rate of the claim.
- Consider whether previous expenditure has been correctly claimed – historic spending may still be reviewed to maximise claims.
- Review open IBA claims to see if anything can be reclassified as plant.
- Consider claiming IBAs on property appropriated from work in progress to investment property.
- Consider whether allowances disclaimed in the past should be reinstated.
- Consider advancing expenditure to secure the 40% rate, which expires on 31st March 2010.
- Check planned expenditure against the Energy Efficient website www.eca.gov.uk to see which products qualify for Enhanced Capital Allowances.
- Given the proposed increase in income tax rates, consider whether there will be benefit overall in deferring claims.

If you have any queries about property capital allowances, please speak to your usual Chiene + Tait contact or any member of our Property Group.

Radical Changes for Wealthiest Taxpayers

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PRIVATE CLIENTS

H M Revenue & Customs (HMRC) is changing the way that it will deal with the UK's wealthiest taxpayers. The tax affairs of the chosen individuals will now be dealt with in the High Net Worth Unit (HNWU). This is a new unit that has been set up by HMRC following the disbandment of its Complex Personal Return Team (CPRT). The HNWU is being set up with the benefit of the experience HMRC has already gained in the corporate sector with its Large Business Service.

The HNWU is intended to give Revenue & Customs the opportunity to study the behaviour of the wealthiest taxpayers in the UK, so that future fiscal policies can be appropriately targeted. Inevitably, however, the government will also be looking for the unit to increase the tax take and prop up the falling tax revenues elsewhere. The CPRT was responsible for individuals considered by HMRC to have the most complicated tax affairs and the CPRT dealt with approximately 42,000 cases. The new HNWU will focus on only around 5,000 individuals but there has been no reduction in the manpower or resources available

within HMRC. There has been no formal announcement as to how the 5,000 have been chosen for the HNWU but information sources are likely to have included media reports, "rich-lists", land-registry records, company accounts etc. Our own experience is that there are some clients who we would have expected to be transferred to the HNWU who appear to have slipped under the Revenue's radar but they may, of course, be transferred there at a later stage.

The tax returns of the chosen 5,000 are likely to be subject to considerable scrutiny. HMRC have said that taxpayers within

the unit will have the benefit of "real-time correspondence" with named "Customer Relationship Managers". Their intention is that any disputes can be resolved much more quickly than has been the case in the past. They have also said that they intend to deal with some queries on a less formal basis and this could impact on any Enquiry Fee Protection insurance cover held.

Moira McMillan comments, "it remains to be seen how the new HNWU will operate in practice and whether the service given by HMRC to the chosen few will indeed be better than the service given to the remaining majority of taxpayers which has frustratingly become increasingly "call-centre" based."

If you have any concerns about the High Net Worth Unit, please contact Moira or a member of our Private Client team.

Chiene + Tait Team Reach their Charity Peak

Chiene + Tait, as part of its corporate social responsibility policy, is committed to supporting local communities. The firm strives to find ways to help others, in addition to building staff morale and making a difference. This year was no different. A group of five intrepid travellers and two support staff decided to take part in a gruelling Three Peaks Challenge, in aid of the British Red Cross.

The British Red Cross focus on four main areas in the UK:

- Emergency response – helping individuals and communities respond to and recover from emergencies, such as floods, fires and evacuations.
- First aid training – promoting life-saving and other humanitarian skills so individuals can be ready to help their own communities.
- Health and social care – helping people during difficult periods of their life, such as an illness, breakdown in support arrangements or bereavement.
- Refugees and other vulnerable migrants – helping new arrivals to the UK and work to reunite families separated by conflicts and disasters.

Having such a worthwhile cause really spurred on the team to do their best in the face of a tough undertaking - to walk, scramble or climb to the top of the three highest peaks in the UK (Ben Nevis, Scafell Pike and Snowdon) all in the space of 24 hours. Our group of challengers included representatives from Chiene + Tait's main departments - Sean Macdonald (IT), Tom Rowntree (Audit and Assurance), Wilson Craig and Arlene Reid (Tax), and Dave Roberts (Business Support).

The challenge really proved to be a firm-wide effort with fundraising activities at the Chiene + Tait office; and one of our clients, St George's School for Girls, kindly supplying a minibus.



After successfully completing Ben Nevis in glorious sunshine and Scafell Pike in hurricane conditions, onwards and upwards the team went, to the final mountain - Snowdon. After driving through the night to ensure that the team did not exceed the 10 hours driving allowance and through a combination of gritted teeth, blistered feet and adrenaline; the team made their way to the top (stopping for a dram on the final peak) and pushed themselves all the way to finish. Once at the bottom, the team members ran through the car park to the finishing line; and with a final sprint, managed to finish the challenge in a total time of 23 hours 59 minutes and 42 seconds.

Chiene + Tait has a proud history of supporting charitable causes such as the British Red Cross. We are delighted that the team managed to raise a total of £4,200 (against a fundraising target of £3,000) towards helping local communities up and down the UK.

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New for you

All our 160+ informs, or technical briefs, are freely available on our website at www.chiene.co.uk

ARTS VAT RECOVERY

Many arts organisations can recover only part of the VAT that they incur. See the latest updates in our inform.

CHECK IT OUT

Capital gains tax computations can depend on the estimated value of assets. HMRC allow values to be confirmed after a sale. Our summary sets out how to go about this.

VAT ERROR CORRECTION PROCEDURES

Mistakes can be made, even by the best of us. Some VAT errors need to be notified to HMRC; others need only be corrected in the next return. The new rules are set out in our summary.

LETS SETTLE IT

HMRC are happy for employers to settle their employees' tax on some benefits. Look at our inform to see what is involved in a PAYE settlement agreement.

JELLEY WOBBLES

HMRC have changed their mind - again - on some tax calculations on shares acquired by employees following the exercise of options, which was the subject of a tax case, Mansworth v Jelley. Look at our summary if you think that this might apply to you.