

perspective



BACKING UK BUSINESS

With the government looking to the private sector to replace the expected loss of jobs in the public sector, Sharon Bedford, Tax Partner, reviews the 2011 budget to see whether the tax changes announced provide help to UK businesses.

With a goal of making the UK “the most competitive tax regime in the G20”, there was an acceleration in the planned reduction in corporation tax rates, with a target rate of 23% by 2014. This reduction in rates has generally been warmly welcomed by the business community, although there has been some comment that it is perhaps unfair that larger companies are likely to face a greater reduction in their tax liabilities than smaller ones.

therefore time will only tell whether the advances to the capital schemes will help reduce this gap.

So what else should George Osborne have done? Before the last general election the opposition criticised Labour’s tax on jobs – the planned 1% increase in both employees and employers national insurance which took effect in April this year. Once in government however the resources have not been found to cancel or postpone this increase. There

has been some help for less highly paid workers earning less than around £24,000 a year and for new businesses in certain UK regions. However in the

supposedly prosperous South East, where wages tend to be higher, businesses are now beginning to feel the impact of the increases. Perhaps that’s one for next year?

Financial year to	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Profits					
Up to £300,000	20%	20%	20%	20%	21%
Next £1,200,000	23.75%	25%	26.25%	27.5%	29.75%
Over £1,500,000	23%	24%	25%	26%	28%

There was also helpful news for innovative companies with an increase in R&D tax credits. The system works by giving an extra tax deduction for qualifying R&D expenditure and, subject to EU approval, this increased from 75% to 100% in April 2011 with a further increase to 125% planned in April 2012. Many James Cowper clients benefit from R&D tax credits and see them as a vital source of funding, so any enhancement to the scheme must be applauded. Companies which have patented technology can also look forward to a lower rate of corporation tax applicable to income generated by patents from 1 April 2013.

Companies may possibly find it easier to raise risk capital due to enhancements in EIS and VCT relief. EIS income tax relief for business angel investors increased from 20% to 30% from April 2011, and the annual amount that an individual can invest under the EIS scheme will increase from £½ million to £1 million in April 2012. Post credit-crunch many entrepreneurs still report a gap between the demand for funding and its supply and

JAMES COWPER STRENGTHENS OXFORD OFFICE

James Cowper has strengthened its business services team in Oxford with the appointment of Andy Jones as a Director.



Andy joined the Oxford office in May from Ellacotts in Banbury where he was a partner. Prior to joining Ellacotts, Andy worked for Ernst & Young in Reading.

Andy brings considerable expertise in acting for larger owner-managed and international businesses. He also has a strong track record in acting for charities and not for profit organisations, particularly in the education and health care sectors.

Commenting on his appointment Andy said: “I am delighted to have joined James Cowper. The firm has a strong reputation in Oxford and across the Thames Valley, acting for some fast growing and blue chip businesses. I am very much looking forward to developing my career further at the firm and enhancing the services James Cowper offers.”

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NEW NEWBURY OFFICE

James Cowper is pleased to announce that it has moved to a new office in Newbury. After more than 25 years it has outgrown its grade II listed Georgian building on Bartholomew Street.

The new address is:
Mill House, Overbridge Square
Hambridge Lane, Newbury
Berkshire RG14 5UX

The telephone number +44(0)1635 35255 and all direct dial numbers remain unchanged. Fax and email addresses are also unchanged.



The new office opened on Monday 9 May and offers staff and clients a more flexible space, including meeting rooms that can be opened up to hold seminars and for staff training. The new office also offers ample and convenient parking.

Technology



The technology sector is typified by rapid growth, third party investment and potentially speedy changes in future as science and innovation changes the competitive landscape in which it operates. However, it can - and does - generate significant profits to IT companies such as Google and Apple in the US or Vodafone and GSK here in the UK.

A problem for UK innovators has long been that of securing support (both in cash and physical terms) for commercialisation of their products. The recent recession hit the earliest stage technology businesses particularly hard as the availability of funding dried up, both for new spinouts and more advanced companies seeking second or third round financing. There were few exits achieved by way of flotation and a significant reduction in corporate venturing activity.

In both the public sector spending review last year and this year's budget, the government highlighted the importance it placed upon innovation in the UK economy as a stimulus of future economic growth. This focus was underpinned by a number of strategies which appear to be designed to promote innovation at research institutions (with funding earmarked specifically for such establishments as The Diamond Synchrotron, the new International Space Innovation Centre and the MHRA), as well as encouraging investment in technology based companies through developments to the valuable Enterprise Investment Scheme. The budget also brought welcome news in relation to R&D tax credits and the interesting tax proposal with regard to patents, which provides for lower levels of tax on income generated from patented technologies.

So will it be enough? Whilst these initiatives are certainly encouraging, as yet we are still seeing problems for technology based businesses raising the necessary funding to commercialise their innovation - and this at a time when interest rates are still at an unprecedented low level?

Our technology team will continue to monitor the impact of these measures and the progress of the sector in these challenging times.

For further information contact Sue Staunton on +44(0)1865 200500 or sstaunton@jamescowper.co.uk

THE IMPORTANCE OF FORECASTING



Introduction

Whether there is a squeeze on cash resources or you are planning for expansion, the financial forecast is a key part of any planning process. It is not a simple task, especially given the

current volatile economic climate, but it is still essential for all businesses.

This article highlights the key features and key issues and their possible implications. The actual production of your forecast needs to be something which sufficient time and effort is set aside for in order to get the most value.

A financial forecast should include a profit and loss account, balance sheet and cash flow forecast by month for a suitable period of time. It is important to focus on cash flow impacts and not purely profit and loss items. As an example, taking on a major new customer is great for the profit and loss, but its short term implications on working capital and the drain on cash is certainly not.

Profit and Loss

The first step is to produce a sensible profit and loss forecast, with the inclusion of at least 12 months actual results for comparison. This generally works in 3 stages:

- Sales forecast - it is important in any forecast to get the balance between what is achievable and what is aspired to, particularly with sales.
- Margin forecast - is the mix of sales going forward equivalent to historic levels? Are we expecting commodity price increases?
- Other costs - generally this will be the easiest area to forecast, but there are still key questions to be asked. Do we need more staff? Is an increase in borrowings accurately reflected in the interest costs?

Balance Sheet

Now that we have agreement to what the profit and loss account might look like, we now need to see its effect on our balance sheet:

- Trade debtors - how long is it taking our customers to pay? Is the trend moving upwards? Are there any economic or other factors that may affect this level in the future?
- Borrowings - do we need to finance the purchase of a new piece of equipment through hire purchase? What effect might this have?

Cash Flow Statement

Having worked through these documents we can now assess its impact on the cash flow statement:

- Have we accurately reflected one off payments such as capital expenditure?
- How much headroom do we have in our bank account? Do we need to take additional facilities in order to compensate for a squeeze?

The Benefits

As well as a useful long term planning tool this document will also allow you to perform variance analysis at the end of each month to assess which targets are being met and which need more work. They should also give further confidence to your bank and other lenders about the quality of your financial information and sustainability of your business.

The forecasts should be designed to be flexible, via formulae, so that if something changes, which it will, you are in a position to quickly assess the impact on your projections and plan accordingly.

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JAMES COWPER OPENS LONDON OFFICE

James Cowper has opened a new office in central London. The office is located at:

28 Ely Place
London EC1N 6AA
Tel: +44(0)20 7242 2088

Steve Clarke, James Cowper's Managing Partner, said: "This was the next natural step for us. We are seeing more opportunities with businesses coming into the UK, particularly through the Kreston International network, which demand a base in the capital."

"Our presence in London increases our attractiveness to international businesses and gives the firm coverage to better service clients across London, the Thames Valley and the South of England."



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Achieving Success



There are many barriers which companies need to overcome to achieve success, some of them external and others internal. Robert Holland, Business Services Partner, highlights

some of the issues companies face in these challenging economic times.

- Demand - companies are still nervous about demand, particularly with public sector spending cuts and pressures on household income.
- Skills shortages - some businesses are finding it difficult to recruit staff with the right blend of technical and soft skills.
- Availability of finance - many of the banks are emphasising that they are open for business, but many smaller companies are focusing on increased charges and greater difficulty in securing the funding they want.
- Caution - many businesses have been scarred by the recession, and are reluctant to recruit. They would rather play the chicken and egg game of waiting for sales before they hire staff.
- Cost inflation - the rising cost of fuel and materials, together with increased employers national insurance costs, is affecting margins and profitability.
- Management information - many companies do not get the information they need to manage their business. Without this they may take too long to grab opportunities or deal with problems.
- International factors - the last three years have clearly demonstrated that we live in a global village. Events in Europe, the Middle East and the rest of the world affect us significantly, and make it difficult to plan.

You should consider the external and internal factors affecting your business, and establish what the key barriers are to achieving success.

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JAMES COWPER PAYROLL NAMED 'BEST IN WORLD'



JC Payroll Services, the specialist payroll bureau operated by James Cowper, has been named 'Best Payroll Partner in Europe' and 'Best Payroll Partner in the World'.

Nick Butler, JC Payroll Services Director, said "To be named the best in Europe is a real honour, but to be crowned the best in the world is amazing. Celergo works with some of the best payroll providers around the world and to be given this award after just three years of working with them is testament to the team we have and the service we provide. I am enormously proud of everything the team has achieved."

The award was made by Celergo, one of the world's leading international payroll services bureau, in an annual survey of its 192 payroll bureau partners operating across 115 countries.

JC Payroll Services was appointed the sole UK Celergo payroll partner in 2008 and now manages 80 separate payrolls for more than 3,500 employees with a total monthly salary exceeding £15million. In total JC Payroll Services manages 480 payrolls with more than 10,000 employees with total monthly salaries exceeding £30million.

Betsy Babcock, Global Bureau Relationship Manager at Celergo, said: "This award is made following our annual bureau and customer satisfaction survey and JC Payroll Services should be rightly proud of their achievements. Our customers and partners around the world had only good things to say about the service Nick and his team provide. Our congratulations go to them all."

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PENSION CHANGES FROM APRIL 2011

There have been several changes to the pension regime with effect from 6 April 2011. The main changes are:

- The annual allowance will be decreased from £255,000 to £50,000. Any excess contribution (employees or employers) will be subject to a tax charge at 20,40 or 50% (remember that the 100% of earnings rules still apply).
- Unused allowances may be carried forward from the previous three tax years.
- It is no longer compulsory to purchase an annuity at age 75.

pension input period retrospectively. This could prove beneficial in maximising the amounts that can be paid into a pension without incurring a tax charge. Generally, aligning a PIP with the tax year makes good sense and is straightforward.

The removal of compulsory annuity purchase at age 75 will provide more flexibility on how pension benefits can be taken. The taxation of pension benefits on death has also changed with tax rates in pension funds passed on after age 75 falling from 82% to a maximum of 55%.

Under certain pension rules an unlimited amount can be drawn (subject to income tax) provided an individual can demonstrate a pension income of at least £20,000 a year.

Anyone wanting to review their pension position should take independent financial advice as the rules are complex and any decisions made will have an impact on future income.

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Although the availability of a new carry forward relief is a welcome measure, care needs to be taken when making pension contributions. This is because the £50,000 contribution limit is linked to a pension input period (PIP). This will not necessarily align with a tax year.

There is currently a small window of opportunity where it is possible to change a

Promotions at James Cowper

James Cowper has recently promoted Stuart Williams (Corporate Finance), Adrian Tarrant (Business Assurance) and Richard Warwick (Business Recovery & Insolvency) to Senior Manager.

Stuart works with business owners and investors acquiring or disposing of a business or looking to raise finance. Adrian has worked with James Cowper for 20 years and manages a number of the firm's significant audit clients. Richard finds solutions for struggling businesses.

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Stuart Williams



Adrian Tarrant



Richard Warwick

How safe is your **online business banking**?



Over the past few years more and more individuals and businesses have turned to the internet as their main means of communication and interaction with their bank - not only for accessing information and reviewing activity, but increasingly also for initiating transactions like making payments to suppliers and employees, moving funds between accounts and related companies and collecting cash from customers.

During this time there has been a good deal of media coverage over the security of internet banking, amid concerns over hacking, phishing and identity fraud amongst other things. As one would expect, the banks take security very seriously and are constantly working to stay one step ahead of the fraudsters - but how secure are things at your end?

We are probably all quite familiar with the sort of controls we should have over cash and cheque payments, but do business owners and directors really understand how to do their bit to keep their money safe in the new world of internet banking and e-commerce?

Often companies ignore the fact that those same disciplines we use to keep our money safe in the "real world" (e.g. authorisation limits, use of dual signatories and matching of payments to properly authorised invoices & purchase orders) need to be applied to internet banking. Equally important are strong IT security and access controls to protect against unauthorised access, either internally or from the ever-increasing and ever more sophisticated threats from professional fraudsters who have more and more tools at their disposal. Use of complex and regularly changed passwords is vitally important as is the operation of a secure firewall and antivirus protection. The rather too commonplace scenario of users knowing each others' passwords or using shared logins, whilst always far from ideal, really must be avoided where internet banking is concerned.

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VAT UPDATE

Are you ready for an inspection?



For the past five years or so, HM Revenue & Customs (HMRC) has been less than conspicuous on the inspection front, with many of our clients reporting that they can't

remember the last time they had one! However, this has now changed and an increasing number of businesses have had or are having an inspection.

So what will the Inspector look for during the inspection and what are they entitled to look for? The short answer is that they can look at all of the books and records for the business. This includes the accounting records, and all bank accounts used by the business (including personal ones if business transactions are made from them). They can legally see the last set of signed accounts, but not unsigned ones or management accounts (although they will try to ask for them). They can "inspect" the premises (i.e. a visual check) but they cannot search them without a warrant from the Courts (and this includes looking through any papers left lying around, but again, they do have a look!).

If they find any errors, the Inspector should notify the business of what they have found and the amounts. They will also read sections of The Human Rights Act to any directors, proprietors or partners (or a representative if the relevant persons are not in the United Kingdom). This is to ensure that businesses are aware of their rights to appeal, over and above those in the UK law, but it is not always clear when the Inspector presents the piece of paper! (Take it from one who had her Human Rights read to her as a client's representative!)

They also should not be looking at the VAT account for errors that have been adjusted via the returns with a view to levying penalties, but the prudent course of action is to adjust via the VAT return and notify HMRC in writing that the adjustment has been made.

So, if HMRC were to ring to make an appointment, would your business be ready?

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iXBRL: A DISASTER OR ANOTHER MILLENNIUM BUG?



You may have noticed that, over the last few months, the press have begun to pick up on iXBRL, the new HM Revenue & Customs (HMRC) tax software for company tax returns that was introduced in April. Various national publications, noting recent lobbying attempts by professional bodies, such as the Chartered Institute of Taxation, have proclaimed that this is a disaster waiting to happen. No one, apparently, is ready, but the implementation has carried on regardless.

So, what is the truth? Will it be the disaster that many are forecasting? Probably not.

Many commercial software providers have invested millions in ensuring their platforms, used for producing accounts, are ready. Similarly, most firms of accountants, James Cowper included, have been planning their strategy for dealing with the change and its added complexities for months.

In short, if you are a company that has its accounts prepared by James Cowper, you should see little disruption of service. However, things are less clear cut if you currently prepare your own accounts in Microsoft Word or Excel.

If you do prepare your own accounts, it is likely that you will have to invest in a convertor tool that can be used to translate accounts into an acceptable format and, although there are several such tools available, none are very cheap. An alternative would be to pay a third-

party, such as James Cowper, to carry out the conversion for you.

It is likely that those hardest hit will be the small companies, with fewer resources, that currently prepare their own accounts. Although, it should be pointed out that HMRC have introduced a 'smart PDF' program for small companies to complete their tax returns and accounts online, this can only really be used for straightforward cases.

So, what impact will iXBRL have? In summary, for most companies, it won't be a major problem. However, there will invariably be some additional expense incurred as everyone gets used to the new system and absorbs the costs passed on by the software providers.

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INTERNATIONAL SECONDMENTS



Do you really know all your assignees?

Employees moving to/from the UK, family in tow, often get the attention needed from their employer. But what about employees travelling overseas to other group companies who don't move home? The two most common examples are business visitors and commuters.

Business visitors

Business visitors typically come to/from the UK a few days at a time, spending short periods of time in several overseas countries. Companies do not always have an overview of who is visiting their offices from overseas, especially if there are several office locations.

Employers aware of their business visitors may rely on the general principle that a few days in a country is too short a timeframe to trigger any issues. But are these employees allowed to work in a country without additional immigration papers? Is there an income tax withholding obligation, even if no final tax liability is due? Who is tracking days spent in the country over a longer period of time, and what if there is no double tax treaty between the UK and overseas country to allow taxation in the home country alone?

HM Revenue & Customs expects companies to know who is visiting the UK and have analysed their tax position. A question about business visitors is now standard when they undertake PAYE visits or expatriate reviews.

Commuters

Commuters travel in/out of the UK on a regular basis, often staying in the host country for the working week and returning home at weekends. They often trigger a tax liability in the host country due to the time spent working there, whilst remaining taxable in their home country as they have never really left and broken residence. This needs to be managed carefully in terms of eliminating potential double taxation, dealing with simultaneous tax withholding situations and the resulting cash-flow difficulties. The employer needs to determine where social security should be paid, and this will impact both employee and employer contributions.

Advice is essential in all of these areas to ensure compliance in both jurisdictions and to find a way through the tax requirements in both countries.

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HMRC TARGET ADDITIONAL TAX TAKE



HM Revenue & Customs (HMRC) recently embarked on its latest effort to encourage businesses to come forward with details of underpaid tax. It was called the Plumbers Tax Safe Plan and was aimed at people who work (or worked) in the plumbing, heating or gas installation trades.

40% of SMEs do not keep adequate records, this will be a major cause for concern for many business owners throughout the country.

We can help you ensure that your record-keeping is of high standard, and we also offer clients insurance to cover the professional cost of dealing with HMRC business records checks enquiries, as well as other enquiries and reviews. Commentators believe that the state of the public finances means that more enquiries are likely in the future

Whether or not one accepts the official line that this is not an income generation exercise, now is a good time to review your records and protect your interests.

For further information contact Stephen Barratt on +44(0)1635 35255 or sbarratt@jamescowper.co.uk
For further information on professional fees insurance, contact Jo Grieve on +44(0)1635 35255 or jgrieve@jamescowper.co.uk

There is, however, another HMRC initiative which has received rather less media attention. In December last year HMRC published a consultation paper announcing that they intended to start a programme of business records checks in the second half of 2011 to review both the adequacy and accuracy of business records within the SME sector. The penalty for significant record-keeping failures relating to income tax, corporation tax and VAT will be up to £3,000. If HMRC is correct in its belief that as many as

JAMES COWPER STRENGTHENS SOUTHAMPTON CORPORATE TAX AND TECHNOLOGY TEAM

James Cowper has strengthened its Corporate Tax and Technology Team in Southampton with the appointment of Senior Tax Manager Alex Nicholson. Alex joined James Cowper in April from the Southampton office of Smith & Williamson.

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Salary or dividend - the tax breaks for the private company shareholder



Many small businesses operate as a limited company, often for reasons quite unconnected with tax. However, for owner managers, a company can provide a significant

tax saving opportunity, through payment of dividends rather than salary.

Take a typical company where the owner manager pays himself a monthly salary of £5,000. The company has to account for employers' national insurance (NI) of about £600. The owner's annual take home income will be approximately £41,000, on the assumption that he is under 65 and so liable to pay employees' NI.

So what if he chooses to pay dividends instead? It is not generally recommended to pay no salary at all, as this will result in a gap in the NI contribution history, and perhaps an eventual reduction in state pension benefits. Owner managers typically pay themselves a salary of around £550 a month, which triggers little or no PAYE and NI, but preserves the NI record. Paying salary at this level, and then paying such dividend as will continue to cost the company about £5,600 monthly, will result in take home income of around £51,000.

The overall result is an extra £10,000 a year for the business owner at no cost to the company. Similar benefits arise at different salary levels. The exact figures will depend upon personal circumstances:

Annual salary	£30,000	£60,000	£100,000	£150,000
Take home pay	£23,000	£41,000	£64,000	£91,000
Take home with dividend	£28,000	£51,000	£78,000	£109,000
Potential tax saving	£5,000	£10,000	£14,000	£18,000

So is there a risk that HM Revenue & Customs will object? Not in our experience, provided that meticulous care is taken with the paperwork. There is no reason why a company cannot declare dividends monthly or even more frequently, but directors must satisfy themselves that the company has the necessary reserves to pay a dividend and pass an appropriate dividend resolution.

There may be even greater benefits if dividends can be paid to an owner manager's spouse, and there is tax planning to cover companies that have multiple shareholders. Please speak to us if this is relevant to you.

Each case needs to be considered carefully to determine what is suitable for the specific circumstances.

For further information contact Chris Lee on +44(0)118 9590261 or clee@jamescowper.co.uk

James Cowper gives Olympic hopeful a boost

James Cowper is sponsoring Olympic equestrian hopeful Charlotte Agnew in her preparations for the 2016 Olympics in Rio de Janeiro, Brazil.

Charlotte, 23, already has a string of successes under her belt, achieving a Team Gold and 4th individual place at the British Eventing YR Europeans, finishing 39th at the Badminton Horse Trials, and gold medals in British Eventing's Under 18 and Under 21 championships. Between 2009 and 2011 Charlotte participated in the Lottery funded World Class Development Programme, a programme designed to help promising riders prepare for the world's largest equestrian events, including the Olympics and European Championships.

Charlotte narrowly missed out on potential selection for the 2012 Olympics following injury to her horse, Little Beau, and is now preparing for the 2016 Olympics.

Charlotte said: "I need to have at least three horses competing successfully at the top level to increase the chance of selection for the 2016 Olympics. The selections are made



in 2013/14 and it is only through the kind sponsorship from James Cowper and my other supporters that this will be possible. I am extremely grateful for all of their support."

For more information on Charlotte Agnew and to follow her progress visit www.charlotteagnew.com

Definition of 'insolvency'



The Court of Appeal has upheld a ruling against bondholders in a Lehman Brothers mortgage-backed securitisation known as Eurosail-UK 2007-3BL. Section 123 of the Insolvency Act 1986

defines a company as being insolvent if either it cannot pay its debts as they fall due or if its assets are exceeded by its liabilities (including contingent and prospective liabilities).

A company's inability to pay its debts as they fall due - sometimes referred to as the 'cash flow test' - is evidenced by such issues as late payments to suppliers, payments of round sum amounts, bounced cheques, county court judgments, walking possession of assets and winding up petitions.

Hitherto, if a company's balance sheet showed that it had no net assets, this would also be regarded as prima facie evidence of insolvency - 'the balance sheet test'. In this recent ruling, however, the Court decided that the balance sheet test should not amount to a relatively mechanical, assets-based, basis for seeking to wind up a company, but should only be used for a company that had reached 'the end of the road'.

Whilst this decision was in a case involving relatively sophisticated financial instruments, in our view it has much wider repercussions for SMEs which are so often funded with a relatively modest level of share capital and reserves, supplemented by more substantial directors' or shareholders' loans which the stakeholders hope to be able to repay from future profits.

In short this is a welcome, if overdue, clarification of the law defining insolvency. Nevertheless, it will remain to be seen what further repercussions it gives rise to over time.

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Payments under Gift Aid may also be an attractive option to some additional rate taxpayers.

Let us hope that the 50p income tax rate will be a temporary measure, otherwise individuals may well consider taking further legitimate measures to avoid the tax.

If you are concerned about your exposure to the 50p tax rate, please feel free to contact us to discuss this further.

For further information contact Ian Miles on +44(0)1491 848500 or imiles@jamescowper.co.uk

The 50p Income Tax Rate



The 50p income tax rate was announced by Alistair Darling in 2009, to be introduced from 6 April 2010 for all those with incomes of over £150,000. Approximately 1% of

tax payers have income over this amount. Reports at that time predicted that about two thirds of all taxpayers affected would find ways to avoid the "additional rate" tax, as the 50p rate is known.

There was speculation that George Osborne would abolish the 50p rate in his budget earlier this year but that was not the case. Instead, he announced that it would be a temporary rate that would be abolished before the end of the life of the current parliament. There is further speculation that the 50p rate will be abolished in the 2013 budget in order to improve Britain's competitive advantage.

If the tax really is likely to be a temporary measure, then some elaborate measures to avoid the tax may be relatively complicated solutions to what may only be a short term problem. Some businesses have incorporated, for example, so that advantage can be taken of the lower corporation tax rate on the profits earned by the company. That is fine, but there remains the issue of double taxation when cash is extracted from the

company, though that position may be improved if the cash can be left in the company and only extracted when it is liquidated. If the profit is extracted by way of dividend then the dividend will be taxed at 42½% if it is received by a 50% taxpayer, or will be taxed at the taxpayer's marginal tax rate if it is paid out as salary or bonus - in this case it will also be subject to national insurance contributions. When that is taken into account, together with the additional requirements and costs of running a company, it may not be worth it for a temporary tax rate.

So what relatively simple and effective measures can be taken?

Well, from 6 April 2011 it is possible to make annual pension contributions of up to £50,000 and obtain tax relief at the taxpayer's highest marginal rate, so that for a 50% tax payer in effect the contribution will only cost half of the amount actually paid.

Some investors have been restructuring their portfolios to invest for capital growth rather than for income to limit their exposure to the 50p rate.

It may also be possible to defer income to a later tax year. If the taxpayer is self employed then it may be possible to accelerate expenditure to minimise profits. That may only defer profit until a later year, but it would legitimately defer the payment of income tax to the Revenue.

BIG COMPANIES EXPLOIT POWER



Figures produced recently by credit reference agency Experian highlight the problems which larger companies can create for smaller ones.

Firms with more than 500 employees typically pay invoices 35 days late. Therefore if there is a 30 day settlement period this means that on average invoices are paid after 65 days. For firms with fewer than 100 staff, invoices are paid 19 days later on average.

This can be extremely bad news for businesses which deal mainly with larger companies. One of the most common causes of business failure is late payment by suppliers.

The problem is often most acute for those businesses which may have as much as 50% of their turnover with one large customer. It is always difficult to turn business away, but reliance on one customer can create severe business issues at short notice, not least dependence on that customer for cash flow.

The economic climate in the last two years has led many businesses to review credit terms. Typically it is smaller businesses which lose out as they are forced by larger ones to accept less favourable terms. Business growth is often slowed because management focus is directed towards cash collection rather than investment and expansion.

There are some steps businesses can take to improve the likelihood of earlier payment. These include making sure that the invoice gets to the right person in the first place, and ensuring that there are no errors on the invoice itself. A relatively minor error can be used as an excuse for delaying payment of the whole invoice.

Understanding the customer's approval process can also be important, as this enables the supplier to chase the right person for payment at the time.

There is also the possibility of charging interest on outstanding debts. In reality very few companies choose this route. The amounts involved are often paltry, and there is the underlying risk that upsetting a large customer might mean the loss of future business.

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James Cowper takes to the stage with the Watermill Theatre



James Cowper has taken to the stage following its appointment as auditors and advisers to The Watermill Theatre in Newbury.

The appointment by

The Watermill Theatre has been closely followed by two further charity wins, with Berkshire Maestros and Reading's Parents And Children Together (PACT) both appointing the firm as their auditors.

Partner Mike Farwell, said: "We are delighted to have been appointed by The Watermill Theatre. The award-winning theatre, which operates as a charity, is one of the most successful producing theatres in the country and in the 2009/10 season attracted a combined audience of more than 120,000. It also delivers an extensive programme of education and community activities in the local area."

Commenting on why they had appointed James Cowper, Faramade Rees, Finance Manager at The Watermill Theatre, said: "We were impressed with both the quality of the service that James Cowper will provide and with the cost. We were very aware of the way in which the firm makes you feel a valued organisation and of the intention to get to know our work thoroughly to ensure that they provide the best possible service."

For further information contact Mike Farwell on +44(0)1635 35255 or mfarwell@jamescowper.co.uk www.watermill.org.uk



James Cowper clients dominate PLUS Stock Exchange awards



James Cowper's clients have dominated the annual PLUS Stock Exchange awards, with three clients listed in four categories.

Clients shortlisted for a PLUS Stock Exchange award included One Media Publishing, shortlisted for CEO of the Year and Company of the Year, Bioventix, listed for IPO of the Year, and Zeta Compliance Group, for Transaction of the Year.

Alex Peal, Partner, said: "The PLUS Stock Exchange is a terrific introduction for companies seeking to take the first step onto a public market and many of our clients

choose this route to access equity investment and a potential full listing. We are well placed to offer companies advice on the benefits of a listing and how it can be achieved.

The PLUS Stock Exchange provides a range of markets offering cost-effective access to equity finance for businesses seeking the first step onto public markets.

For further information contact Alex Peal on +44(0)118 9590261 or apeal@jamescowper.co.uk



Outsourcing - Online

James Cowper has been providing accounting outsourcing services to businesses for many years. The services are tailored to the requirements of each client. Sometimes the service is a fully outsourced one with all financial operations covered, whilst for other clients only certain areas are outsourced.

One area where we have seen growth in recent years is in online accounting. The traditional approach has been that we have visited businesses to deal with their requirements on their accounting systems, or alternatively we process information on our systems.

Online accounting offers access to accounting software from a variety of locations. For example, we can have access in our offices and clients have access at their premises. Other locations can also be

added, such as a parent company headquarters. One of the key advantages of online accounting is ease of access to the accounting system wherever you are in the world.

Together with the traditional benefits of outsourcing, this can be an appealing combination.

For further information please contact Karen Turner on +44(0)1635 35255 or ktturner@jamescowper.co.uk

Changes to PAYE Coding Notices



Get to know... Sandra Mundy

Sandra Mundy is a Business Recovery and Insolvency Partner, and here you can get to know her a bit better.

What's your best feature?

My most identifiable feature is my long red hair.

And your worst?

My worst feature when I was a child was my long red hair as it was the source of endless teasing!

If you hadn't been an accountant, what career would you have chosen?

If you had asked me that question up to age 13 I'd have probably replied an international event rider!

What's the worst job you have ever done?

I once helped a friend on a paper round and I learnt a valuable lesson - don't walk miles in high heels!

What advice would you give to someone starting a career in accountancy?

Think about business not solely about numbers.

Which piece of European legislation would you most like to change?

Transfer of Undertakings Protection of Employment (TUPE). This piece of legislation seriously frustrates the rescue culture.

What football team do you support and why?

I support Southampton Football Club by proxy as my husband is an ardent supporter.

What is your dream car?

I would like a car with a large boot, four seats, fuel efficient, fast, leather seats, not grossly

expensive, not a BMW (my husband hates them).... Answers on a postcard!

Do you find it easy to balance work and personal life?

For the most part working at James Cowper lets me have a good work/life balance.

Email - love it or hate it?

Love it - but not on holiday.

What phrase do you overuse the most?

The rules say....

What do you most like about work?

Making a difference to peoples lives at some of the most challenging times in their lives.

What's the best advice you've ever given?

'Go bankrupt' it might sound strange but for a lot of people shedding the debt burden and being able to make a fresh start is just what they need.

Where would you most like to live?

The New Forest and have my three horses in the back garden (well a girl can dream!)

Do you have a business hero?

Sir Timothy Berners-Lee, the inventor of the World Wide Web.

If you won the lottery would you retire?

Assuming I won more than £10 (the grand total of my winnings to date!) I don't think I'd retire but I can't pretend it wouldn't change me.

Sandra Mundy can be contacted on +44(0)2380 221222 or smundy@jamescowper.co.uk



As part of H M Revenue & Customs' (HMRC) latest cost cutting initiative, copies of PAYE coding notices are no longer being issued to tax advisers and agents.

This change follows earlier announcements that statements of account and tax calculations will also cease to be sent to agents. However, the timing of this change has been particularly poor as it happened just before HMRC issued the PAYE codes for the 2011/12 tax year.

There has been significant press coverage regarding PAYE coding notices. Recent statistics show that as many as one in five have errors. As a result many taxpayers were left owing hundreds and, in some cases thousands, of pounds of tax that they thought had already been paid via PAYE.

It is therefore important that clients forward copies of all PAYE coding notices to us for checking. An incorrect code may mean that clients are faced with a surprise when their tax return is prepared as they may end up with a large liability.

For further information contact Sarah Pearce on +44(0)118 9590261 or spearce@jamescowper.co.uk



Company Car Changes

The £80,000 price cap used to calculate the taxable benefit for those owning a company car has been removed with effect from 6 April 2011.

Car benefits are calculated by applying a percentage based on the cars CO2 emissions to the list price of the car. Up until 5 April 2011, the list price was capped at £80,000 and the maximum car benefit

charge was £28,000. Now the cap has been removed, the tax burden of owning a luxury company car is set to increase dramatically.

Take for example those fortunate enough to have a company Lamborghini Gallardo with a list price of approximately £150,000. From 6 April 2011, the car benefit will increase from £28,000 to £52,500. For a 50% taxpayer this will mean a tax charge of £26,250 per year compared with £14,000 under the old regime. Second hand owners need to be aware that the car benefit charge is based on

the list price when new, not what the current owner has actually paid for the car. This could mean owners will be faced with taxable benefits that are out of proportion with the car's value.

For those with expensive cars, now might be the time to look at alternatives.

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