

UK Inward Investment

update

Thames Valley – UK's Fastest Growing Region

The Thames Valley has been the UK's fastest growing region over the last five years, with 3.5 per cent real growth compared to the UK's national average of 2.5 per cent. (Financial Times, 24 April 2008).

Productivity is also high, with the region offering a highly skilled workforce with almost 40 per cent of those in employment holding a degree.

The Thames Valley is just west of London and is served by London Heathrow Airport. Three of James Cowper's offices are in principal business locations in the region; Reading, Oxford and Newbury. Other major towns in the area include Bracknell, Maidenhead and Slough.

As well as being close to Heathrow Airport, the Thames Valley has good road and rail links. With this good communication network and some of the world's leading universities, the area has become a focal point for inbound investment into the UK and a centre for technology, telecommunications, computer and internet enterprises.

Some of the world's biggest multinational corporations are located in the area including Microsoft, Vodafone, Oracle, Hewlett Packard,



Oxford Instruments, Amazon.com and Siemens.

Yet at the same time it is the favoured location of many smaller dynamic companies testing out the UK or European market for the first time. This fits well with the region's reputation as one of the most entrepreneurial in the UK.

Inward investment has transformed the Thames Valley in the last 20 years. Historically, the US has been the biggest investor, particularly in the software sector. But the focus is changing, particularly with the prospect of a downturn in the American economy. In recent times there has been an increase in the number of Chinese and Indian companies coming into the UK and Australian companies have also been significant investors.

Whatever the prospects for the global economy in the next few years, the Thames Valley is well placed to provide a great location for companies looking to develop a presence in UK or European markets.

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Does Your Transfer Pricing Policy Deliver Tax Savings?

Transfer pricing is one topic many CFOs wish they could ignore. This is hardly surprising, given the increasingly complex rules and detailed documentation requirements imposed by tax authorities worldwide.

Transfer pricing enquiries are becoming increasingly sophisticated as tax authorities take on their own economists and accountants - and the penalties for non-compliance can be high.

Yet if transfer pricing is approached as an integral part of a group's tax planning, rather

than just a compliance exercise, the rewards can be substantial.

Successful businesses recognise that supply chain management is key to enhancing profitability. If this can also be structured to allow profits to be earned in low tax jurisdiction, then the impact on results can be increased yet further.

If you want to review your transfer pricing policy and make it work for you, contact
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UK CORPORATION TAX RATES REDUCED TO 28 PER CENT

In a move to attract and retain international businesses, UK corporation tax rates were reduced to 28 per cent from 1 April 2008.



This adds to a generous capital gains tax relief which allows most trading groups to sell subsidiaries tax free and valuable tax breaks for groups carrying out R&D in the UK.

So will the measures work?

Sharon Bedford, tax partner at James Cowper comments: "International businesses have many reasons for choosing where to locate. Communications, language and the availability of finance are key, as is access to a skilled workforce and the degree of regulation in the labour market.

The UK scores well in many of these factors and will continue to attract and retain large corporations. The reduction in tax rates will also help, but there are other aspects of the UK tax system which need to be modernised; namely the taxation of foreign dividends and the controlled foreign company rules.

Currently, there is consultation on both these matters and it will be interesting to see how radical the ultimate changes are. Time will only tell whether the Government is brave enough to make changes that mean the UK can remain truly competitive in the race to attract international businesses."

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Surviving the Credit Crisis

While the current credit crisis is predominately related to the availability and cost of finance, its effect on UK business is mixed. Across a spectrum of sectors some are reporting poor results while others are reporting business as usual.

However it is likely that over the next six to twelve months companies in a number of sectors will experience a downturn. If this is not managed properly then it could lead to cashflow difficulties or companies going out of business.

When things get tough it is more important that management monitor the performance of the company more formally and this is especially true for companies managed from overseas.

It is essential that the company prepares accurate management accounts on a regular basis. The accounts should be prepared on the same basis as the year-end accounts and include month-end adjustments such as stock and work in progress, depreciation, accruals and prepayments.

Management should also consider which Key Performance Indicators (KPIs) are relevant, and measure and report on these on a monthly basis. A KPI helps companies to monitor the performance of different business segments and can often provide early warning of trouble ahead.

As well as reporting on the past it is important to plan for the short and medium term – especially in respect of cashflow. Management should prepare a cashflow forecast for the coming 12 months which should be updated on a regular basis to ensure it remains a useful planning tool.

Your professional advisers should be experienced in helping their clients through difficult periods. Speak to them regularly as they will be able to help you, either by implementing some of the processes described above or by providing more general advice. Management should also speak to their bankers and review the company's existing facilities to ensure they are sufficient to the needs of the company both now and in the future.

It is too early to say whether the UK will suffer a major economic slowdown, and if it does, which sectors will be affected by it. Nonetheless, if there is a slowdown the businesses that survive will be the ones with strong management who are in control of their company and know the industry in which they are trading. Now is the time to take action and ensure your business is one which falls into this latter category.

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French Connection Adds to Kreston Growth



Exco France has joined Kreston International – helping to cement a 30 per cent growth in Kreston membership in 2007.

Kreston is among the largest accounting associations in the world with 665 offices. James Cowper's membership enables it to help expanding UK businesses find high quality advisers all over the world as well as work with overseas companies setting up in the UK.

Exco is a network of 23 independent firms, located throughout France, employing 2,000 professionals and support staff.

It also has correspondent members in 11 French speaking African countries which have also joined Kreston. As well as France and Africa, the network adds additional locations in Morocco, Poland, West Indies, New Caledonia and Reunion.

For further information visit
www.kreston.com

New Tax Rules for Non-Domiciles



The UK Government recently introduced radical changes to taxation for non-UK domiciled individuals.

Foreign domiciles who have been UK tax resident for seven out of the past ten years are now taxable on their worldwide income, unless their unremitted foreign income is less than £2,000 per year.

Furthermore, the 'source ceasing' practices which historically enabled income to be

converted into capital for tax purposes (and remitted free of UK tax) are no longer accepted by HMRC.

It will still be possible for non-UK domiciled individuals who have been UK tax resident for seven of the last ten years to elect to remain within the remittance basis of taxation – but this election comes at a cost of £30,000 per year, in the form of a general tax charge, which can then be attributed to either income or capital gains for the purpose of a double tax relief claim. Individuals who make this election will

not be entitled to claim UK personal allowances and capital gains tax exemption for the year a remittance-basis election is made.

Therefore, it is unlikely that non-UK domiciles with unremitted foreign income and gains of less than say, £80,000 per year, would benefit from paying this surcharge; instead they will be taxable in the UK on their worldwide income, which in turn may create UK tax return filing requirements for many individuals who previously were not required to file returns.

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