



The emergency budget - maintaining a balanced view ...

The recent emergency budget was all about balancing the books – and I guess we would all agree that something needed to be done to put UK plc back on track. Billed as ‘tough but fair’, Chancellor George Osborne aims to balance the structural deficit into balance by 2016. But what about the cost to UK businesses? And consumers?



By Sharmini Woodings

In assessing the details, we have tried to take a balanced view. Yes, of course there were some losers – that was inevitable but there were also some significant winners.

The cut to corporation tax by 1% (21% to 20% for smaller businesses and 28% to 27% for bigger companies, along with plans to gradually reduce this to 24%), is obviously highly beneficial. Capital Gains Tax, however, saw a considerable increase from 18% to 28%.

The expected increase in April 2011 of 1% in National Insurance is to go ahead despite the pre-election promise to withdraw this measure. A welcome boost came to firms outside the South East with an NIC holiday up to £5,000 per employee (or

£50,000 per firm), which is especially beneficial in areas harder hit economically.

The lower NIC threshold has increased, helping the lowest paid. For those earning up to £100,000, the nil-rate personal tax band increased by £1,000 to £7,475 – way above inflation – and an obvious boost to purchasing powers.

The increase in VAT to 20% is concerning for consumer-facing businesses but must be seen in the context of UK VAT being the lowest in Europe. Of course, businesses can claim back the additional VAT but consumers will inevitably face higher prices in the shops.

At least businesses have several months' notice to prepare for the change – and in this instance it has been timed to miss Christmas trading and the main New Year holiday period, factors that made things considerably more difficult last time around.

So yes, we agree – tough but fair. Now it is down to businesses to focus on the future and maximise profits by all means available. At Wise & Co, we hope to help you by showing you how to make the best use of all the allowances and tax-saving schemes.

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Wise and Co. delighted to be sponsors

VAT – Dealing with HMRC



By Steve South

The VAT rise in January will bring VAT further up everyone's agenda and forthcoming issues of Wise Words will look at the impact of the rate rise on business. In this issue we are covering how to deal with HMRC staff.

To its credit, HMRC has worked to make its staff more professional and improve relations between it, taxpayers and their professional advisors. However, this 'modernisation' has come at a cost – notably the expansion of a 'call centre culture' in which we are all 'customers' of HMRC.

Beware! The language of 'customer service' can give the impression that HMRC is there to protect an individual taxpayer's interests. It is not. HMRC is there to protect the Revenue.

VAT inspection visits are becoming rarer as HMRC become increasingly reliant upon 'behind the scenes' investigation techniques. There are now three main ways in which business can contact HMRC and our advice in dealing with these is as follows:

Telephone calls to the National Advice Line:

If a taxpayer treats a transaction incorrectly on the basis of telephone advice, they have no protection against future VAT assessments. Several taxpayers have gone to the VAT Tribunal after receiving hefty VAT assessments when advice from the National Advice Line has proved to be incorrect.

Late PAYE payments penalised

From 6 April 2010 there are new penalties in force for employers making late payments of PAYE, Class 1A or Class 1B contributions.

The penalty is dependant on the number of defaults in a tax year starting at 1% for between 2 and 4 defaults and increases to 4% for 11 or more late payments.

If the payment is more than 6 months overdue the penalty can be as high as 5% with a further 5% levied if the payment is more than 12 months late.

The penalty is calculated as a % of the late paid PAYE.

PAYE payments are due to be paid by the 19th of each month. The penalty date will be the 20th of the month.

Employers can expect to receive a warning letter after the first late payment advising any subsequent late payment will render the employer liable to a penalty.

Remember, it is not the job of call centre staff to make enquiries into an issue. They will take the information presented to them at face value and have no interest in suggesting ways in which VAT can be mitigated, avoided or managed more effectively.

Written enquiries:

It is becoming far harder to obtain firm advice in writing from HMRC. All too often, the response to a letter regarding a complex transaction can be summarized as 'Thank you for your letter, please refer to this public notice on the issue which will tell you all you need to know'.

When a written ruling has, usually after some prompting, been given by HMRC, it can only be relied upon if the taxpayer has given HMRC the full and complete facts about a transaction.

A taxpayer's perception of the relevant facts can be different to HMRC's. Therefore all letters to HMRC should be carefully reviewed to ensure that they deal with the issue completely and comprehensively.

HMRC's website:

There is a lot of useful information on HMRC's website. However, the search function is not as good as it could be with the result that things can be hard to find.

When you have found what you are looking for, you should print it out as items can be removed or changed at a later date. Having a dated version of HMRC's published guidance offers vital protection should it subsequently transpire that a particular document has an error in it.

Employee Benefit Trusts



Definitely worth considering for 50% tax payers...

By Kevin Birch

An Employee Benefit Trust (EBT) is a tax efficient way of managing share purchase, funded by the employer or by employees. The addition of a new high rate of tax of 50% can make the opportunities they can provide more attractive to companies of all sizes – from SMEs to quoted companies.

An EBT can be used for a wide range of purposes, including ...

- Extracting funds from the company
- Establishing a more tax efficient basis for mortgage payments or school fees
- Creating a market for private company shares as a capital gains tax transaction
- Funding a full-scale management buy-out.

There are two types of EBT – cash and share based, depending on what goal you are trying to achieve.

If you would like to know more about how EBTs could work in your business, contact your usual Partner who will be delighted to advise.

Fraud? Here? ... surely not! ...

It's not unusual to read about fraud in big businesses – but many find it hard to believe they could be duped closer to home.



By Treena Turner

Sadly not so! With the economic difficulties many are facing, the incentive to take risks is higher than usual right now and you would do well to follow some basic precautions in your business to minimise the risk of a devastating fraudulent loss.

Smaller businesses rely on trust: most small businesses rely on a small team of people with high levels of trust; the people you just couldn't manage without! Never assume that 'it couldn't happen here'.

Employees who abuse their position: This can start by simply overstating expenses by a few pounds or be as serious as setting up fictitious suppliers or preparing bogus invoices from non-existent suppliers. Tenders or RFPs (request for price) also offer potential for dishonesty, with 'kickbacks' and bribes. Consumer-based businesses are at risk of stock being pilfered. Dubious bookkeepers have even invented fictitious staff members with wages being paid into their own account.

Suppliers taking advantage: Inefficient checking processes can result in suppliers taking advantage – orders that are short, invoices with wrong prices or amounts and even duplicate invoices. A proper purchase order system, plus checking delivery notes and invoices, should be mandatory with discrepancies promptly followed up.

Consider our top ten tips for detecting and preventing fraud.

1. Check references and ensure that temp staff are also vetted, particularly if they are to work in key areas.
2. Have a clear policy that fraud will not be tolerated within the

organisation – and make sure staff know!

3. Consider which areas of your organisation could be at risk, then plan and implement appropriate defences. Effective controls include: segregating duties, supervision and review, arithmetical checks, accounting comparisons, authorisation and approval, physical controls and stock counts.
4. Try not to have only one person responsible for controlling any specific area of the organisation, in particular the accounting function, ordering goods, stock control and dispatch.
5. Always retain a degree of control over the key accounting functions of your business. Don't pre-sign blank cheques. Ensure that invoices are presented with cheques requiring signature.
6. Be on the lookout for unusual requests from accounting staff.
7. Watch out for employees who are overly protective of their role – they may have something to hide. Watch out for disgruntled employees and those whose circumstances change for the worse – or inexplicably for the better!
8. Watch out for notable changes in cash-flow when an employee is away from the office and be aware of employees who never take their holiday.
9. Prepare budgets and monthly management accounts; compare against actual results so that you are aware of variances.
10. Where a fraudster is caught, make sure that appropriate action is taken and learn from the experience!

Beating the fraudsters

Implementing simple checks can make it much more difficult for a fraudster to take advantage. The results could be startling – a fraud of £100 each week means a £5,000 loss of profit each year; operating at a 20% margin means generating £25,000 of turnover to compensate.

Let us know if we can help. We can advise on implementing anti-fraud strategies, plus we can help detect fraud where it is suspected.

Practice matters:

As ever, we are delighted at the success of our trainee accountants. Successes so far this year have included Tom Mason and Elise Pullen who have both qualified as Chartered Accountants (ACA) with Paul Bockett-Pugh and Sharon Ing attaining membership of the Association of Accounting Technicians (AAT).

Further congratulations also go to Tom Mason for his recent appointment to the position of Accounts and Audit Supervisor.

Well done to them all.



Top: Paul Bockett-Pugh and Sharon Ing

Left: Tom Mason and Elise Pullen

Powerful accounting solutions with SAGE

Wise & Co. is a fully accredited Sage Business Partner which means we save you money as we can offer significant savings to our clients over Sage's normal retail prices, as well as useful support and advice on the right solution for your business. Plus, we can help you once you receive your Sage package as we have an in-house department dedicated to dealing with Sage queries, orders, upgrades and installations – no more waiting for help-lines to pick up!

The Sage team has recently launched a new website – www.accountingsoftwareuk.co.uk – which allows online purchase of a wide range of sage products and has useful information and a solution finder to help customers choose the correct product for their business. Or of course you can call us for more information.

We appreciate that you may have considered contacting Sage direct – however, we simply ask that you give us a call as we can help you in a more hands-on way, with a clearer understanding of your accounting requirements and issues. Plus, we will nearly always be able to beat their prices!

We also offer a range of IT support services – please check out the IT services section of our website for more information.

Wise & Co. – proud sponsors Farnham Youth Choir



By FYC Chairman, Graham Noakes



One of the major highlights of our 25th anniversary celebrations was announcing on stage that Wise & Co had agreed to become our principal sponsor for a three year period, enabling the choir to significantly improve the professional running of what has truly become a world-class performing group.

It was a great end to a fantastic year of celebration which included two celebratory concerts in Basingstoke's Anvil concert hall, performing to an audience of more than a thousand and sharing the stage with the world famous King's Singers. Plus a charity banquet and auction which raised an amazing £6,000 to launch the FYC Tour Fund.

There was also a trip to Verona, winning another international choral competition against more than 20 international adult and youth choirs.

For our follow up year, FYC has already hit the ground running with a concert in Winchester Cathedral, as well as getting through to the Final of the UK Choir of the Year competition which will be held in Birmingham's magnificent Symphony Hall in November. And, looking further ahead, plans are already afoot to take part in another international choral competition in 2012, this time in Cincinnati.

We could not achieve and sustain this level of activity performance without the superb involvement of our sponsors and, in particular, the extraordinary generosity of Wise & Co. So thank you once again for your terrific support in helping us provide our young performers with such a unique musical experience – together we hope to continue doing you and the rest of Farnham proud!

For more information see www.fyc.org.uk

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