

Why charitable giving is good for the soul...

and for the self assessment tax return

Plus:

-  to Business Improvement Districts
- Tax tips: the truth about tax investigations
- Green is good: love the environment, lower your bills
- The lowdown: are bitcoins a good bet?

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HELLO AND WELCOME TO INSIGHT ISSUE 7.

Hello, and welcome to the final iNsiGht of 2014 – and hasn't this year flown by?! Politically and economically, it's been rather a whirlwind 12 months, with big business tax avoidance schemes and of course the Scottish Referendum dominating most of the Summer headlines.

But what has remained consistent throughout the year has been the UK economy's return to fighting form. The Chancellor announced in his Autumn Statement that the "the UK has the most entrepreneurial economy in Europe" a bold statement, but one backed by strong statistics. Britain is still on course to be the fastest-growing G7 economy this year and the Treasury's independent forecaster, the Office for Budget Responsibility (OBR) revised its forecasts for growth in 2014 up to 3% from 2.7%, and for 2015 to 2.4% from 2.3%. Much of that growth will undoubtedly come from the small business sector which accounts for over 99% of UK private sector business.

SMEs will undoubtedly welcome a raft of recent announcements to

support growth; business finance schemes including the British Business Bank's Enterprise Capital Funds (ECF) and the Enterprise Finance Guarantee have collectively been expanded by £900m plus the Funding For Lending scheme is to be extended for 1 year – and just to prove that it's not all rhetoric, a recent report by the SME Finance Monitor highlighted that 71% of SME loan and overdraft applications in the last 18 months have successfully resulted in a facility. Growth is now a real possibility.

Elsewhere in the OBR's forecasts there was good news on unemployment, now predicted to fall even faster than earlier this year, currently sitting below the 2 million mark for the first time since the global financial system was on the brink of collapse six years ago. Also on the up are real wages, which are expected to start rising again next year having fallen for most of the past six years. Add to that the fact that interest rates have remained at a record low, whilst house prices are rising, creating a buoyant housing market, and it all adds up to an interesting economic outlook as we

get ready to hang on to our hats for the next whirlwind – the 2015 general election.

But before then, this issue of iNsiGht, is a diverse digest of hot topics – from going green to brilliant business plans, from tax investigations to tax efficient philanthropy, and of course, our usual round up of client news, economy insights and business tips. And as always we welcome your feedback...

We hope that this feast of financial and fiscal information keeps you warm over Winter – wishing you all the very best for the festive season, and beyond....

Happy reading!

Lisa

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BUSINESS BITES

AUTUMN STATEMENT: THE LOWDOWN

Earlier in December, the Chancellor delivered his final Autumn Statement ahead of the general election next May, a carefully balanced mixture of keeping on track with austerity measures to continue decreasing the deficit, coupled with a few potential vote winners in the form of a major change to the stamp duty regime, an increase in the personal allowance, the tax status of ISAs on the death of one spouse, plus the scrapping of Air Passenger Duty for under 12s (a bonus for stressed out parents seeking sun). To fund such schemes, inevitably cuts need to be made, and tax receipts increased – and it seems that the public sector is bracing for the full force of the former, whilst big business will bear the brunt of the latter, in the form of a raft of anti-avoidance provisions.

But one of the most dramatic elements of the Chancellor's speech was the prediction that Britain will swing sharply into the black with a £4bn surplus in 2018-19, rising to £23.1bn the following year, the first time that

Britain has been in the black since 2001. If that transpires, it would be the perfect present for the Chancellor delivering the pre- 2020 general election budget...whoever that may be.

EMPLOYMENT ALLOWANCE: STAKE YOUR CLAIM

In three months after its introduction in April 2014, over half of all eligible organisations have benefited by claiming Employment Allowance resulting in around £500 million of employer NICs relief. The allowance offers businesses and charities a reduction of up to £2,000 in the amount of employer Class 1 National Insurance contributions (NICs) they have to pay every year.

You can claim the Employment Allowance after the start of the tax year as long as your business or charity has employer Class 1 NICs liabilities and is eligible to claim the Employment Allowance. Simply make the claim through your payroll software - if we undertake your payroll services, then we will make the claim on your behalf.

APP HAPPY

RunKeeper

Ok, it's not strictly a business app but #CardiffHalf training fever took over the office in recent months so this app is, well, apt...plus we all know that a healthy body makes for a healthy mind, which is great for productivity. RunKeeper is a fantastic free app which tracks your exercise activity (and don't be fooled by the name, it's not all about running – track hiking, rowing, skiing and more...) It also plays music, suggests workouts and posts progress to social media (so no hiding!) 30 million fitness fans use it worldwide so you'll be training in good company.



KeyPass

Reclaim all those lost minutes sat racking your brains for passwords lost in the midst of a mind fog of emails, meetings and deadlines - this is a great free open source app which allows you to securely store all of your important information such as work network logon, home and office email, credit cards, online shopping sites, etc. You just need to remember your password to KeyPass...



WEB WATCH



A recent report by Bibby Financial Services noted that one third of UK SMEs are considering a change of business funding provider in

2015, citing a lack of flexibility and poor customer service among the top reasons for moving. Increasing funding available to SMEs is critical to building solid foundations for sustainable economic growth, but it seems that the finance sector needs to be more adaptable in terms of borrowing terms in order to satisfy the changing marketing place.

The **British Business Bank** website offers outlines how it aims to make the finance markets work better for small businesses. Government backed, the **British Business Bank** works with over 80 partners, using funds to unlock finance for thousands of SMEs – on the website, you'll find a clear guide to all options when it comes to business finance – from factoring to equity finance, plus their Business Finance Guide is an excellent tool following the journey from start-up to growth.

www.british-business-bank.co.uk

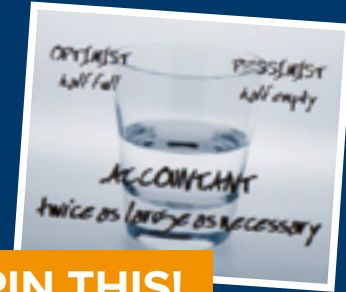
BOOKSHELF

The Virgin Way: How to Listen, Learn, Laugh and Lead Richard Branson (2014)

In September 2012, a YOUNGOV poll conducted in Britain found that the person British workers would most like as their manager was Sir Richard Branson.

With over 40 years in business, Richard Branson is an inspiring pioneer of humanitarian projects and an iconic business leader. In his latest book, he shares and distils his secrets of leadership and success and features anecdotes from his own business dealings, as well as his observations of many others who have inspired him - from politicians, business leaders, explorers, scientists and philanthropists.

Written in the usual Branson style, this is a great read for all who wish to become their own CEO (that's Chief Enabling Officer)



PIN THIS!

“HOWEVER BEAUTIFUL THE STRATEGY, YOU SHOULD OCCASIONALLY LOOK AT THE RESULTS.”

- Sir Winston Churchill

“SHOULD YOU FIND YOURSELF IN A CHRONICALLY LEAKING BOAT, ENERGY DEVOTED TO CHANGING VESSELS IS LIKELY TO BE A MORE PRODUCTIVE THAN ENERGY DEVOTED TO PATCHING LEAKS.”

- Warren Buffet

Loving your business in 2015...?

What are you looking forward to most in business in 2015? And what challenges do you think you'll face? Email your thoughts to mail@evansentwistle.co.uk before 31st January 2015, and you could be interviewed in the first new year edition of iNsign!

DIARY DATES

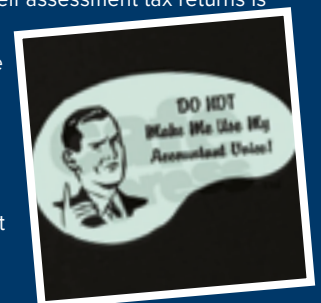
December

30th Deadline for online submission of Self Assessment tax returns for tax year ended 5 April 2014 for HMRC to collect tax through clients' PAYE codes where they owe less than £3,000.

January

Take note: the deadline for 2013/14 self assessment tax returns is midnight 31st January 2015. If you haven't already filed, then contact the office immediately.

You'll also need to pay the self assessment balancing payment for the tax year ended 2014, and make the first payment on account for the tax year ending 5th April 2015. Harsh, straight after the cost of Christmas, we know...



February

No key deadlines for NICs, PAYE or Self Assessment.

“GREEN IS GOOD”

You read that right - that's green, not greed. We're not channelling our inner Gordon Gecko but focusing on why saving the planet can also save you pennies.

Operating a greener business is not only good for the environment but good for your business's bottom line as conserving resources and cutting down on waste saves money. Plus, whilst cutting costs is at the forefront of most business agendas, don't forget that there is also reputational reward in reducing your organisation's carbon footprint.

However, in a small business, owner-managers are often time-poor, and it can be hard to consider implementing new procedures – but there are a few simple things that you can do that could make a big difference over time:

Switch Off:

An average office wastes £6,000 each year by leaving equipment on over weekends and bank holidays so turn off equipment when not used – yes, it may add a few minutes to your morning routine when booting up, but hey, that's a good excuse to put the kettle on. And speaking of that kettle, remind your team not to overfill it – just boil what you need. And ok, whilst we're talking tea, try to buy Fairtrade beverages (and biscuits!) as far as you can.



“By choosing Fairtrade coffee you also help farmers improve the quality of their produce because at least 25% of the Fairtrade premium they receive is invested into improving the quality of their crop and therefore the taste of your coffee”

Organisations across the UK have the potential to save up to £23 billion a year by using resources such as water, energy and raw materials more efficiently* (to give a comparison, that's akin to the UK Government's entire 2014 annual secondary school budget)

Go Paperless

– Or at least paper-limited. Encourage the team to read on screen, rather than printing every email and document, and where you really have to, print double sided. If you still occasionally fax (that's the dusty machine in the corner that occasionally churns out car leasing deals) then download free software which allows you to fax from your Pc rather than printing first.

Make The Switch

- Review your energy tariff – research indicates that 15% of businesses know what

rate they are paying for electricity, and only 7% actually switch providers, yet by shopping around, you could save up to a third. Try the makeitcheaper.com website for free impartial business switching support.

Shop Local

– Reduce your carbon footprint by choosing supplies in the local vicinity, plus it's a good way to expand your business network in the local community. Also aim for suppliers who will collect and recycle packaging as waste management costs can mount up.



It's getting hot in here!
A 2 degree increase in heating creates enough CO2 in a year to fill a hot air balloon (don a jumper instead?!)



Water Woes

- One drop wasted per second wastes an astonishing 10,000 litres per year (in other words, you'd be paying unnecessarily for around 125 bath loads and if that's the hot tap that's

trickling, remember you're paying to heat it just to waste it) Typically, toilet cisterns account for over 40% of water consumption in the workplace. Where suitable, fit older 9-litre WC cisterns with volume adjusters, which will reduce the amount of water per flush by up to 2 litres.

Resolve To Recycle

WRAP estimates that around 600 million tonnes of products and materials enter the UK economy each year but only 115 million tonnes of this gets recycled. Given that Wales intends to be a 100% recycling nation by 2050, we all need to do a little more. A couple of separate recycling bins for paper, plastic, etc

Online All The Way

– Harness social media and email marketing tactics rather than hard copy direct mail materials, and also consider Cloud storage to avoid having hefty back up servers eating electricity in the building (Cloud storage also has the added advantage that if your place of work gets struck by lightning or drowned in a flood, all of your data is securely stored elsewhere) Look for supplies labelled as “green web hosts”, companies that take part in a variety of activities, such as using renewable energy, planting trees, or buying carbon offsets and renewable energy certificates to reduce or mitigate the environmental cost of running their servers and infrastructure.

Light It Up

- Use energy saving bulbs – more costly to buy initially but much longer lasting, and these can be recycled, whereas older style ‘incandescent’ bulbs aren't recyclable and have to be thrown away. For businesses or organisations that use fluorescent tubes it's also worth knowing that, under the Waste Electrical and Electronic Equipment (WEEE) Regulations, fluorescent lamps are covered by “producer responsibility” and you can ask your supplier to arrange for recycling of old lamps.



Plant Life

- Add a little greenery about the office as plants improve your air quality (no, plastic ones don't count so you will need to remember to water it...)

Call In The Auditors

If you're spending more than £10,000 per annum on energy, it's worth getting an expert in to look at your consumption. Very often, the cost of an energy audit will be offset by the savings it generates through its recommendations. NatWest Mentor for example offers a detailed report on three key

Good to know: The Carbon Trust is offering interest free loans from £3000 to £200,000 to small and medium sized business sites located in Wales who wish to invest in energy efficient and low-carbon equipment. Visit www.carbontrust.com for more

areas - energy efficiency, tariff management and renewable energy – split into immediate, medium and long term opportunities with estimated costs, savings and payback periods. The cost of the audit will vary according to your energy spend and number of sites but one Mentor SME furniture business client reported a £6000 annual saving plus a £11000 one off energy refund following the audit.

**NatWest
Mentor**

Visit natwestmentor.co.uk/services/energyaudit for more.

Want to know more: WRAP and WRAP Cymru work with businesses and individuals to help them reap the benefits of reducing waste, develop sustainable products and use resources in an efficient way.

Visit www.wrap.org.uk for more tips, advice and resource efficiency guides.

WHY PENARTH NEEDS A BUSINESS IMPROVEMENT DISTRICT (BID)



In the first of a series of articles in the lead up to the ballot on 2nd February 2015, Gary Soltys, Director of local businesses Soltys Brewster and Washington Pharmacy tells us why he backs the BID.



“For so long we’ve been talking about the problems which hold the town back. It seems that finally we may get a chance to get to grips with them” says Gary Soltys. Businesses in the town centre, Marina and Esplanade are set to vote on whether to become a Business Improvement District (BID), a special kind of business group, in early 2015. If the ballot is positive it is estimated the businesses will have more than £400,000 to spend over five years on improving Penarth as a place to do business.

“There’s been good news recently with the redevelopment of the Esplanade and the announcement that we’re one of the top shopping towns in Wales – but we can’t be complacent. We’ve got to take action now if we want to ensure the future of our wonderful town centre. Although the impact of recession is starting to decline, it is only the beginning of the impact that the internet will have on us – we’re going to need to call on the collective imagination and solutions of us all if we’re going to continue to thrive as a vibrant and independent town”

Businesses in the ‘BID’ area covering the town centre, marina and Esplanade will receive a Proposal and Business Plan in the next few months setting out what the BID would do for them. Priorities include improving parking and accessibility, marketing and promotion and lowering costs through collective purchasing. Eligible business-owners will then get a vote, with the BID going ahead if more than half vote in favour.

“Talk to any of the local traders and they’ll raise at least one of these issues. Customers have great difficulty getting to shops, whether that’s parking, broken pavements or simply not knowing the wide range of shops and services that Penarth has to offer. Thousands of tourists visit the barrage every year; we need to get them up the hill and into the town. Lastly Penarth’s independents offer great service and interesting speciality goods, but we don’t make enough of this great advantage. None of us have the time to take on these complex and expensive problems alone, but with a BID we’ll have the funds and the clout to get some things done”.

The BID would be funded by a 2% levy on top of business rates. The funds, estimated to be £85,000 pa over five years, would then be handed to an independent company run by the businesses to spend locally. Legislation ensures that any services delivered by the BID must be additional to existing services provided by the local authority.

“I can’t understand why Penarth BIDs have been so slow to grow in Wales. More than 180 have popped up in England and Scotland since the legislation was brought in ten years ago. They were introduced in Merthyr and Swansea to do regeneration work, but they exist in all sorts of different places: Shrewsbury, Bath, even Oxford Street. It’s time Penarth businesses came together to cement our position as an excellent town centre”

BID ballot starts 2nd February 2015



CORPORATE FINANCE BRIEF:

WHAT NEXT FOR THE SME FINANCE SECTOR?

Director Lisa Entwistle-Evans considers whether the New Year may herald the continued rejuvenation of the SME finance sector...

"In recent years we've been in the painful position of seeing viable small businesses struggle to access finance. Even clients with a proven track record, a strong team and clear growth plans have been refused funding by risk averse banks who are constrained in their lending policy.

The economic climate is a diminishing barrier, and half of SMEs are planning to grow in the next 12 months*

*SME Finance Monitor



Fortunately, over the past 6 months, we've seen a gradual relaxation of restrictive criteria, and many clients are now accessing overdraft and loan facilities in order to grow their business.

The quarterly SME Finance Monitor, published by BDRG Continental, found that 40 per cent of SMEs used external finance in the three months to the end of September, a figure that remains virtually unchanged since the middle of 2012. So why does the appetite for external finance appear flat, when the economy seems to be improving?

Perhaps the principle reason for this is the "confidence gap" between anticipated and actual success rates – almost half (46 per cent) of those planning to apply for external funding do not believe they will be successful; many SMEs wanted to apply for finance, but did not do so for fear of application rejection. However, the reality is happily much different; in fact, 71 per cent of

all loan and overdraft applications in the last 18 months have resulted in a facility, whilst an impressive 99% of those applying to renew an existing facility were successful – good to know in terms of business continuity. And whilst first time applicants (FTA) still remain less likely to be successful (45 per cent) than those who have borrowed before (65 per cent), it's welcome news that FTA success rates are no longer declining, and are now higher than they were in the previous 18 months (38 per cent to Q2 2014). Continues Lisa "As a practice, we're very positive about the results of the latest SME Finance Monitor and hope that confidence in the market will build in 2015. In fact, several announcements made in early December regarding future access to finance, should see the new year off to a strong start for SMEs:

Firstly, a further £400m will be provided to companies to support venture capital through the highly successful British Business Bank's Enterprise Capital Funds (ECF) programme, with the Government making a commitment that the enhanced funding would ensure the programme can continue into the next Parliament. In addition, a greater pot will ensure that larger investments can be made in small businesses which demonstrate growth potential.

Secondly, the Enterprise Finance Guarantee scheme (EFG) is to be given a further £500m of new lending in 2015/16. The EFG encourages lending institutions to lend to viable smaller businesses that would otherwise be declined for lacking adequate security by underwriting a proportion of the risk associated with new small business lending by banks. To date the EFG, which is managed by British Business Financial Services, a wholly-owned subsidiary of British Business Bank plc has facilitated £2.9bn of lending to small businesses since its launch, creating a more diverse and vibrant finance market for smaller businesses, with a greater choice of options and providers.

Finally, the Funding for Lending Scheme (FLS) which has the remit to encourage

banks to lend by offering them discounted loans on the condition they pass them on to customers, is to be extended for a year. The extension provide lenders with continued certainty re the availability of cheap funding to support SME lending during 2015, even in the increasingly unlikely event of further turbulence in bank funding markets.

All of these measures are designed to inject life into the small business sector, but communication is key. We find that awareness of these key funding support initiatives is low (see statistics, left) and whilst we are proactive in advising our client base on all available options, the Government and the financial sector also need to do more to communicate what is available to foster growth in the UK small business community"

Awareness of key funding support initiatives amongst SMEs:

35% aware of Start-up loans;

25% of the Funding for Lending scheme;

22% of the Enterprise Finance Guarantee scheme;

16% of the Business Growth fund;

13% of the British Business Bank



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THE GIFT OF (TAX DEDUCTIBLE) GIVING...?

It's a difficult time for the arts in the UK, with painful national and local Government budget cuts across the sector. Whilst many are adamant that it is the remit of the state (aided by the National Lottery) to fund cultural resources for the enrichment of the nation, others suggest that the way forward is to instil an American style sense of philanthropy to bolster the future of the UK arts and heritage sector.

The UK is undoubtedly a generous nation; three quarters of us will at some point dig deep and donate something to charity at some point in our lives. However, in the US, legacy giving is three times higher than here, and to address budget deficits, plans are afoot to redress the balance.

Legacy10 is an independent movement to encourage charitable giving aims to address that and unlock legacy giving in the UK. The Legacy10 campaign makes 10 key practical recommendations in its report "Removing Barriers to Legacy Giving" (see panel, right), one of the main tenets of which is taking advantage of the change in inheritance tax rules to increase the number of people leaving money to charitable causes in their will. Currently only 7% of people leave a

legacy to charity in their will and this may well be due in part to our system of tax breaks for donors which has been described as "bafflingly complex" - suggest deliberately so, so that they are little taken advantage of.

Gifts made to UK charities are effectively free of inheritance tax. From April 2014, anyone leaving 10% of their taxable estate to charity will qualify for a reduced rate of inheritance tax, currently 36% (2014/15) - in other words, they pay 40% IHT on the remaining 90% they don't give to charity, and nil on the gift itself. Individuals, via their will, can either leave a fixed amount, or some/all of what's left after other gifts have been distributed

Aside from IHT rules, there are number of other tax breaks to consider if you are thinking of donating - to the arts, or indeed to any other cause (although leaving your body to medical science has nothing however to do with the taxman...)

Capital Gains:

Donors of assets, land or shares to UK charities are not liable to capital gains tax, even if the asset is worth more when you donate it than when you acquired it.

High Rate Taxpayers:

Those who pay tax at 40% are eligible to reclaim 25p from the taxman for every £1 donated to charity. Top rate taxpayers, those paying 45% can claim an extra 37.5p on every £1. For example, if you pay tax at 40% and donate £100, the total value of your donation to the charity is £125 - so you can claim back 20 per cent of this (£25) for yourself via your Self Assessment tax return

Gift Aid:

This is a government-sponsored scheme that enables charities to claim an additional 25p from every £1 donated by UK taxpayers. The scheme can apply to one-off donations of any size, or those over a specific period, and can

even be backdated for up to four years. If you give through Gift Aid however, you need to make sure that you've actually paid the amount of tax that the charity will claim back. For example, if you donate £100 in a tax year, you must have paid at least £25 tax over the year.

Shares:

You can also give shares and other UK registered assets to charity and claim tax relief by offsetting the value of the shares against your income tax on your self-assessment return. By signing the certificates over to a charity, you will not be liable for capital gains tax on the difference between the purchase price and their value when you make your donation. You can also claim back other costs such as transfer fees or stamp duty. Companies can also give shares to charities – in fact, it has been calculated that if the UK's top 100 companies gave just 0.5% of their shares, it would raise £8bn for charity.

Land & Property:

All donations of land or property to charity get full income tax relief. For example, if you are a higher rate taxpayer and you give a property worth £100,000 to charity, you can deduct £40,000 off your income tax bill.

“Removing Barriers to Legacy Giving”: The Ten Key Recommendations

- All three main political parties should agree a “non-regression” pledge in their 2015 manifestos which commits them to leave the existing Inheritance Tax reduction for legacy-giving untouched until the 2020 Parliament and beyond.

- The Government should create a charities “tsar” to review and streamline policymaking on charities across Whitehall Departments. The review should also include the duplications inherent in the charities sector and suggest new structures where appropriate.

- Secure a commitment from key advisor organisations to compel their members to raise philanthropy, and in particular the Inheritance Tax benefits of legacy giving, when discussing tax planning and will writing with their clients.

- Companies in the FTSE-250 should be persuaded to provide financial advice and assistance to any employee who wants to make a pledge to charity in their will.

- Government should implement targeted tax breaks for giving as a way of creating lifetime donors who will later leave a legacy. This should

include a cut to the top rate of income tax for those who agree to make a planned, minimum period financial commitment to a charity.

- Government and Charities should jointly:

- ✓ Oversee and create an online iTunes U training programme, made available for free to all legacy fundraisers across the UK; and
- ✓ Plan a virtual legacy-giving academy to help share best practice in this area

- Every registered charity in the UK should be required by the Charity Commission to provide evidence in its annual report of a legacy-giving strategy and the current income level from this activity.

- People nominated for honours in the field of business should need to provide firm evidence of charitable giving and/or volunteering of time. Related to this, there should also be more honours given for philanthropy.

- A new award should be created and supported by the Government, recognising the contribution of individuals who have shown exceptional innovation in the field of legacy-giving.

- The organisations that Arts Council England supports should demonstrate philanthropic fundraising, including legacies.

THE TAX MAN ALWAYS RINGS TWICE...

It's the letter every taxpayer dreads – a notice from HMRC that your business or personal affairs are under investigation. We shed some light on this rather painful process to ensure that you are aware of your rights and obligations.

There have been substantial changes to tax investigations in recent years, from a new penalty regime to increased information powers and a revamped Code of Practice 9 for cases of suspected fraud. Various other initiatives such as the UK/Swiss tax agreement plus the Liechtenstein and other disclosure facilities have added to the scope of what

HMRC can investigate. Plus in addition to random enquiries, HMRC in recent years has also focused on a series of "Campaigns" and "Task Forces" to target specific trades and professions in order to raise additional funds.

And raise additional funds tax investigations do, regularly producing in excess of £10billion

for the Treasury each year. If you factor in the news that the tax authorities have been given £917million by the Government to crack down on compliance and raise an extra £7billion a year in the tax year 2014/2015, it's pretty clear that your chances of being investigated are significantly higher than they were several years ago.

Hector the HMRC Inspector!

The pinstriped cartoon tax inspector created for the launch of self assessments in the 1990s was to be called "Hector the inspector", However just before the campaign was launched,

someone at the Revenue had checked the dictionary definition and noted that 'to hector' meant 'to bully or torment'...and thus the name was dropped and the character officially had no name. "Hector" officially hung up his bowler hat.



Compliance check... or formal enquiry?

Under the self assessment regime you are responsible for submitting your tax return to HMRC by 31st Jan latest, disclosing details of all your income, from the profits of your self-employed business to investments, trusts and now even child benefit. HMRC then have a finite period of time in which to investigate – or to use a softer term they prefer "make enquiries into" - your affairs.

The Finance Act 2008 Sch 36 consolidated HMRC's existing powers and introduced new ones on what have now become known as "compliance checks".

The consensus generally is that the new rules allow HMRC informally to ask numerous questions about the taxpayer's general tax

position where HMRCs do not feel a formal enquiry is required. In some instances this is welcome, for example, a telephone call to the agent to clarify an apparently obvious transposition error or missing bank interest does not warrant the red tape of an enquiry. Schedule 36 is, therefore, perceived as a substitute for an enquiry allowing HMRC to ask for anything that the schedule permits.

Investigations are however a different matter. HMRC must open a formal enquiry before asking for more information about your self-assessment tax return, and will therefore write to you to inform you of this, demanding the presentation of certain documents to be delivered by a specific date.

For an enquiry to be valid, notice of enquiry must be given in writing. The date of the enquiry letter is important but, to be valid, the date of receipt is key - must be received by the taxpayer before the enquiry window closes. make a note of the enquiry window – one year following the date the return has to be submitted to HMRC. The 2013/14 SA return has to be submitted by 31st January 2015 and HMRC have to open an enquiry into that return by 31st January 2016. Outside of this timeframe, the enquiry has no legal basis unless it is part of a wider investigation.

Random or deliberate?

There is some speculation as to whether taxpayers are simply chosen for enquiry at random. In the early days of self assessment, the reality was that few cases were random and HMRC had usually identified what they perceived as a risk of the declared tax position being incorrect. Indeed, HMRC's Compliance Handbook at CH23560 states: *"Reason to suspect does not allow you to make speculative enquiries, seeking information merely in the hope that something relevant will crop up. You must be able to identify specific risks."* However, with the increased powers now available to them, HMRC are able to investigate at random, and frequently do.

Understanding the claims

In theory, at the outset of an enquiry, HMRC should state the specific concerns identified in the case in question and focus on resolving them - rather than generalising and leaving the client and the agent in the dark. In practice, enquiry letters tend to be rather vague, and do not set out the reasons for an investigation. The main reason for this is that the initial enquiry gives the taxpayer the opportunity to disclose any irregularities himself, and in doing so achieve a significant reduction in any penalty found to be due and avoid other unwelcome consequences, for example insolvency and the publication of your name. Hence you will often hear the term "disclosure" in tax investigation matters.

Protecting your good name

Confidentiality is a concern for many who find themselves under investigation, with the fear of reputational loss whether the investigations unearth issues or not. HMRC however have a duty of care and generally do not disclose information to third parties without your consent. Complications however occur when evidence is required from third parties to corroborate your situation – for example, confirmation of cash gifts from family members.

Documentation preparation

When it comes to documentation, HMRC have acquired sweeping powers to investigate all aspects of your business and personal life. HMRC can request access to all business records, including bank statements, accounts books, receipts for expenditure and income invoices, paying-in books and cheque books of all business bank accounts and may also ask for non-financial records such as diaries and copies of emails. In this regard, ignore the six year legal business records retention rule at your peril!

However, the HMRC may also ask to see personal records of private bank & building society accounts, dividend receipts and transactions involving the sale or purchase of any items. In this respect, HMRC already have access to your financial information and want to check what you are submitting with what they already know. Whilst there is no such similar legal requirement to keep personal records, as a self-employed taxpayer, you would do well to remember that HMRC will regard you as 'guilty unless you can prove yourself otherwise' – so do keep any documentation which relates to your self assessment return. The taxman may also request information from spouses or partners; although they have no powers at law to do so, if you decline and errors are subsequently found in your submission, then the taxman is likely to be less favourable in penalty determination.

What happens next?

Once the HMRC has reviewed the documentation, you are likely to be called to a meeting or interview, during which a written record will be taken. This statement will then be sent to you and your accountant for your approval. If you spot any errors or inconsistencies, do not sign but instead challenge them in writing, as once signed, the minutes become the 'true' history of the meeting, regardless of the reality.

If there has been some under-declaration – or if you sadly cannot disprove the taxman's claims with documentary evidence – then our advice is to start making payments on account as soon as possible to avoid interest charges, even if you intend to appeal. HMRC have the right to apply interest charges and penalties on the unpaid amounts, and will undoubtedly do so but you may in certain circumstances be able to negotiate a payment plan if this leaves you in financial hardship.

Seek professional advice

Tax investigations can be time-consuming and extremely stressful and much management time can be taken in sifting through information and corresponding with the tax office (not to mention the sleepless nights).

Engaging your accountant to manage the process on your behalf may well be money well spent, providing you with someone who speaks the taxman's language and who can offer you full professional representation.

Tax investigations are no laughing matter, we know, but this new book "HMRC: Her Majesty's Roller Coaster" did make us smile. This handy, non-technical guide explain the tax investigations procedure with much wit and humour. As a practice who have held the hand of many a concerned client when they have been selected for investigation, we particularly endorse the second of the ten tips given at the end: "Get expert advice at the outset".

"HMRC - Her Majesty's Roller Coaster: Hints on how to survive a tax investigation"

Dover & Hindle, Sept 2014 (Amazon, £5.59)



DEMYSTIFYING: BITCOINS

Want to know a little bit about Bitcoins? Here's a "non-techy translation" of why the new cryptocurrency might just make the mainstream...

Bitcoin is a decentralised virtual currency, meaning it neither exists in the physical world, nor does it have a central bank such as the US Federal Reserve or the Bank of England, nor is it controlled by any one entity. Issuing bitcoins and managing transactions is undertaken entirely by the bitcoin network via an opensource design which means that anyone can participate.

Introduced in 2009 by a mysterious programmer known only as Satoshi Nakamoto, bitcoin was initially the domain of tech-savvy. Its rise coincided with the tipping point of the financial crisis in Cyprus in March 2013, when individual savers faced a one-off levy on uninsured sums in order to recapitalise for Eurozone bailout to proceed. The threat of governments being able to "raid a savers piggy bank", coupled with growing concerns about the online security of financial data in general, suddenly meant that the prospect of a currency free of government regulation became rather more enticing.

Currency or commodity?

Whereas with currency, central banks literally have a license to print money and create more cash, the bitcoin will be eternally limited to 21 million bits - hence it is actually more factually correct to view the bitcoin as a finite commodity which therefore are, like diamonds for example, a finite resource to be "mined".

How do I acquire them?

Visit bitcoin.org and download a 'wallet' on your computer. You can then buy bitcoins at online exchanges such as Mt GoX or via bank transfer on websites such as Coinbase.

Many are however still under the misconception that bitcoin belongs in the criminal underworld, an anonymous instrument for money laundering intent. But just as with cash, the legality of your bitcoin activities will depend entirely on who you are, where you live, and what you are doing with it. Of course, bitcoin is of major - and indeed contentious - interest to tax authorities and legal regulators, all of which are trying to understand how the cryptocurrency fits into existing legal and fiscal frameworks but its usage is perfectly legal, and quite possibly inexorable. Indeed, one of the world's biggest finance centres, New York, proposed a licensing scheme for bitcoin trading, and here in the UK this Summer, the FCA (Financial Conduct Authority) launched Project Innovate to drive innovation in financial services whilst Chancellor George Osborne announced a new study that will explore the potential role of cryptocurrencies in Britain's economy – and also withdrew his first bitcoin from a Robocoin ATM!

So what are the advantages of being on board with the bitcoin?

Speed

Whilst cheques and international wire transfers can take days, bitcoin transactions are generally far faster at less than 10 minutes – or instantaneous if they require “zero-confirmation”

Low cost

Whereas card merchants will charge a fee for debit card transactions too, as they have to pay a ‘swipe fee’ themselves, bitcoin transaction fees are minimal or free.

In 2013, James Howells lost £4.6m worth of Bitcoins when he accidentally threw his hard drive onto a Welsh landfill site!

Secure and private

The conventional banking system relies on trust – in the bank, the merchant, the third part payment processor, etc. We all know that credit cards are insecure – with every transaction you send all of your secret information into the world for hackers to peruse. Bitcoin transactions however require no such sensitive data. Instead, they use two keys: a public key (your bitcoin address) and a private one. When you send a bitcoin, you ‘digitally sign’ the transaction by combining your public and private keys together and applying a mathematical function to them. An unknown miner will verify it (and in doing so earn himself bitcoins) and then the transaction is complete. As long as you don’t do anything inane like posting your private key online, you’re safe.

Bitcoin also affords purchasing privacy. Imagine having a clear plastic purse - everyone can see what’s in it (i.e. the value of the bitcoins via the public key) but no-one knows who owns it...so no-one knows who’s buying what with it.

Unlike ordinary coins, a Bitcoin has a trackable history which makes it very hard to replicate or fake

There are 31,000 lines of code behind Bitcoin

Free from all external control

Since the bitcoin is decentralized, no central authority has control and therefore no institution – political or financial - can take it away from you (Suddenly it becomes apparent why Cyprus is home to Neo, the world’s first brick and mortar bitcoin savings institution!)

Also, once bitcoins have been sent, they’re sent, and cannot be retrieved without the recipient’s consent which reduces the threat of chargebacks, the kind of fraud seen with credit cards where people make a purchase and then contact the credit card company to effectively reverse the transaction.

Plus, the account is solely owned by you, not a third party provider. Anyone who has had their PayPal account arbitrarily frozen due to suspected misuse will know the hoops you have to jump through to clear up the issue and re-access your own funds. With bitcoin, you own the “keys” and no-one can take that access from you.

Kreuzberg in Berlin, Germany has established itself as a “Bitcoin-friendly” shopping district

Non-inflationary

The process known as quantitative easing means that, if a government does not have enough currency to pay off the national debt, it can print more and inject it into the economy. This causes the value of a currency to decrease – if you double the number of pounds in circulation, you effectively halve the value of the pound, creating inflation which causes the price of goods and services to increase. This can be difficult to control and can decrease buying power. Inflation is not an issue in the bit-world as only 21 million bitcoins will ever be created under the original specification (this does not however mean that the bitcoin is stable..)

And...a license to print money...

You can buy bitcoins on the open market... but you can also make (or rather mine) your own if you have enough computing firepower. Bitcoins, in blocks of 25, are awarded to miners when their computer generates a 64-digit number from a complex algorithm to verify transactions – with little intervention required...you simply leave the machine on and the software running. Easy money... whereas you’ll probably find that the Fraud Squad will take a rather dim view of printing your own version of traditional currency in your bedroom...

Lamborghini was the first car company to accept Bitcoins for cars

Words of warning before you bite the bit...

The European Banking Authority (EBA), EU’s banking regulator, issued an investment risk warning statement in December 2013 and instructed financial institutions not to buy, hold or sell digital currencies until new rules are in place.

The other issue is stability with price having seen various cycles of appreciation and depreciation – at its peak in November 2013, the value of one bitcoin was \$1242 but at the time of writing is currently \$580. So there is no evidence that the bitcoin is a self-stabilising currency and some economists regard bitcoin as a bubble waiting to pop..

The bottom line:

We’ll be following the market on this potentially game-changing cryptocurrency but for individuals it may be best to be prudent and see what transpires in 2015 as regards political and regulatory acceptance.



CLIENT CORNER

THE GREEN GIRAFFE DAY NURSERY

This issue we meet Andrea McCormack of The Green Giraffe Day Nursery, Wales' first fully organic bilingual day nursery, situated on the prestigious Cathedral Road in Cardiff City Centre.

Andrea, it's quite a first to be the first bilingual fully organic day nursery in Wales. Where did your inspiration come from?

When I first started looking for a nursery for my own children, I wanted it all: a homely, stimulating, loving and inspiring environment; an experienced, dedicated, passionate team; a healthy and environmentally friendly approach; and freshly prepared organic food. It was difficult to find an establishment that ticked all of the boxes, and so I decided to look into the possibility of creating exactly what I wanted myself, being sure that other like-minded parents would appreciate our strong principles.

But this isn't your first venture into the nursery business?

Actually I set up my first nursery over 5 years ago in Cardiff Bay but having expanded that venture as far as space permitted, I found myself looking for a new challenge where we could fully animate our vision of a wholly organic day nursery.

You clearly have strong moral views in business?

At Green Giraffe we firmly believe that it is possible to run a successful business that has a positive impact on the society. I think that business should act responsibly with a moral code of conduct - driven by strong values and sense of contribution, not just focused on money, profits and growth.

So how do you put into practice your environmental principles?

We care about the environment and the impact we have on it. We teach them to love and protect the environment and we do everything we can to give them a healthy start in life. The meals and snacks we provide are organic and use fresh local produce. Cleaning products are natural and eco-friendly, nappies are biodegradable, and toiletries are organic or made from natural, safe ingredients. Most of our toys and furniture in the nursery are made from wood instead of plastic, creating a relaxing and nurturing environment in which children can learn and develop.

And bilingualism is clearly something you feel strongly about?

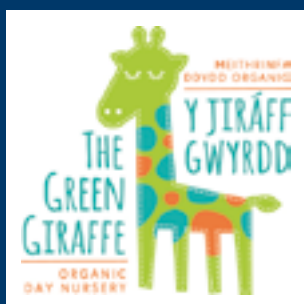
Children at this age are able to absorb two or more languages naturally, and what better start in life than to be bilingual – plus research indicates that the knowledge of two languages from early childhood makes learning additional languages easy in later life. With this in mind, we provide a fully bilingual environment for our children with all activities carried out in English and Welsh languages, as well as – rather uniquely - a Welsh Only Unit for children coming from Welsh speaking homes.

Tell us about the beautiful Victorian building in which Green Giraffe is housed...

We love our location at the junction of Cathedral Road and Cowbridge Road East which is perfect for parents working in town. We have the space to care for up to 73 children with ages ranging from birth in our delightful Blueberry Baby room through to 5-year-olds in our Sunflower Garden Preschool room.

It's taken many months to convert the building into a modern day care facility that meets all statutory requirements but despite its imposing Victorian façade, we've retained all of its charming internal character to give the space an amazingly homely feel.

Not only do we offer exceptional childcare in wonderful indoor surroundings but we also pioneer the "Forest School" ethos with our fantastic enclosed, safe outdoor facilities and back entrance right onto Sophia Gardens and Bute Park. Children need the opportunity to explore the unknown, the unpredictable, and the adventurous and its part of our environmental ethos that they will be taken out into the fresh air where they can experience nature first hand.



“WE GIVE OUR CHILDREN FREEDOM TO FLOURISH AND NATURALLY INSPIRE THEM TO THE LOVE OF LEARNING”

.....

And what difference does it make to you to have a good team in place?

We feel truly blessed to have such wonderful childcare professionals and support staff to help us deliver our vision. Every member of our team is passionate about providing exceptional childcare, and their commitment to ensure that the children in our care have a wonderful learning experience (with a few snuggles along the way!) is unwavering. We invest wholeheartedly in our staff, supporting and encouraging them to learn and grow by providing them with up-to-date training and all of our staff members are fully qualified, CRB checked and are all fluent Welsh speakers – unusual for a day nursery in South Wales. We also maintain a high teacher-to-child ratio so we can ensure that all activities are being undertaken in the most beneficial way for the child.

What is your philosophy when it comes to child development?

We follow the Montessori teaching method which gives children freedom of choice and movement in a prepared environment to pursue their own interests and enjoy their own achievements. Dignity, respect and independence are also of paramount importance. We combine this with our knowledge of the Early Years Foundation Stage alongside the work of other child theorists to provide children with a varied and balanced learning programme.

A typical day in the nursery will follow a predictable pattern, alternating child-led time with a teacher-led activity including activities such as painting, drawing, crafts and the domestic arts such as cooking, baking, cleaning and care for self and others. The strong sense of routine enables the child knows what to expect and fosters a sense of security.



Q&A

Send in your business questions to the team at: mail@evansentwistle.co.uk – if we publish your question, we will draft a personal response and also donate £50 to the charity of your choice

“I’ve been given PLC shares by my company as a bonus – how do I dispose of them?”

...Says Matthew Ward...



Shares can be a useful addition to an investment portfolio, but if you are certain that you wish to divest of them and realise the cash, then firstly check the share price to obtain an indication of their value. You can do this by checking www.londonstockexchange.com and entering the share’s CIC code – the 3 digit code that identifies the company on the FTSE (for example, GlaxoSmithKline trades as GSK). The website will show the real time share price as well as historical values.

To divest of the shares, you can use an online brokerage portal such as Capita or Barclays Stockbrokers. All brokers will charge a fee to sell shares, but the charges can vary so read the small print before you decide. The fee will typically be a percentage of the share value, on a sliding scale, subject to a minimum fee.

To sell your shares, you will need to be resident at the address listed on the share certificate itself, otherwise you will firstly need to advise the registrar responsible for managing the company’s shares of your change of address and wait for a new hard copy certificate to be sent to you before you can sell.

Once you press the “sell” button, you will then have around 30 seconds to confirm the sell price at that point in time. Should you confirm, the deal is irrevocable, and a CREST form will be sent to you to sign which needs to be returned along with your original certificate – our tip is to send both registered post.

If you need advice on buying or selling shares, or have inherited a portfolio which requires specific inheritance tax advice, then please contact the office.

“I’m a sole trader, but I’m about to take on apprentice and have no idea how much work is involved in managing payroll – should I outsource this?”

...Says Damian Evans...



There have been several changes to payroll in recent years, in terms of employment legislation and also reporting requirements, notably the introduction of RTI (Real Time Information) by HMRC. This means that you now have to report PAYE information every time you pay an employee (previously, PAYE was reported in May via the P60 end of year process. Firstly, you will need to register as an employer with HMRC, which you can do up to 4 weeks before you need to pay

Do also remember that if you are taking on your first employee then you will also need Employers Liability insurance.

your employee. You will either then need to set up a payroll system so that you can transfer data directly to HMRC, or you will need to outsource your payroll. There are many different payroll software packages on the market, and there is a list of the HMRC website of those which are compatible with the Government Gateway. Many of these are simple to use, but given that you only have one employee, and are unsure of the various filing requirements, you may feel happier to outsource the burden. See our Payroll Bureau pages on the website for more information.

EvansEntwistle
CHARTERED MANAGEMENT ACCOUNTANTS & TAX ADVISORS

PINBOARD

Just in time for the Winter fixtures the Evans Entwistle sponsored hoodies have arrived at Cogan Coronation AFC for the under 9s, 10s and 11s. Stay warm this season, boys and girls...!

Dylan Cai Evans, Cogan Coronation AFC Under 9s



Congratulations to one of our portfolio IFA's Mark Ryan of Professional Solutions IFA Ltd who has won a UK TOP RATED IFA AWARD FOR 2014 from the IFA portal Vouchedfor.co.uk. This rates him in the top 1% of Independent Financial Advisers in the UK



Our office charity for 2015 will be Marie Curie Cancer Care, a wonderful cause which gives much needed support to those with terminal illnesses, and to their families. We're follow our Twitter feed for news of the fundraising events we'll be taking part in next year



Backing Welsh businesses

Finance Wales has been backing Welsh small and medium-sized businesses for over ten years.

We have capital to invest in even more growing businesses, from small loans to micro-businesses to million-pound equity investments.

Call us on 0800 587 4140 or visit us at www.financewales.co.uk



MANY HAPPY "RETURNS"!

Yes, we file many tax returns....so if you haven't yet submitted your 2013/14 self assessment, then contact the office and we'll happily help you submit before the 31st January deadline



EvansEntwistle

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