

inbusiness

The Humphrey & Co Newsletter

Issue 10 | Winter 2011/12

Welcome | Capital Allowances | Research & Development | FAQs | Clients | Junior ISAs | Exams | Charity

Welcome

“Some see private enterprise as a predatory target to be shot, others as a cow to be milked, but few are those who see it as a sturdy horse pulling the wagon” - Winston Churchill

Many of our clients might agree with this quote, with increasing compliance burdens and penalties being imposed by HM Revenue & Customs, tax and National Insurance increases and the withdrawal of tax reliefs.

However, there remain a number of valuable tax reliefs and tax planning opportunities and in this time of austerity, we would encourage all our clients, with our assistance, to review their financial affairs to ensure that they are structured as tax efficiently as possible.

Despite the uncertain outlook for 2012, we believe that businesses who adopt a proactive approach in the management of their tax affairs will be well placed to face the challenges ahead.

Humphrey & Co remain committed to ensuring that our clients are made aware of changes in legislation and tax saving opportunities.

We would like to wish all of our readers a Merry Christmas and a prosperous New Year!

Andrew Fenton & Kevin Hancock

Tax Managers



Capital Allowances - Beware of AIA Trap

As announced in the last Budget the annual investment allowance (AIA) is being reduced from £100,000 to just £25,000 from April 2012 (1 April for companies and 6 April for income tax businesses).

Many clients will be aware of the AIA as it was introduced several years ago to give immediate tax relief for expenditure on machinery and other equipment bought by businesses. The rationale behind the AIA was to ensure businesses were able to deduct the full cost of the “capital item” as a deduction from profits instead of being spread over many years. Consequently, businesses planning capital expenditure in excess of £25,000 should consider doing so before 1 or 6 April 2012 to secure the 100% relief in year one. If not, the expenditure in excess of £25,000 will be entitled to an 18% allowance on a reducing cost basis, thereby decelerating the relief.

It should also be noted that where capital expenditure is incurred before the commencement of trade, a claim for AIAs can still be made, creating trading losses available for relief against other general income or to be carried forward to set against future trading profits.

Enhanced Capital Allowances (“ECA”)

Businesses intending to purchase boilers, air heating, cooling and ventilation equipment, lighting systems, toilets and bathroom fixtures are advised to consider the enhanced reliefs available under the ECA regime.

Certain products are designated as energy saving or water conserving and these are entitled to 100% relief, even if the AIA expenditure limit has been exceeded.

Therefore, businesses should consult the list of qualifying products maintained by the Government to ensure that where possible, expenditure is incurred on items qualifying for this enhanced relief.

If your business has recently spent money on refurbishments or is considering the acquisition of capital assets in the near future, please contact us, so that we can assist you with your choice of assets and advise on the timing of expenditure to ensure that you maximise the available tax reliefs.

For a free initial appraisal please contact Andrew Fenton afenton@humph.co.uk or Kevin Hancock khancock@humph.co.uk



www.humph.co.uk

More than just accountants...

Research & Development reliefs

Companies incurring expenditure on qualifying Research & Development (R&D) activities are entitled to enhanced expenditure relief and if loss making, might be entitled to a cash payment from HM Revenue & Customs (HMRC) in return for the surrender of trading losses.

As part of the Government's package of corporate incentives, to retain and attract UK business, R&D relief is becoming increasingly accessible and valuable and there is no better time for companies to review their activities and consider making claims for relief.

Qualifying R&D projects

Eligibility for R&D relief is determined by the existence of a qualifying R&D project, which seeks to achieve an advance in the overall knowledge or capability in a field of science or technology. The scientific or technological advance must be achieved by the resolution of scientific or technological uncertainty.

Essentially, if your company is creating a product and problems/uncertainties have been encountered in development or implementation that can only be resolved by undertaking R&D expenditure and a competent professional would also have to undertake R&D to resolve the problems/uncertainties, the project should qualify for R&D relief.

Qualifying expenditure

The following items of expenditure are eligible for R&D relief:

- Salaries, employer's NIC and employer pension contributions for employees engaged in R&D activities (costs must be apportioned for employees only partly engaged in R&D and the costs associated with administration staff are excluded)
- Items consumed in the R&D process
- Software used for the R&D process
- Utilities consumed in the R&D process
- A proportion of expenses incurred on subcontracted R&D

Capital items (computers for example) are not entitled to the R&D enhanced expenditure or tax credit reliefs. Instead, relief is given under the capital allowances regime (see below).

The Enhanced Expenditure relief

Companies can claim relief for an additional 100% of the qualifying R&D expenditure as a deduction against trading profits (or aggregated with a trading loss).

Tax Credit relief

Companies that are loss making after having claimed enhanced expenditure relief can surrender trading losses to HMRC in return for a cash payment ('tax credit') equivalent to 12.5% of the loss surrendered.

The loss surrendered will be restricted to the enhanced qualifying expenditure (200% of the total R&D spend) and the tax credit will be restricted to the total PAYE and NIC paid by the company in the accounting period in question.

Capital expenditure

Expenditure on plant and machinery used in the R&D process might qualify for full relief in the accounting period of acquisition under the capital allowances regime. The enhanced expenditure and tax credit reliefs detailed above are not available for capital expenditure.

If you believe your company's activities might qualify for R&D relief or would like further information, please contact either

Anthony Smith
agsmith@humph.co.uk

Andrew Fenton
afenton@humph.co.uk

or Kevin Hancock
khancock@humph.co.uk




Frequently Asked Questions

In this article we detail a few of the most frequently asked questions by our clients concerning Powers of Attorney.

What is a Power of Attorney?

This is a document where one person, the Donor, gives power to another person, known as the Attorney, to act on the donor's behalf. This can be limited to one specific asset, such as managing a bank account or to act in place of the donor in a particular transaction, such as buying a house, or unrestricted, giving the attorney power to deal with all the donor's financial affairs and make all decisions that the donor could make themselves. Whatever the scope of the power, the attorney must always act in the best interests of the donor. There are different types of powers useful for different purposes.

General Power of Attorney

 Under such a power an attorney can act in specific circumstances for the donor, as described in the document, and relating to legal and financial matters. An attorney cannot make decisions about the donor's health or welfare under a general power. If the donor loses mental capacity to make decisions, the attorney can no longer act.

Lasting Power of Attorney

The significant difference between a general power of attorney and a lasting power (LPA) is that, under a lasting power, the attorney will have authority to act if the donor permanently or temporarily loses the capacity to make decisions for themselves, so long as the LPA has been registered with the Office of the Public Guardian (OPG).

- One or several attorneys can be appointed; attorneys can act jointly, so that every action will be taken by all the attorneys together, or, a more flexible option is the appointment of attorneys to act "jointly and severally", meaning one attorney can act on their own. Attorneys can be appointed to act together in some situations, and independently in others.
- The scope of the attorney's authority can be restricted and conditions can be included as to how the power should be exercised.

Health & Welfare Power of Attorney

Whilst most attorneys are appointed to deal with financial and property decisions, since 2007 it has been possible to appoint attorneys to take decisions about health and welfare issues where the donor loses mental capacity. This power can include giving consent to medical treatment or making decisions regarding accommodation. This can be particularly useful for people with no next of kin. The same or different attorneys can be appointed to deal with health and welfare decisions and financial matters.

Why do I need a Lasting Power of Attorney?

No one can guarantee that they will always be able, physically or mentally, to manage their own financial affairs. For example, if you are out of the country for extended periods, or in hospital, you may not be able to sign important documents in person. Mental incapacity can arise at any time, either through illness or trauma.

By having a Lasting Power of Attorney in place you will have the comfort of knowing that your affairs can be looked after by someone that you have appointed. This may also avoid additional problems for your family to cope with at a very emotional time.



Is it best to register the LPA as soon as I have made it?

The registration of an LPA with the Office of the Public Guardian (OPG) takes several weeks and the attorneys cannot act until registration is complete. The LPA does not have to be registered as soon as it has been completed but it may be prudent to register the power immediately, for which the OPG's fee is currently £130, to ensure there will be no unnecessary delays should the attorneys need to use their power.



Should I arrange a Power of Attorney now?

Yes. Powers of Attorney can only be made by someone who is mentally capable of doing so.

If there is no enduring or lasting power of attorney already in place and a person loses mental capacity, someone, often a family member, will have to apply to the Court of Protection to be appointed as the "Deputy" for the person who has lost capacity, known as the "Protected Person". This is quite a long process, and can be complicated and expensive.

If you would like any further information or would like us to assist you in making either Lasting or General Powers of Attorney please either phone your usual contact at Humphrey & Co or a member of our specialist Trust and Estate Support team at our Brighton & Hove Office.



I think I have an Enduring Power of Attorney (EPA)?

Until 2007, attorneys could be appointed to manage financial affairs (only) under an Enduring Power of Attorney (EPA); these powers remain valid, and so long as the donor has mental capacity, attorneys appointed under an EPA can use the power without registering it with the OPG. If the donor loses mental capacity, the attorney must register the EPA with the OPG.

Many clients of Humphrey & Co completed EPAs before October 2007 when they were replaced by LPAs. We do hold a number of EPAs for clients in our safe. Please phone to check if you can't remember whether you have made one.



What should I do next?

We advise all clients to consider preparing an LPA as it provides for someone to manage your affairs if you lose mental capacity. However, if you are considering a Power of Attorney for any other reason, for example if you intend to travel overseas, or if you need help to manage your affairs through physical frailty, then a General Power of Attorney may be suitable for you.

client spotlight

50 years with Humphrey & Co



50 years ago on 1 January 1961 Mrs Vera Worsell and her late husband Rowland Worsell became the owners of the Mowbray Hotel, Eastbourne.

They needed an Accountant to act for them and in the words of Mrs Worsell "Humphrey & Co were highly recommended to them". They became clients and have remained so ever since.

Our Senior Partner, Bob McTear, remembers working on the hotels accounts when he was an articled clerk!

The Worsells owned the Mowbray Hotel for 21 years until they retired in March 1982. Realising the needs for modernisation one of the major improvements the Worsells made was the installation of a lift meaning that all the rooms could be charged out at the same rate whichever floor they were on.

As with many of our older clients Mrs Worsell has had a very interesting life.

She was a Driver during the Second World War. After 8 weeks training learning how to drive and how to maintain their vehicles, 14 girls including Mrs Worsell started driving all over the country from Scotland, to Barry Docks, to Plymouth. Their friendships lasted after the war and once a year the girls met up at the Mowbray Hotel to catch up and reminisce.

On retirement both Mr and Mrs Worsell became immersed in their hobbies which included embroidery and the building of dolls houses. Mr. Worsell built the dolls houses with such precision and, with the help of friends who made furniture, then gave them to charity. Mrs Worsell continues to be very interested in embroidery. It is always a pleasure to visit Mrs Worsell who, at the age of 91, has so many interesting stories to tell.

junior ISAs

Junior ISAs now launched



These new ISAs (Individual Savings Accounts) were launched on 1 November 2011.

What will these Junior ISAs be useful for?

We can see that these accounts would be a useful way for relatives to save ready for children when they reach 18 possibly helping with University fees, deposits on properties etc. A saving of £3,600 each year for the next 18 years would amount to £64,800 before any interest is added!

Two tax advantages to be considered:

Grandparents

If used correctly these accounts would be a useful way of grandparents giving money to their grandchildren without any inheritance tax ramifications.

Parents

Usually when money given by a parent to a child produces an income of more than £100 a year the income is deemed to be that of the parent. The Junior ISA avoids this as the parent is giving up control of the money so any income arising from the savings is not deemed to be that of the parent.

Any disadvantages?

The money cannot be touched until the child is 18, then the money is theirs and you have no direct control of how the money is used!

Further details are available on our website blog www.humph.co.uk or you can go to www.direct.gov.uk

You can also telephone us if you would like more information.

Humphrey & Co Exam Success!



"MOVING TO HUMPHREY & CO GAVE ME THE TRAINING & SUPPORT I NEEDED TO GO ONE STEP FURTHER AND COMPLETE THE FINAL SET OF EXAMS"

In September we were pleased to announce that Charlotte Francis and Lewis Hampton both passed their Advanced Stage exams and are now fully qualified Chartered Accountants.

Charlotte started her training with Humphrey & Co in 2008 having attended The University of Reading, and graduating with a degree in Business Management in 2007. "I'm delighted to have qualified" said Charlotte, "it's been 3 years of hard work, but it has now paid off! I'm looking forward to taking on new challenges and increasing my level of client contact".

Lewis attained his AAT qualification after leaving school and then joined Humphrey & Co in September 2010

having already partially completed his ICAEW exams. Lewis will be staying at Humphrey & Co and said "I am extremely happy to have finally completed many years of work in obtaining my accountancy qualifications. Moving to Humphrey & Co gave me the training and support I needed to go one step further and complete the final set of exams, for which I am very grateful".



christmas wishes

In keeping with tradition, we have made donations to charity in place of sending Christmas cards to our clients and business colleagues.



The Children's Respite Trust

Anthony Smith, Partner & Gavin Fisher, Chief Executive of the Children's Respite Trust
www.childrensrespitetrust.org.uk

Charity Donation

This year, we are proud to support two charities - Cruse Bereavement which provides face-to-face help for people learning to cope with bereavement and The Children's Respite Trust which supports children



Cruse Bereavement East Sussex:

Irvine Caplan, Chair, Elaine Mould, Deidre Waite, David Ireland & Bob McTear, Senior Partner
www.crusebereavementcare.org.uk

with disabilities and their families by helping them to get a break.

We wish all our readers a very happy Christmas and a prosperous 2012. Thank you for your continued support.

Please note that over the Christmas period our office will be closed on the following days:

Friday 23rd December 2011 (from 11.30)

Monday 26th December 2011

Tuesday 27th December 2011

Monday 2nd January 2012



Tell us your views on InBusiness!

We're always pleased to hear from our clients and would enjoy any feedback you may have about this issue of **InBusiness**. If you would like your company featured or feel there is a subject you would like covered in more detail, please let us know.

All content © Humphrey & Co
Designed by Proworx | www.proworx.co.uk

Partners: Bob McTear • Eric Hylton (Managing) • Nicolas Ellison • Paul Potter • Andrew Robinson • Michael Macefield
Peter Skilbeck • Jonathan Cooke • Anthony Smith • Ian Simpson • Gregory Penfold • Sue Pocklington

Brighton & Hove

Curtis House
34 Third Avenue
Hove East Sussex
BN3 2PD
T 01273 775814
F 01273 729611
DX 59256 Hove

Eastbourne

7-9 The Avenue
Eastbourne
East Sussex
BN21 3YA
T 01323 730631
F 01323 738355
E info@humph.co.uk

Registered to carry on audit work & regulated for a range of investment business activities by the Institute of Chartered Accountants in England & Wales