

Business Matters

News & Information from **Hammonds** Chartered Accountants and Business Advisers

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Hammonds

Chartered Accountants and Business Advisers

Discrimination: what every employer needs to know

Discriminating against people on the grounds of race or gender has long been wholly unacceptable in the workplace – as every business owner knows. But discrimination can take many forms and the Government is keen to eliminate all of them. A raft of new legislation means that it is up to you, as the employer, to be vigilant against any kind of workplace prejudice.

The new laws

The main aim of current employment discrimination law is to ensure that people are treated equally, and that decisions are not made on the basis of gender, race or disability. From December 2003 the 'Employment Equality Regulations 2003' will specifically outlaw discrimination at work and in training in respect of sexual orientation, religion and belief, while an EU Employment Directive will prohibit age discrimination from October 2006.

Your duties as an employer

In order to comply with the new laws, you must take steps to ensure that no worker is treated any less favourably than another because of sexual orientation, religious or similar beliefs, or age.

This applies to all stages of the employment process, from initial recruitment, to salaries, training, benefits and promotions for existing staff, through to the end of an employee's service. The laws prohibit any kind of harassment, victimisation and direct discrimination, as well as indirect discrimination, which means setting a criterion or provision which unjustifiably disadvantages certain people.

Adhering to these principles is not always easy and discrimination can often be inadvertent. For example, a job advert requiring candidates to be 'under 30' is an obvious example of age discrimination. An advert requiring '6 GCSE's' is less so, yet it rules out anyone old enough to have taken O-levels.

Action to take

You should draft, publicise and enforce clear policies on all forms of discrimination. It may be worth conducting a review in order to check that your policies are up-to-date, and taking professional advice.

More information can be found at the Government website:
www.dti.gov.uk/er/equality/eeregs.htm

Burnhill Business Centre
Provident House
Burrell Row
Beckenham
Kent BR3 1AT

Telephone 020 8249 6328
Fax 020 8249 6329

Email info@hammondsaccountants.co.uk

www.hammondsaccountants.co.uk

Geoff Miles FCA

Consultant:
Sandy Kinnear FCA FTII

Registered to carry on audit work
by The Institute of Chartered
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OUR SERVICES

**We can help with many areas of your business and personal finances.
Contact us now and we'll arrange a meeting to discuss:**

- Ways to improve your business profitability
- Key strategies for minimising your business tax burden
- Protecting your business from financial disaster
- Raising finance and maximising the value of your business
- Timing transactions to reduce the tax bill
- Strategies to crystallise capital gains and reduce losses
- Maximising wealth within the family using your annual exemptions and tax breaks
- Retirement strategies for you, other family members and your business
- Tax-efficient investment opportunities
- Exit strategies and estate planning, for a secure future

**We can help you on your way towards a bright financial future for yourself,
your family and your business. Contact us today.**

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Making the most of your company meetings

Are your board or company meetings as effective as you would like? Here are eleven tried and tested strategies for getting the most out of your meetings and your board or company members:

1 Be prepared

Distribute materials a few days in advance so members have time to review them, but not enough time to put them aside.

2 Be disciplined about time

Ensure that you start and finish according to schedule.

3 Prepare an agenda

List the most important points first, and allot time to each – with some extra time for unplanned discussions.

4 Prioritise items

Identify items that need action by the board, such as approving committee recommendations or developing a policy or proposal. Also identify items included just so board members can be kept ‘in the loop’.

5 Decide powers of authority

Make it clear how a meeting is to be run. The chair must be sufficiently strong to impose order, but does he or she have the power to guillotine or veto?

6 Encourage argument

Allow open debate, but encourage consensus decisions.

7 Be democratic

Involve everyone by encouraging quieter members to present their views and not letting more ‘enthusiastic’ members dominate the discussion.

8 Tackle the important issues

Develop an annual calendar that includes important items that need to come up for regular discussion - business development, budgets, elections, and so on.

9 Use a flipchart

Make notes of important points to discuss and good ideas – and display them where everyone can see. This helps people to focus.

10 Keep your meetings interesting

Add variety by inviting clients or suppliers to make a presentation, show a video of your proposed marketing programme or a tour of the website of one of your competitors that does something exceptionally well.

11 Be comfortable

Provide refreshments and schedule a half-time break.

Some of these strategies may sound obvious, but it is amazing how easy it is to lose sight of them. If a company meeting is to be effective, it is essential to encourage everyone to offer their opinions without allowing the discussion to disintegrate into a free-for-all; and to make sure that real results and the right decisions are achieved.

Focus on: Improving time management

The cliché states that ‘time is money’ and in a fast-paced working environment, it is particularly important to develop good time management skills. Use the checklist below to see if yours could be improved.

Time Management Skills checklist

	YES	NO
Management identify the most important issues, and deal with them first		
Staff ‘diary’ the important jobs, and turn to them in order of importance		
The less important jobs are always delegated appropriately		
Staff are able to deal with the jobs they are given		
Punctuality is a company policy		
Meetings are meaningful and impose a clear-cut agenda		
Distractions such as personal e-mail and calls are kept to a minimum		
Important tasks are tackled when people are at their most productive		
Staff are given rewards and incentives to encourage productivity		
Our current system allows some time for dealing with unexpected issues		

How did you do?

Count the total number of ‘yes’ answers you have given.

9-10 Well done – now you just have to make sure that you maintain your high standards of efficiency!

4-8 Use the checklist to identify and prioritise areas, and focus on improving these.

1-3 The first thing you should do with your time is review your time management! As things stand, you are at risk of damaging your bottom line through inefficiency.

The Proceeds of Crime Act – A warning for all of us

Under the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003 it will be an offence punishable by up to 5 years' imprisonment if our partners or staff fail to comply with the rules likely to come into force in the first months of 2004. This could mean in effect that accountants could be jailed if, in certain circumstances, they fail to breach client secrecy.

Although the start date and exact details are still under review, it is expected that we will be required to make a report to the National Criminal Intelligence Service (NCIS) where someone possesses, conceals or deals with – or helps anyone else possess, deal with or conceal – the proceeds of any crime (including tax offences),

no matter how small.

That basically means that where we know or suspect that a client or contact has anything to do with what falls into the Act's definition of criminal conduct, whether that conduct constitutes an offence in the UK or would constitute a criminal offence if it were committed here, we must report to the NCIS, or risk a

prison sentence. Offences can include benefiting from breaches of health and safety laws, overseas tax evasion and even activities which are perfectly legal overseas, but illegal here (e.g. bullfighting).

New responsibilities

These rules override client confidentiality, and even make it a criminal offence for an accountant to tip off or let anyone know a report has been made to the NCIS.

One additional requirement is that we keep on file records of client identification – generally proof of identity and address – and we may have to request these from you even though we have acted for you for some



years. Requirements for new clients are stricter, and vary depending on whether the client is an individual, a company, a partnership, a charity and so on. For some years banks and financial institutions have made reports to the NCIS, running into thousands every year. Now, as well as accountants, solicitors, estate agents, casinos, antique and car dealers and other high value traders will be required to report.

Tax Focus: Industrial Buildings Allowances

Clients who use or let buildings for their businesses often ask about the tax allowances that might be available to them. Capital allowances for the construction costs of industrial buildings fall under several different headings, but collectively they are known as industrial buildings allowances (IBAs). They are normally available to the building owner, but there are certain circumstances where a tenant may claim for additional capital expenditure on an existing qualifying building.

Buildings in use for a qualifying trade

Qualifying trades normally relate to the manufacturing or processing of goods or materials. There is no statutory definition and so various processes have been tested in the courts, sometimes with surprising results. For instance breeding rodents for experimental purposes qualifies, but accelerating the growth of tropical fish in heated tanks does not! Landlords may therefore need to carry out considerable detailed research to establish whether it is possible that their tenants are carrying out qualifying trades.

This type of IBA is given as an annual writing-down allowance of 4% of the original construction cost (i.e. excluding the cost of the land), starting in

the period when the building is first brought into use. If there are no changes in circumstances, the allowance continues for the normal tax life of 25 years.

If you sell the building before the end of its tax life, there will be a balancing allowance or charge. This balancing adjustment is based on the difference between the sale proceeds and the tax written down value of the building (again, these figures need to exclude the land).

If you buy a used building you may be entitled to claim IBA on the purchase price (or the

original building cost if lower).

This is given by equal annual allowances over the remainder of the tax life of the building.

Qualifying hotels and sports pavilions

The qualification is more clearly defined, but the relief works in the same way as for industrial buildings, outlined above.

Commercial buildings in Enterprise Zones

Where an area has been designated as an Enterprise Zone, allowances on the construction

costs of commercial buildings are much more generous. An initial allowance of 100% is available on any buildings other than dwelling houses. Even if part of the building is used as a dwelling, the whole expenditure still qualifies so long as the expenditure on that part does not exceed 25% of the total building cost. A lower amount than the full 100% may be claimed, in which case the residual expenditure qualifies for a writing down allowance of 25% on cost (straight line method).

This is a complex area of legislation and you would be well advised to seek our advice.



Home is where the heart is?

The UK's concept of tax domicile is a bit of a mystery to our colleagues in many countries – it is a term which 'legislates' where 'home' is.

You can live in the UK for many years, but still be French, Italian, American or Indian at heart, and retain financial and personal connections with your home country. Furthermore, you might have every intention of returning to your home country when you retire.

There have been suggestions for some years that the UK's tax regime is unnecessarily favourable to those living here, but domiciled elsewhere. Essentially, such residents benefit from tax exemption on income and gains arising outside the UK, unless they are remitted to the UK, or used in settlement of UK debts.

Claims that this was not fair to 'ordinary' UK residents were weighed against claims that the rules brought wealthy high earners and high spenders to the UK, and for many years the decision has been that the advantages of the latter outweighed the former.

However, it is now expected that changes will be introduced in the near future which will remove some, or all, of the advantages currently enjoyed by resident non-domiciliaries.

Talk to us if you are concerned that an opportunity is about to be lost.

Pre Budget Report 2003

THE Pre Budget Report has become increasingly important as a means for the Government to give advance warning of changes to be effected in the next Budget, and to bring in changes earlier. Here are some of the announcements made on Wednesday 10 December 2003:

Extracting income from companies

The Government has expressed concern that 'the longstanding differences in tax treatment between earned income and dividend income should not distort business strategies, or enable reductions by tax planning of individuals' tax liability', and proposals for action will be brought forward to the 2004 Budget, to ensure that 'the right amount of tax is paid by owner-managers of small incorporated businesses on the profits extracted from their company.'

For some limited company owners this could be the one proposal that will have a cost impact.

Raising capital

Investments in shares in Venture Capital Trusts and in shares qualifying for relief under the Enterprise Investment Scheme offer income tax relief and the opportunity to defer capital gains tax liabilities through investment in new and/or expanding companies.

It has been proposed that the upper limit on investment to qualify for income tax relief should be increased from April 2004 to £200,000 for each type of investment, and that the rate of relief for investment in a VCT should be increased from 20% to 40%, with the additional relief being paid to the Trust.

The Small Firms Loan Guarantee (SFLG) is currently operated in partnership with 23 lending institutions, and since April 2003 there has been an increase of 40% in take-up. The SFLG is to be reviewed, with the aim of establishing how take-up can be further increased.

Innovation, investment and skills

The Chancellor has proposed a period of consultation aimed at: simplifying the definition of R&D, so that companies will be better able to decide at the outset whether or not activities will qualify for the R&D credit; and

We are sometimes asked if we are able to help additional clients. We are a growing firm and do appreciate your referrals. We consider it a compliment when you recommend us to your friends and business contacts.

clarifying and widening the definition of qualifying R&D expenditure, to include materials consumed, software, fuel and water.

Capital allowances

Accelerated tax relief, in the form of first year capital allowances, is available for certain capital expenditure by small and medium sized businesses – in the form of a 40% first year allowance on qualifying expenditure in plant and machinery.

The definitions of small and medium businesses are to be revised, probably



effective from January 2004, which should make the accelerated allowances available to a larger number of SMEs.

Contact us if you would like specific advice about any of the announcements made by the Chancellor.

WEB WATCH ESSENTIAL SITES FOR BUSINESS OWNERS

National insurance contributions information

www.inlandrevenue.gov.uk/nic/

Useful guide to aspects of NICs with access to information packs and FAQs.

Business information zone www.thebiz.co.uk

Business to business directory with companies classed into searchable categories.

Office of Fair Trading www.oft.gov.uk/Business/

Includes current legislation regarding corporate responsibilities.

Freedirectories www.freedirectories.com/

Directory of free web databases across the world, with options to search over 1bn records.

REMINDERS FOR YOUR DIARY

December 2003

31 Last day for non-EC traders to reclaim recoverable UK VAT suffered in the year to 30 June 2003

End of relevant year for taxable distance supplies to UK for VAT registration purposes

End of relevant year for cross-border acquisitions of taxable goods in the UK for VAT registration purposes

End of CT61 quarterly period

Filing date for Corporation Tax Return Form CT600 for period ended 31 December 2002

January 2004

1 Due date for payment of Corporation Tax for period ended 31 March 2003

14 Due date for income tax for the CT61 quarter to 31 December 2003

19 Quarter 3 2003/04 PAYE remittance due

31 First self assessment payment on account of income tax for 2003/04

Balancing payment – 2002/03 income tax/class 4 NICs

Capital gains tax payment for 2002/03

Last day to file the 2003 tax return

Last day to pay personal pension premiums and elect for carry back to 2002/03

February

1 £100 penalty if 2003 tax return not yet filed

2 Last day for notifying car changes in quarter to 5 January – P46 (car)

28 Failure to pay any balance of 2002/03 tax leads to an automatic 5% surcharge

