

## GOING INTERNATIONAL

This year has seen a wealth of changes to accounting and audit regulations, most of which have been introduced to try and bring the UK in line with the rest of the world.

New International Standards of Auditing came in at the beginning of this year, which changed the approach we had to take to auditing as well as rendering our old audit software obsolete. This meant that we have had to spend a large amount of time updating the information we hold on our audit clients in order to comply with the new regulations.

Various new accounting standards were implemented this year, including the amendments to dividends and revenue recognition discussed in other articles in this newsletter. The new standards have also tightened up on the use of provisions in accounts, amongst a number of other changes.

One of our most significant overheads is the cost of providing ongoing training to all our staff and partners to ensure that we are always up to date. We try our best not to pass the cost onto you, but inevitably sometimes our charge out rates have to increase to cover our increasing regulatory burdens. We do of course remain extremely competitive for the level of advice and service we provide.

## STAFF PROFILE JOANNA EMERY

Joanna arrived at Lee, Dicketts & Co in late 2002, having graduated from Southampton University with an honours degree in Politics. Perhaps it is this background that has assisted in her diplomatic approach to client relationships. Or perhaps her tact was developed at Godstone Farm (a wonderful children's farm), in her dealings with the young customers and animals. Wherever it came from, Jo's confident and bubbly manner means that she is a big hit with our clients, and a popular member of staff.

Jo passed her final exams this summer, and is currently applying for full membership of the Institute of Chartered Accountants in England and Wales. She continues to deal with all aspects of our clients' audit and accounting work, and is developing a particular speciality for charity auditing and accounting.



Much of Jo's (new found!) spare time involves amateur dramatics and she is a regular participant in shows at the Oxted Barn and Sanderstead theatres.

Her artistic flair may have to be put to another use in the near future, as she and her boyfriend are looking to buy a house - needless to say, there will be a lot of painting and decorating involved!

### Corporal Oliver Dicketts 1979 - 2006

It is with sorrow that we must announce the death of Oliver Dicketts, Robert and Priscilla's son. Oliver, a corporal in the Special Reconnaissance Regiment, died in the RAF Nimrod crash in Afghanistan on 2 September 2006, which killed fourteen British servicemen.

A service in celebration of Oliver's life was held at St Christopher's Military Chapel, Hereford on 3 November, followed by an interment in the military cemetery.

Our thoughts are with Robert and Priscilla at this most difficult time, and with all those that knew Oliver.

### MINIMUM WAGE!

Just a reminder!

The minimum wage increased to £5.35 ph, or £4.45 ph 18-21 and £3.30 ph for 16-17 year olds, from 1 October 2006.

### AGE DISCRIMINATION REGULATIONS

The new Age Discrimination Regulations came into effect on 1 October 2006 with a host of new conditions.

Initially, the provision means that the minimum retirement age will now be 65 unless agreed otherwise. But the regulations also cover other aspects - from advertisements for all new staff, training and pay. Even jokes are now dangerous for the employer.

For more advice, or if you think you may have a problem, contact Maureen at the Caterham office.

### DIARIES

We have not included diaries this year as, with computerisation, more and more people are using computers. If, however, you would like one please contact us and we will happily send you one.

### IMPORTANT ISSUES

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# £ Luggs Money Matters

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## PRE BUDGET REPORT

Mr Gordon Brown presented his 10th Pre Budget Report on Wednesday, 6th December. The main points of the report were:

- Air passenger duty is to be doubled from 1st February 2007. For most flights this will increase the duty from £5 to £10.
- Fuel duty is increased by 1.25p per litre.
- Increases are proposed in Child Benefit payments, with payments to women in the last months of pregnancy. These payments are to come into effect from April 2007.
- The basic State Pension is to be increased by 3.6% from April 2007. No increase proposed to the winter fuel payments for the elderly.
- Mr Brown indicated that more than 16 million people have ISA accounts but no mention was made of any increases in the amounts which can be invested, although there has been talk of this in the press.
- The additional tax raised will be put into education with direct payments to schools being increased. Monies are also to be spent on refurbishing schools, colleges and children's centres.
- Additional money is also to be made available to the armed forces and the intelligence services.
- Anti-avoidance measures are strengthened, particularly in respect of 'carousel' fraud, which is widespread. This is a VAT fraud and is estimated to have cost the Treasury between £3.5 bn and £4.75 bn in 2005/2006.
- A new measure is also proposed to stop workers channelling their earnings through managed service companies. These affect temporary workers who set up a limited company to minimise tax and NIC liabilities. These companies are usually run by an administrator - an accountant or an adviser.
- New penalties are to be introduced for music and film piracy. There will be greater rights for individuals for copying music and films for private use.
- 55,000 civil servants are to be axed as part of the spending review.
- The amounts of personal allowance, national insurance contributions and tax credits for 2007/2008 have all been determined and some of the figures will be included in our next newsletter, to be published after the 2007 Budget. If you require details now, please contact us.
- When the new Construction Industry Scheme starts in April 2007, the rate of tax deduction for CIS4 holders will be increased to 20%. The tax deduction rate for non-registered sub contractors has been fixed at 30%.

## Roger Lugg & Co / Lee, Dicketts & Co

### We are:

- Chartered Accountants
- Chartered Tax Advisers
- Registered Auditors

- Able to offer a range of Investment Services
- Located at Caterham, Lingfield & Seal

### We have:

- Our partners  
Roger Lugg FCA  
Geoffrey C Lee FCA  
Gillian M Cufley ACA  
Michael D Bushell FCCA  
Bruce Chapman ACA CTA  
Hilary Barrett ACA CTA
- Our Manager at Lingfield
- Our Managers at Seal

- Our Managers at Caterham  
Owen Hughes - Tax  
Sue Brent ACA

- Deborah Brent FCA
- Sue Bushell FCCA - Audit
- John Tullett - Tax

- A predominance of qualified staff. They have a great variety of experience and expertise.
- Fully computerised systems for handling accountancy, tax, payroll and statutory accounts production.
- The expertise to handle:
  - acquisitions, mergers and disposals
  - business plans, reviews and forecasts
  - insurance and pension planning
  - trusts, wills, executorships
- We pride ourselves in giving a high quality personal service at a reasonable cost

This newsletter is intended to keep you informed about current tax and company legislation, financial matters and the life and times of Roger Lugg & Co and Lee, Dicketts & Co. It is not a substitute for specific technical advice. If you have any queries arising from these articles, or indeed require any professional advice, contact Hilary Barrett or Bruce Chapman at Caterham; Deborah Brent at Lingfield; Michael Bushell at Seal. Always remember that the initial consultation for new clients is free of charge.

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## DIVIDEND ACCOUNTS DISCLOSURE

Many of you may have already noticed that recently the requirements surrounding how dividends are shown on a set of limited company accounts have changed. No longer are we allowed to put proposed dividends in the accounts. Dividends will only be shown if they are payable in that year.

In addition, dividends can no longer be shown on the profit and loss account, but are relegated to a note to the accounts showing them as adjustments to reserves.

This has led to a number of accounts that have gone out to our clients with unusual adjustments and disclosures to comply with the new regulations. As your accountants of course we will deal with these adjustments for you, but it may mean a different approach to how you read your accounts. For example, an after-tax profit on the accounts of £40,000 may look good at first sight, but you will need to look at the notes to see that £50,000 has been taken in dividends, in reality leaving a deficit of £10,000 for the year.

If you have any questions about what your accounts mean, or what your bank manager will be looking for then please get in touch with us.

In the meantime if anyone is taking regular dividends without the paperwork in place at the time then please ensure this is done, or ask us to do this for you. HMR&C are getting very tight on this and could disallow dividends that are not correctly documented at the time of payment.

## RECOGNISING INCOME - BUILDERS BEWARE

One of the most significant changes to affect those of us in the service industry has been the changes to how our income is taxed.

Whilst in many cases our services to clients are often spread out over a year and we bill them at the completion of the work, the rules now state that the proportion of the work done should be brought in as income. For example a half finished job at our accounting year end, that will eventually be charged at £500 for the whole job, now needs to be shown at £250 of income in the year end accounts.

Effectively we are paying tax on money we have not billed and which is unfinished at that time.

If you provide services of any kind to clients then this could affect you. HMR&C are looking to ensure that people comply with these rules and are looking to see the relevant disclosures on accounts and in tax returns.

Builders with short term work in progress have a potential liability here. A half finished extension at the year end needs to be included at the sale value of the eventual completion of the contract in the relevant proportion. The previous rules showed work in progress only at cost value at the year end.

Some more complex adjustments affect businesses such as tour operators and those providing maintenance contracts.

Anyone who provides services to clients that straddle the year end should get in touch to ensure the correct disclosures are made and avoid possible penalties and interest.

## TAX ON VANS

Employers and employees should bear in mind that on 6 April 2007 the rules on van benefit tax are changing.

The current rules on van benefits are: that if a van is used personally then an amount of £500 or £350 is taxed on that employee for the year, depending on the age of the van. The new rules bring in an amount of £3,000 to be charged to tax against that employee, whatever the cost or age of the van. This could cost the employee up to £1,200 per year in tax and cost the employer £384 in National Insurance.

The new rules do allow for some restricted private use. Employees may take the van home and use it for ordinary commuting. They may also use it for 'insignificant private use', such as one or two tip runs a year, taking a slight detour to drop children off at school, or calling in at the dentist on the way home. Taking a van on holiday or using it to go to the supermarket will count as private use.

There could also be a charge on a benefit of £500 for the provision of private fuel, costing an employee up to a further £200 in tax and the employer £64 in National Insurance.

It may be that HMR&C will be more careful to ensure that the rules are implemented than they did under the old scheme. So, if you want to avoid this tax for you or your employees then please contact us and we can discuss your options.

## TAX CREDITS

Due to the fallout over the clawback of overpaid tax credits, HMR&C have stated that they will ignore income changes of up to £25,000 when working out what tax credits are due for that year.

This means that your tax credits for 2006/07 are based on your income for 2005/06 and if your income in 2006/07 is increased by up to £25,000, then your tax credits will not be affected.

This means that if you are due to receive tax credits and you are planning to incur tax deductible expenditure, then doing this before the end of 2005/06 could maximise your tax credits not only for 2005/06, but also for 2006/07.

For example, if your business year end is March 2007 and you wish to buy a van, then buying this in March rather than April could significantly increase your tax credit entitlement.

If you think you could benefit from this then please contact us to discuss whether this might help you.



## RURAL ARISINGS Established in 2002

The Directors

Rodney Chartres and Richard Armfield have design and construction management backgrounds spanning 35 years in civil and geo-environmental engineering. With their highly qualified staff, they have a broad range of experience in geology and science, ecology, biology, landscape assessment and associated disciplines, all with graduate support.

The principal activity of the company is that of the bespoke environmental enhancement of sites by innovative recycling and/or recovery of soil, rubble, tyre and green wastes. Rural Arisings is a management contractor and a design/regulatory specialist consultant within the Green Engineering sector.

The Company is currently responsible for the project management of schemes approaching a value of £4million/annum. Since its inception, the Company has been supported by Roger Lugg & Co. It has expanded as a result of client recommendation and operates primarily in the southeast of England.

Rural Arisings work for and in partnership with local government organisations, industrial and agricultural clients, developers, hauliers and landowners. Visit [www.ruralarisings.co.uk](http://www.ruralarisings.co.uk) to find out more about the company and its current projects. The website shows the creation of a green open space on a 26 hectare former landfill site to create **Church Marshes Country Park** which includes the provision of new habitats for protected species.

### OTHER TASKS INCLUDE

- Diversification of agricultural or derelict/redundant land.
- Environmental Impact Assessments and walk-over surveys.
- Determining the safe use of land.
- Construction of wetlands and fishing lakes.
- Assessing and carrying out amphibian, reptile and mammal translocation using their fully licensed in-house team.
- Creation of green open spaces from derelict land and brownfield sites for public recreation.
- Restoration of closed landfill sites in partnership with Local Authorities and developers.

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