

SUE BRENT

Sue first came to Roger Lugg's attention at the age of eight as she practised gymnastics round his swimming pool and fed barbecued sausages to his dog. As you can see from the picture it is not surprising that he continued to keep a paternal eye on her progress.

Following his usual policy of nepotism, he offered her a training contract with the firm when she graduated from Birmingham University with a 2:1 degree in Psychology and Sports Science.

Accountancy is obviously in the genes (her mother, Deborah, is manager at the Lingfield office) and Sue passed all her exams in record time. She also won first prize in the Croydon & District Area for the Advanced Stage Exam.

At the moment, most of her spare time is spent helping to renovate the house in Coulsdon which she and her boyfriend have recently purchased. She is now a dab hand with the wallpaper stripper! They hope to move in by Spring 2006.



MINIMUM WAGE!

Just a reminder!

The minimum wage increased to £5.05 ph, or £4.25 ph 18-21 and £3.00 ph for 16-17 year olds, from 1 October 2005.

STAFF NEWS

At Caterham Hilary Barrett became a partner in May 2005. On the exam front Sarah Charman has passed two exams of the ACA professional stage whilst Jim Norrington has also passed the Foundation and Intermediate stages of his AAT qualification.

At Seal Joanna Emery has now passed her ACA professional stage exams and has taken the first part of her finals. Lisa Dayman has passed the Foundation stage of her AAT exams.

PAYMENT OF TAX

Will you all please note that cheques for payment of tax will no longer be accepted by local tax offices. All payments by cheque should be sent to the accounts office with a payslip. Payments can, of course, also be made at the bank or Post Office and by debit card on the internet.

It is most important that any payments due to be made by 31 January are posted early so that they will be received by HMRC by 31 January 2006 to avoid the possibility of penalties and/or interest.

NEW CHARITY RULES

The new charity 'SORP' was issued on 4 March 2005 and affects all charities with years ending 31 March 2006 and onwards. This gives the rules and regulations of how charities must account for and disclose their performance, with the exception of very small charities producing 'receipts and payments' accounts that now have separate guidance.

The new SORP incorporates all the new changes to accounting standards that apply to all accounts that have taken place since the last SORP. This will particularly affect those charities with occupational pension schemes, and trustees may find they have significantly more work to do here.

Otherwise the main changes include more recommendations for the Trustees' Reports and the Charities Commission will be looking for much more detailed reporting about the charity's activities and how they have met their objectives.

The guidance has also become more specific on when income and costs should be recognised in the accounts. In particular any charities currently deferring income may have to reassess whether they can continue to do this.

The best news for many charities wanting to reduce costs is that the new Charities Bill proposes to increase the audit limit for charities to £500,000 income or £2.8million total assets.

The SORP 2005 is available to download from the Charities Commission. If anyone needs any further guidance please contact Hilary Barrett at the Caterham office.

IMPORTANT ISSUES

This newsletter was produced by Roger Lugg & Co and Lee, Dicketts & Co Chartered Accountants, Chartered Tax Advisers and Registered Auditors.

We welcome your comments or queries. Our three offices are situated at:

12/14 High Street Caterham Surrey CR3 5UA Tel: 01883 349211 Fax: 01883 349218 info@rogerlugg.co.uk www.rogerlugg.co.uk	23 High Street Lingfield Surrey RH7 6AA Tel: 01342 832838 Tel: 01342 835786 lingfield@rogerlugg.co.uk www.rogerlugg.co.uk	York House 37 High Street Seal, Sevenoaks Kent TN15 0AW Tel: 01732 762655 Fax: 01732 763121 info@leedicketts.com www.leedicketts.com
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Please address your enquiries to our partners, Roger Lugg & Bruce Chapman or the Managers at Caterham Office; Deborah Brent at Lingfield Office; Michael Bushell at Seal Office.

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£ Luggs Money Matters

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IT'S MY MONEY ISN'T IT?

It's very much in vogue these days to have your own limited company. Companies can be quickly set up and the tax and national insurance benefits can be considerable. Many sole traders and partnerships are now choosing to incorporate.

However, once you choose to incorporate your business the flexibility of self employment is sacrificed and the profits are no longer automatically yours. It must be taken out as salary or dividend.

Normally the recommended route for a shareholder would be to take a small salary up to the personal allowance limit. This gives tax relief within the company and uses up your tax free allowance whilst giving you National Insurance credits for the purposes of benefits such as the state pension. Any further money could be taken out as dividends that get no tax relief in the company and attract no

National Insurance or personal tax unless the shareholder goes into higher rates of tax.

The difficulty is that dividends can only be taken where there are the profits to do so. Take this example:

Mr Smith is the sole director and owns all the shares in his company. The company makes a profit before tax and after salaries for the first year of trading of £40,000. Mr Smith, being prudent, has taken out £38,000 in the year in dividends. However he has not taken into account the Corporation Tax due on this amounting to approximately £7,500.

His profits after tax are now £32,500 and because it is his first year of trading he has no unused profits from previous years brought forward. Out of this he has already taken dividends of £38,000. This leaves £5,500 of dividends, which

have been taken illegally and have to be disallowed.

At this point Mr Smith now has what has become an interest free loan of £5,500, which is a taxable benefit and should attract personal tax on Mr Smith and National Insurance on the company. In addition, if he does not repay this within 9 months of the company's accounting year end, then the Revenue are owed a 25% penalty tax charge, which would amount to £1,375 on a loan of £5,000.

Although this penalty is repayable if the loan is repaid, the company may only be entitled to this 9 months after the year end in which it is repaid, a long time to wait.

The Revenue are becoming increasingly aware of these situations, which are very common, so if you are running your own business then please bear this in mind and let Roger Lugg & Co know if you need some advice.

NEW CONSTRUCTION INDUSTRY SCHEME

On 19 October the Financial Secretary announced in a written answer to a Parliamentary Question that the Government would allow the Construction Industry a further 12 months, until April 2007, to prepare for the introduction of the New Construction Industry Scheme. This announcement means that the current scheme will continue until April 2007.

HAVE YOUR STAFF GOT EMPLOYMENT CONTRACTS?

Since October 2004 employers who fail to issue a contract can be liable to pay compensation of 2-4 weeks pay.

Contracts must have details of disciplinary/dismissal and grievance procedures. Failure to follow procedures on dismissal will be classed as automatically unfair and compensation awarded may be increased by up to 50%.

If you want advice please contact us.

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 Bushell FCCA - Audit

- Deborah Brent FCA
Darren Peachey ACCA ACA
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.

ANOTHER PRIZEWINNER!

A Southdown ewe entered by P T Topham won the Roger Lugg Challenge Cup at this year's Edenbridge & Oxted Show who have been clients for a number of years.

This year's August Bank Holiday was forecast to be the sunniest in recent years and so it proved. As a result, record crowds visited the Ardenrun Showground. Initially established in 1837, the Show became known as the Edenbridge & Oxted Show in 1947. Then in 1987 the showground at Ardenrun, Lingfield was acquired since when it has expanded vastly. The show is a truly agricultural show having competitions and presentations of all types of livestock, horticulture and country sports. It is, of course, particularly pleasing when a local farmer takes the honours and we were therefore delighted when Mr Topham's grandson's sheep won the overall champion in the purebred sheep classes. The picture shows our Lingfield Manager, Deborah Brent, presenting the cup.



The activities at the show are diverse. There are five show rings with dozens of competitive classes held during the two days. The best of British Livestock, every type imaginable, shooting, vintage and classic cars, crafts of every sort and other activities too numerous to mention.

In the horse section over 1,400 horses take part in showing competitions, show jumping, carriage driving and the magnificent Shire horses are everybody's favourite.

The horticultural tent has been described as "Little Chelsea" and there are carousel rides and a childrens' corner.

In the farrier contests and demonstrations of farriers at work and wrought iron competitions another client Mick Cerullo and his team showed off their skills - in fact lots of our clients attended.

There are now over 300 shops and trade stands so there is something for all the family to enjoy.

The show is always well worth a visit. Next year's show will be held on August Bank Holiday Sunday and Monday 27th and 28th August and we understand the special attraction next year will be the Kings Troop presenting two shows a day.

If you would prefer to receive your copy of "Luggs Money Matters" by email please email sarah.charman@rogerlugg.co.uk. If you would like a diary as well please let us know.

WHERE ARE MY ACCOUNTS?

Our clients vary considerably in the way they want their accounts dealt with. Some submit their records to us a matter of weeks after their year end and want the accounts and their records back as soon as possible. Others take their time, give us their books and sit back knowing that we will send them what they need in the fullness of time and before any relevant deadlines.

There are, of course, the extremes. Those who consistently bring their accounts in on the 30th January that relate to a tax return due the next day, or bring their company accounts a few days before their Companies House filing date. We do our best to chase these as early as possible, but we have to remember that, for some, the day-to-day running of a business takes priority over paperwork.

As a business we have to allow for all types of client. When we receive records we try as much as possible to attend to these on a first come first serve basis, but this has certain limitations.

Every year it is impossible to predict when accounts and tax returns will come in. On top of this there are always the 'one-off' assignments, the sale or purchase of a business, the wills and inheritance tax advice, cashflows and projected profits for obtaining a bank loan and so on. We provide a wide range of services that go far beyond the range of normal accounts and tax return preparation.

Our commitment to staff training also means that staff may go on study leave for periods, which has to coincide with the set exam times. Holidays, maternity leave, sickness etc. can also make flexibility more difficult.

When we complete accounts, we try to use staff that reflect the level of the work required. We try to avoid situations where a senior member of staff or partner are doing basic analysis work better suited to a junior. This keeps our costs and therefore our client's costs down. All work is fully reviewed by senior staff and approved by a partner.

As a result we have to juggle things somewhat. We need to prioritise fairly, but we have to deal with looming deadlines and we also need to take into account that some clients require things done quickly for whatever reason. Some are always being chased by their bank for accounts, some just like to keep track of the performance of their business and most like to know what tax they will need to pay in advance so they can budget.

Our clients are generally very pleased with our efficiency in dealing with their affairs, but there are always going to be certain times where there are delays. If you would like to discuss in advance the best time for your records to be brought in or you just want to track their progress then please contact us and we will be only too happy to help.

It is widely known (much to the annoyance of the Revenue) that the most ignored request is 'Please open immediately'. We do, however, hope you do not ignore it for too long as you may be denying yourself access to tax planning. For the sake of your accountant and to help stop delays for those clients who were a little more prepared, please do not leave your accounting and tax affairs until the last minute!

WHOLESALE PENSION CHANGES

Next 6 April is "A" day, which has been designated as when all the various types of pension arrangements will be simplified to one overall system. The 'simplification' is anything but!

As seemed inevitable, the Government have set out the plans in legislation but the Inland Revenue are still resolving some of the practical implications, though this is rapidly coming to a conclusion. Any advice or decisions have to be tempered with this knowledge but also that the basic principles are in place. To help clients, we set out below some of the salient points.

The importance of retirement planning cannot be emphasised enough and the tax advantaged formal pension plan is an important part of that. With investment returns being lower than in the past, accumulating enough money for retirement means people will need to work/contribute longer, save much greater sums or make alternative arrangements. State pensions will rarely be sufficient and will only cover the basic living requirements of a pensioner.

- Personal pension contributions will be allowed for up to a maximum of £215,000 a year, but tax relief will only be granted up to £3,600 a year or 100% of an individual's earned income (whichever is the greater). The annual allowance will increase over time.
- Employer's contributions will be almost unlimited with Corporation Tax relief being available. The application of this Corporation Tax relief is agreed in principle but the Inland Revenue have yet to advise Local Inspectors how they should judge the "reasonableness" of any contribution made by a company. Care should be exercised if you make large employer contributions and/or your company accounting period finishes on or after 6th April 2006.
- The amount of "tax-relieved funds" an individual may have will be capped at £1.5m in 2006/2007, increased by set amounts over the next 5 years. If funds are greater than those amounts they will be subject to a tax charge to compensate for the tax relief granted. However, in these circumstances it may be possible to take the "excess" fund as a lump sum. Those with large funds or large frozen company pensions should seek advice as they will be brought into the calculation of maximum fund size.
- The earliest that a pension can be drawn will be increased to the age of 55 by 2010.
- Previously annuities must be purchased by the age of 75. This will no longer be a requirement but pensions must still be used by the age of 75. Those who wish to keep their pension fund and draw income directly from it may do so after age 75 and in time transfer the remaining fund to other beneficiaries.
- All pensions will carry the right to take a tax free lump sum of 25% in full or in stages. For people with Company pension schemes there can potentially be a problem if the present Tax Free Cash entitlement is greater than 25%. If no action is taken then the excess above 25% will be lost on 6th April 2006 and will be irrecoverable.
- Like at present for "Personal" Pension investors, ALL pension investors will be able to take benefits without necessarily retiring. The pension itself will be taxable as earned income whether it is via an annuity or income drawn directly from the fund.
- Should you wish to take your tax free cash entitlement but no income you may do so
- The scope of permitted investments will be relaxed dramatically. However, it will be important to bear in mind the investments are for your pension. Irresponsible or Risky investments should not be undertaken. A new practice of taxing inappropriate investment decision is being implemented.
 - o Investments in property will be extended from commercial to residential, including property already owned by the member, which is also presently forbidden.
 - o Loans to members will be permitted but certain tax implications will make this unattractive in most cases.
 - o Loans to employers will be permitted provided they do not exceed 50% of the net fund, are formal business arrangements and are secured on assets with a first charge.
 - o Borrowing can be undertaken but again limited to 50% of the net fund. For SIPP investors this is a significant detrimental change and if you presently invest in a SIPP and borrowings are above this level then you should seek advice

Pensions can still be ordinary insurance company schemes. We have for many years prompted our clients to form their own Self Invested pension schemes (SSAS or SIPP). These enable you to have much greater control over the pension investment and will enable people to get the best from the forthcoming changes.

The ramifications of the new provisions are far reaching. It will be pertinent for everyone to consider their present pension arrangements, see if action needs to be taken prior to 6 April and how matters should proceed after that date.

We cannot stress enough the importance of considering pension arrangements during the next few months. Please contact us for further advice.

THE FLITTONS

Gold Medallists at Hampton Court - What a Success!



Dennis and Audrey Flitton became tenants on the Little Woodcote Estate at Wallington in 1964 and through Audrey's association with Surrey Young Farmers became clients of Roger Lugg's predecessor firm in Lingfield.

Most of the original smallholdings have gone whilst those left have found it difficult to compete with supermarkets and large garden centres as competitors and needed something special to bring in customers.

Flitton's Nursery has always been well known for its creative hanging baskets. In 1994 they started "hands on" classes teaching "How to make a professional hanging basket" which was a terrific success right from the very beginning. Not only did enthusiastic and keen gardeners love it but the classes also attracted new and occasional gardeners. Now nearly nine hundred ladies and gentlemen take part in the summer and autumn classes. Diana and Celia, Audrey's daughters having become partners in the firm, take the classes.

This year an opportunity arose to enter an exhibit at the Hampton Court Palace Flower Show in the professional window box and hanging basket competition. It was a very great achievement to be awarded the Gold Medal and Best in Show.

Over the past two years with an awful lot of hard work and effort by the partners and staff the nursery has taken on a new image. The Gold Medal at Hampton Court is a true reward for all their efforts.

We recommend a visit to browse, shop or attend classes. Lovely people, lovely place and a great sight. If nothing else visit www.flittonsnursery.co.uk