

EVIDENCE FOR DEVELOPMENT

Development aid, including corporate philanthropy amounts to over \$108 billion in investment, every year, in improving the lives of people in developing countries. However these investments can often be poorly planned, hastily implemented and abandoned - little is done to benchmark their progress and bring to account the use of funds.

This is where the charity Evidence for Development comes in. The charity was formed to ensure better use of development funding, based on high quality information and data - generated locally at low cost - for decision making; working from the premise that international development interventions must be measured with the same precision and level of detail as other investments.

Evidence for Development has devised, and continues to develop, innovative economic models that allow policy makers, donors and other non-governmental organisations (NGOs) to detail with precision, the variables that will minimize waste, create effective outcomes and allow donors to measure and improve the return on investment for their interventions and programmes. The charity aims to provide tools, training and other services necessary to local, national and international organisations so those organisations can make better use of resources, thus benefiting far greater numbers of beneficiaries.

There has been further success with a project jointly undertaken with the University of Malawi, demonstrating to academic partners a practical and affordable method to assess the impact of development projects on the poorest households - including those affected by HIV/AIDS.

EvD successes also include on-going work with the charity Hope and Homes for Children; a longitudinal action-research project in

northern Uganda; collaboration with the University of East Anglia to develop open-source software allowing the all-important data to be entered at source; and most importantly to deliver their strategies and findings to the development agencies themselves.

Lee, Dicketts & Co has supported the charity from inception, providing accounting and business advice and services, both to the Board of Trustees, and to its operational consultants.

Should you wish to learn more about Evidence for Development or help with their mission to alleviate poverty and to promote environmentally sustainable development, please visit them at www.evidencefordevelopment.com



MINIMUM WAGE

The national minimum wage has increased as of 1 October 2007. The new rates are as follows.

- The main rate for workers aged 22 and over increased on 1 October 2007 to £5.52 an hour from £5.35 an hour.
- The development rate for 18-21 year olds increased to £4.60 an hour from £4.45 an hour
- The development rate for 16-17 year old increased to £3.40 an hour from £3.30 an hour

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

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PRE-BUDGET REPORT 2007

Mr Alistair Darling, Chancellor of the Exchequer, presented his Pre-Budget Report to Parliament on Tuesday 9 October 2007. The main points are as below :-

1. Inheritance tax

It is proposed that the unused nil-rate band from a deceased spouse or civil partner can be transferred to the estate of the surviving spouse or civil partner. The legislation is to take effect immediately and includes deaths on 9 October 2007. The proposals mean that where there was no inheritance tax charge on the first death then the total nil-rate figure on the death of the surviving spouse or civil partner in the current year will be £600,000. The individual nil-rate band will rise to £312,000 in 2008/2009 and is set to increase to £350,000 in April 2010.

We will be reviewing all wills held here for our clients and will contact any that are affected by the above proposals.

2. Capital gains tax

The proposals will affect individuals, trustees and personal representatives and are to take effect as from 6 April 2008. The proposals do not affect limited companies.

The indexation allowance is to be scrapped as also is taper relief. The new capital gains tax charge will be at a flat rate of 18%.

Rules are being introduced to identify shares where a number of shares in the same company have been purchased at different times. The same day rules and bed and breakfasting rules will be unchanged.

Private residence relief will continue as also will business asset roll-over relief. The rules affecting enterprise investment schemes and venture capital trust schemes will also continue. The business asset gift hold-over relief is also unchanged.

Accumulated losses from the past will be available to be carried forward and set against future gains.

The annual personal exemption will still be available.

If you are considering selling your business or assets between now and the 5 April 2008, you may wish to contact us without delay so some provisional calculations can be prepared for your consideration.

3. Fuel benefit charge

It is proposed to increase the fuel benefit charge multiplier from £14,400 to £16,900 on the 6 April 2008. This will affect employees who drive company cars and who are provided, by their employers, with free fuel for private use.

4. Residence and domicile

Some legislation is to be introduced for an additional tax charge on individuals using the remittance basis for tax purposes. The legislation is intended also to end automatic entitlement to personal allowances, claimed by certain individuals using the remittance basis.

Further consultations are to take place and further proposals are to be published at the end of this year.

5. Self-assessment – Payments on account

At the present time, individuals who have a self-assessment liability for the year of £500 or more do, in certain circumstances, have to make payments on account in January and July following the end of the tax year. The payments are based on the total liability as shown on the tax return form. It is now proposed that the figure for this calculation be increased to £1,000 from 2009/2010 so that individuals whose liability is below £1,000 will not then have to make payments on account.

6. Personal allowances

Since the issue of the Pre-Budget Report other documents have been released by the Government in relation to the personal allowances due for 2008/2009 and also in respect of tax credits and benefits. The full figures will be included in the Budget newsletter, to be issued in 2008, but if anyone wishes to have the figures now they are available and will be provided on request.

Roger Lugg & Co / Lee, Dicketts & Co

We are:

- Chartered Accountants
- Chartered Tax Advisers
- Registered Auditors

We have:

- Our partners
Hilary Barrett ACA CTA
Michael D Bushell FCCA
Bruce Chapman ACA CTA
Gillian M Cufley ACA
Geoffrey C Lee FCA
Roger Lugg FCA
- Our Manager at Lingfield
Deborah Brent FCA
- Our Managers at Seal
Sue Bushell FCCA - Audit
John Tullett - Tax

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

- 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 services 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.

NEW COMPANY LAW

The Companies Act 2006 has already started to be phased into UK law. New regulations regarding the duties of directors have already been introduced and directors should familiarise themselves with these. In addition, the requirement for private companies to hold an AGM has been abolished. This change reflects the reality of the thousands of very small companies for whom an AGM is wholly irrelevant.

From next year we will see a number of other changes being phased in:

- The filing deadline for accounts will reduce from 10 months after the year end to 9 months, in line with the current due date for Corporation Tax.
- The requirement to have a company secretary will be removed.
- Directors will now show only service addresses on public documents. Private addresses of directors will be held by Companies House as protected information. However, since all previously filed documents will remain on record, most directors will still have private addresses available to the public.
- New rules for directors, including a minimum age of 16 and the need for at least one 'natural' director (i.e. not a company), are to be introduced.
- The concept of 'authorised share capital' will no longer be used for new companies. Current companies can remove the need for authorised share capital with a resolution. This means that companies can issue shares without imposed limits.

VAT REGISTRATION

HM Revenue and Customs are currently experiencing long delays in processing VAT registration forms, with the average processing time standing at 42 days, although it can take as much as 20 weeks. The delays have resulted from the increase in VAT fraud, so extra checks are being made to ensure that applications are genuine.

In the meantime if you have applied to be registered for VAT you will have to show prices on invoices including VAT from the date you expect to be registered, but without showing VAT as a separate amount. You can advise your customer that a VAT invoice will follow once the registration number is received. VAT invoices cannot be raised without a registration number.

ARCTIC SYSTEMS – THE FINAL VERDICT

The closely watched case of Arctic Systems has now come to an end with HMR&C coming out on the losing side.

The case involved a husband and wife, Geoff and Diana Jones who set up a limited company together, each subscribing for £1 of shares. Mr Jones generated the income of the company, but Mrs Jones worked a few hours a week in the business, doing bookkeeping and general administrative work. They each received a small salary, with the majority of the income being distributed equally between them as dividends. Mr Jones did not receive a salary in line with an average employee carrying out that work.

HMR&C tried to argue that tax provisions relating to settlements applied and therefore Mr Jones should be taxed on the dividends received by Mrs Jones as well as his own income.

However, the result in the High Court went in favour of Mr and Mrs Jones.

Shortly after the result there was a statement from the government released which expressed the need for 'greater clarity' in the law and 'maintaining fairness in the tax system'. Legislation was proposed to tighten the rules on these types of arrangements.

For 2006/07 tax returns and earlier we can assume that where there is a similar scenario, with a husband and wife holding ordinary voting shares, there should be no reallocation of income. However, please contact us for advice on your particular circumstances.

ENTERTAINING

Most people in business know that their expenditure on entertaining clients is not deductible for tax purposes. However, company directors and other employees need to be aware that they must keep detailed records of their entertaining costs, or risk being charged tax on it as a benefit in kind.

Should a company have a tax enquiry and costs of entertainment have been reimbursed to employees, Inspectors will expect to see dates, names of customers and the reasons for the entertainment. If these details are not available then they may assume it to be personal and the employee may be taxed on the amount personally.

Companies also need to remember that entertaining employees is only exempt from benefit in kind tax where the cost is up to £150 per head. Where the aggregate of all staff entertaining in the year exceeds this then one or more of the events may be taxable on the employees themselves. Where directors wish to provide more than this, they must make an arrangement with the Revenue in advance for the company to pay the tax on the employees' benefits.

STAFF NEWS

At Caterham, we have been recently joined by Jenny McFadyen, who is studying to become a Chartered Accountant. She has already passed the audit and accounting exams at the first stage. Jim Norrington has completed his AAT qualification and is also moving onto Chartered Accountancy. Sue Brent is soon to be taking her Chartered Institute of Taxation exams, whilst Sarah Charman is taking her final Chartered Accountancy exams shortly. We wish them both good luck with these. On a personal note, congratulations to Ricky Jennings who married Kelly Martin in August and thanks to one of our clients, John Reaks, who kindly provided his Ferrari F430 for the occasion and bravely allowed Bruce to drive it to the church with the groom.

At Seal, Lisa Dayman has now completed her AAT qualification and is also moving onto the fast track to Chartered Accountancy status. Gareth Chamberlain continues to have success with his Chartered Accountancy exams, having now passed three exams at the first stage. The Seal office has also recently welcomed Ann Robinson to their team. Ann is AAT and ATT qualified and has considerable experience, having previously worked for a top ten accountancy firm.

JIM NORRINGTON

In 2004 Jim Norrington joined us after leaving school and began studying for his AAT qualification.

Earlier this year, Jim successfully completed the qualification to gain full membership of the Association of Accounting Technicians. Subsequently, the AAT qualification has allowed Jim to join the fast track course to become a Chartered Accountant. Jim passed his first assessment in September this year.

With his outgoing personality and cheerful, helpful nature, Jim has become very popular with staff and clients alike. He specialises in small business accounting and bookkeeping as well as assisting clients with company secretarial duties.

When Jim is not studying, he enjoys plenty of sports, including 6 a side football on Monday evenings. Those of you who have played on the Rascals golf day may recognise Jim. His handicap of 5 means that he can often be found collecting a prize at the dinner.



SAGE

In the last year, Sage has withdrawn support for Sage versions 7 and lower. If you have an old version of Sage, please contact us to check whether your software requires upgrading. Upgrades can be purchased through us at a discounted rate from the published prices.

STATUTORY HOLIDAYS

The statutory holiday entitlement for employees is changing. The holiday entitlement will increase to 4.8 weeks (24 days if you work a five day week) from 1 October 2007 and to 5.6 weeks (28 days if you work a five day week) from 1 April 2009, pro-rata for those working part-time. This holiday entitlement includes the 8 bank holidays.

OVERDRAWN DIVIDENDS

Frequently, in small, owner managed companies, where the director receives most of his or her remuneration in dividends, the dividends taken in the year can be more than the profits available. This can result in the director owing money back to the company.

If these loans are not repaid to the company within 9 months of the accounting year end a tax charge of 25% can be levied on any amount outstanding at that time. This amount is refundable once the loan is repaid, but only against the next Corporation Tax bill.

Where the shareholder is in higher rates of tax, the 25% is the same as the income tax that would have been charged on the dividends, but where income is in lower rates the charge can be a significant extra cost.

HM Revenue & Customs are working hard to ensure these loans are correctly disclosed on company tax returns and tax charged appropriately. Owner managers should therefore expect to pay a charge where they have overdrawn dividends or should arrange to repay the loan within 9 months of the year end. If anyone is unsure of their own position they should contact us for advice.