

YOUR NEWSLETTER FROM cavanagh|kelly

BUSINESS matters

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2007

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STUB IT OUT! - N. IRELAND GOES SMOKE FREE



cavanagh|kelly



Year End Tax Planning **CONSIDER YOUR OPTIONS!!!**

welcome

The property market in Northern Ireland marches on with growth rates reported as the highest in Europe, averaging a staggering 38% in the last twelve months.

Gordon Brown will shortly deliver his final budget as Chancellor and while we do not expect major concessions for the Northern Ireland Economy, we trust our politicians will negotiate a strong financial deal to underpin the growth in the local economy for the years ahead.

Given the property boom it is imperative for individuals to understand the tax implications of dealing in property and we hope you will be able to get worthwhile pointers at our forthcoming Budget and Property Seminars. Check out our newsletter for event and information details and we will continue to bring you the issues that matter!!

Limited Liability Partnerships

protection & flexibility



Are you in business in an unincorporated format? Would you like to protect the investments you have built up but maintain the flexibility to draw funds from your business to continue the investment strategy? If so a Limited Liability Partnership may be a worthwhile consideration – this relatively new form of legal entity can, with appropriate drafting of the partnership deed, offer the same protection as a limited company but leave the flexibility to withdraw funds with no further tax cost.

- LLP's profits are taxed on the individual partners at their marginal rate of tax (Including Class IV NIC i.e. 30%/41%).
- Transfer of a trade, including goodwill and fixed assets does not attract SDLT and CGT can be deferred.

- Assets in trading LLP's attract the same favourable Business Assets Taper Relief (BATR) provisions and 100% Business Property Relief from Inheritance Tax.
- Care needs to be taken in the drafting of the partnership deed to deal with loss relief.
- LLP's are formed with the Registrar of Companies and formation procedures are similar to Limited Companies.
- Professional tax and legal advice should be sought in drafting the partnership deed.
- Be aware that LLP's have similar accounting and disclosure requirements as limited companies with accounts being filed with the Companies Registrar.

If you would like to know more about LLP's, contact Des.kelly@cavanaghkelly.com

Property Seminars & Budget updates

In order to get updated with changes in the budget, plus tips on property, we are running the following three seminars:

Dungannon (Viscount's Restaurant)	30 March at 9am - Breakfast for 8am
Portadown (Seagoe Hotel)	2 April at 12 noon - Lunch at 1pm
Ballymena (Tullyglass Hotel)	3 April at 9am - Breakfast for 8am

If you would like to attend and have not already booked, please contact Una in our tax department.

Planning Gain Supplement (PGS)



AN UPDATE

We await with interest the detailed proposals on the Planning Gain Supplement in the forthcoming budget – however, the timing for its introduction has slipped again and is now not scheduled to be introduced until 2009!

Good news at least for those sitting on development land which should give time to take steps to avoid the proposed supplement.

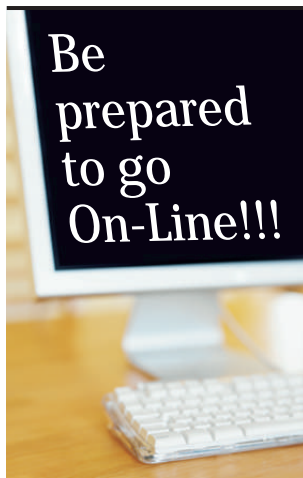
The proposed mechanics are as follows:

- A supplement will be charged on the 'planning gain' which is the difference between the PV (Planning Value) and CUV (Current Use Value).
- Supplement is to apply to both residential and commercial developments.
- Exemptions from the PGS are likely to be rare and limited to small scale home improvements – phasing developments is unlikely to be an option.
- The developer pays the supplement 60 days after the development commences.
- Proposed rates appear to be in the range of 17% - 20%.

The actions to consider:

- Ensure full planning permission is achieved as early as possible before introduction of PGS.
- Ensure all the issues regarding access are resolved before 2009 – the proposed gain is chargeable on the potential Planning Value on an unencumbered freehold – where the uses are not resolved your Planning Value and the supplement due may be overstated!
- Where it is not possible to achieve full planning permission at least get outline planning as this will increase the CUV when the scheme is introduced.

■ ■ We will keep you updated as draft legislation is introduced.



Following the Carter Review the following on-line filing deadlines are to be introduced by HMRC:

2008	PAYE	In-Year forms (P45/P46) to be filed on-line by employers with > 50 employees from April 2008
	VAT	VAT returns to be submitted online and payments to be made electronically by businesses with turnover > £5.6m and all newly registered VAT traders regardless of size
	PERSONAL TAX RETURNS	Paper returns to be filed by 31st October 2008 for the 2007/08 tax year The on-line filing deadline will remain unchanged at 31 January
2010	PAYE	In-Year forms (P45/P46) to be filed on-line by ALL employers from April 2010
	VAT	VAT returns to be submitted online and electronic payment for all businesses with an annual turnover > £100k
	COMPANY TAX RETURNS	On-line filing to be introduced for ALL companies
2012	VAT	VAT returns to be submitted online and electronic payment for ALL businesses (subject to review)

Key Questions



BUSINESS START-UP

New start-up clinic

The spirit of entrepreneurship is the key driver in any successful economy. At Cavanagh Kelly we like to encourage that spirit and at the same time provide guidance. When considering a start up or new investment, there are certain key areas to be considered:

Why

Carefully examine and establish the reasons for the new set up or investment and understand the level of commitment required to make the venture a success.

Role

All businesses are ultimately driven by people – you must understand your role, assess your skills and understand the areas where there is going to be a learning curve.

Characteristics

Where the idea is not fully developed, narrow down business types that appeal to you by considering the characteristics of the business that best appeals to you – product, service, distribution, manufacturing, retail, franchise etc.

Market

Once the sector and business type are identified you must understand the market, the competition and assess what unique features your business will have to give it the edge!

Finance

Last but not least, many good business ideas fail because of finance, or the lack of it. Profit is one thing, cash is another! Ensure you have sufficient capital to get your business off the ground.

If you are considering setting up or entering a new business venture, watch out for our forthcoming **Business Start up Clinics**, which will be run by our Business Advisory Department.

Staff News

Call our office on:
028 8775 2990
for information on
any of our features

Congratulations!

Congratulations are extended to:

Peter McGrath on his promotion to manager in our corporate services department.

Karen O'Hagan on her promotion to manager in the Magherafelt office.

Helen Donaghy on her promotion to supervisor in the business services department.

Welcome!

We extend a warm welcome to new member of staff **Wendy Willis**, who has joined the Corporate Services Department as a consultant.

Year End Tax planning - NO BRAINERS!



For a pre year end check up contact Mairead Moohan in our Tax Department

As the tax year end approaches it's always a good time to consider what steps should be taken before 5 April to ease our 'pain' come next January.

- Ensure all lower rate income tax bands are utilized i.e. up to £37k taxed at basic rate.
- Ensure all personal income tax allowances are used – pay your children for all the help they've given you throughout the year! – two children earning the full personal allowance can save the higher rate tax payer £4,129 of tax!
- Review your pension contributions – remember you can contribute up to 100% of your earnings up to a maximum of £215k but the payment must be made before 5th April 2007 to get personal tax relief in this tax year – carry back provisions are gone.
- Shelter as much of your investment income outside the scope of tax. Use your ISA limit - £7,000 per person can be wasted annually.
- Use your capital gains tax threshold if possible – gains of up to £8,800 per person are free of tax! Consider selling some of your shares or transfer to a Self Select ISA.
- If your businesses year end is 31st March or 5th April consider advancing your capital expenditure so that you avail of the 50% First Year Allowances at the earliest opportunity.
- Consider utilizing your tax annual gifts - £3000; also, ensure your regular gifts out of income relief is not lost

Cash is King!

The VAT cash accounting scheme is a special VAT scheme designed to help cashflow in small businesses.

From 1 April 2007, the threshold to qualify for the scheme has been increased from £660,000 to £1,350,000.

The scheme allows businesses to defer the payment of VAT on their sales until payment has been received from customers.

This is welcome news for those with growing businesses and now offers the opportunity to unlock some much needed cash for business development for those previously outside the reach of the scheme.

For further details on the scheme, contact:
eamonn.daly@cavanaghkelly.com

Stub it out...

From Monday 30 April 2007, Northern Ireland goes smoke free in all public places.

Penalties will be imposed on individuals and businesses breaking the law as follows:

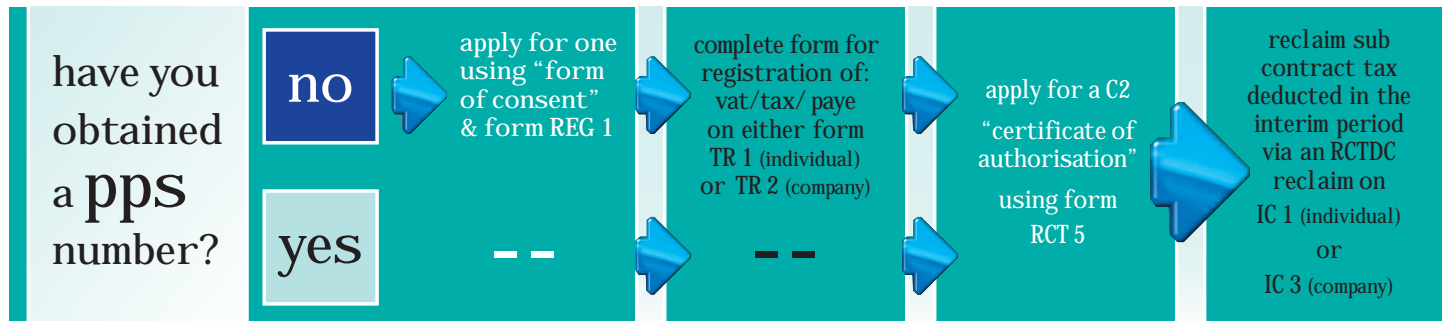
- Caught smoking in a banned area - fines of up to £1,000 and possible prosecution.
- Businesses failing to stop someone smoking or failure to display "No Smoking" signs - fines of up to £2,500 and possible prosecution.

Are you Registered?

Sub Contractors

As well as in Northern Ireland, the Revenue Commissioners in the Republic of Ireland are clamping down on the employment status of subcontractors. It is therefore vital that all NI subcontractors working in ROI are registered for VAT, no matter how long the contract lasts. They must also register for PAYE if any of the employees are ROI resident, or NI residents that are working for greater than 60 days in the year in ROI. All your tax affairs, both northern and southern, must be up to date before they grant a C2, and may also delay any refund of Relevant Contracts Tax suffered at 35%.

If your business carries out any work in the Republic of Ireland, follow the table below for details of what you may need to comply with;



Please contact Mairead Moohan in our tax department to ensure that you are compliant with all relevant facets of the legislation.

CIS Changes

Sheep or Shepherd which are you?

As most people are by now aware, the CIS scheme will be changing from 6 April 2007. One of the areas that HM Revenue & Customs will concentrate their focus on is that of status, i.e. whether the cardholder is self employed, or in reality should be on the payroll.

If you are in any doubt about your own status, then ask yourself the following questions:

- Do you do all your work for one person?
- Who provides your tools and equipment?
- Who determines your working hours?
- Are you covered by the main contractors insurance, or do you have your own policy?
- Are you paid regular weekly amounts, or does it vary depending on what work has been carried out?

Your status will depend upon your answers, if you are unsure please contact Mairead Moohan in our tax department.

For those contractors / sub-contractors the new rates of tax are:

- Standard rate : 20% will be payable by HM Revenue & Customs approved sub-contractors.
- Higher rate : 30% will be payable by those sub-contractors not approved by HM Revenue & Customs.

EMPLOYERS - holiday costs increasing!!



For an employee currently earning £500 per week, this means that an additional £1,000 per year will now have to be paid without any return; depending on the level of employees, this will prove yet another costly business expense.

Proposals have been announced to increase workers' minimum annual statutory holiday entitlement. In Northern Ireland, the proposal is for the entitlement to increase from the current 20 days to 30, while in Great Britain it will increase to 28. This is made up of 20 annual holidays, and 8/10 public holidays.

This new legislation is planned to be phased in from 1 October 2007 with four additional days added and then the remaining four days from 1 October 2008.

SMOKE FREE - TAX FREE!!

From Monday 30 April 2007 Northern Ireland goes smoke-free and while the government has introduced no specific tax incentives to encourage operators to put the non smoking facilities in place there may be enough tax saving opportunities in place if claimed correctly.

For example - if you are considering constructing a beer garden to accommodate smokers there is much of the capital expenditure which will qualify for capital allowances - this would include:

- Heating equipment
- Furniture, bars and general fit out
- Fire escapes and fire equipment
- Special lighting features.

Currently First Year Allowances of 50% are available on such expenditure.

For full list of allowable expenditure and for further information contact Martin O'Neill in our Business Services Department.

Protect your cash flow – useful tips

- Implement and operate a strict Credit Control Policy.
- Ensure that your terms and conditions of trading whether on hard copy or on line refer to your Retention of Title Clause.
- Review customer's payment habits noting any unexplained changes.
- Ensure your sales team are aware of any cash collection problems and act accordingly.

If you require any further information please contact The Rescue and Recovery team on 028 8772 1194.

VAT EXTENDED ON MEDICAL SERVICES



Following an ECJ ruling the Government is amending UK legislation with effect from 1 May 2007, and some services, currently exempt, will be liable to VAT at the standard rate.

Some examples of services effected: -

- Drugs dispensed by doctors for self-administration against private prescriptions where the primary purpose is not the health of the person concerned
- Signing passport applications
- Medical assessments and reports for litigation compensation or benefit purposes
- Clinical trials or market research for drug companies that do not involve the care or assessment of a patient
- Paternity testing

Accordingly, health professionals whose taxable income (including VAT) exceeds the VAT registration threshold (currently £61,000) will need to register for VAT and Partial Exemption Rules will apply.

For further information on Partial Exemption Schemes contact:

eamonn.daly@cavanaghkelly.com



FARMERS - Have you made your will?

If you haven't, you should, and if you have you need to review it!

Did you know that the Single Farm Payment does not follow 'the land' and will be included in the residual estate. As a result, in the event of death there will be an untimely delay and could leave a valuable asset not going where you would have wished.

If you want further details contact: helen.donaghy@cavanaghkelly.com

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Can a failing business be saved?

The simple answer is maybe, but it will mean knowing and identifying your business' strengths and weaknesses, opportunities and threats. As in all situations, cash is king, and you need to know what in your business generates cash and what it costs to generate that cash.

If you've identified that your core business moving forward can generate cash but the 'old' liabilities make it difficult to continue. You may find that a Company Voluntary Arrangement (CVA) may give the business a much needed lifeline.

If you require any further information please contact The Rescue and Recovery Team on: 028 8772 1194.

LANDLORDS - Know your rights

If you have a corporate tenant who enters into an Administration, then your rights are restricted but you should still:

- 1) Contact the administrator immediately.
- 2) Ascertain if the property is to be used within the administration and if so, insist that the Administrator pays the ongoing costs of occupation as an expense of the administration.
- 3) If the administrator fails to respond, consider bringing legal action for leave to enforce your rights.
- 4) Remember, the administrator is not obliged to give you special treatments for any existing rent arrears.
- 5) However, if the administrator doesn't want to use the premises, don't just surrender your lease, consider any actions you may have against third parties i.e. subtenants, guarantors etc.

In all cases seek legal advice in respect of your lease and the rights it grants you, getting it wrong could leave you in contempt of court.

PARTNERS:

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