

YOUR NEWSLETTER FROM cavanagh|kelly

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WINTER
2006 - 07

BUSINESS matters

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Outlook for 2007...

welcome

We hope you enjoy our Cavanagh Kelly winter 2006 newsletter. As usual it is filled with exciting updates and topical information for you to digest over the festive period. We would like to take this opportunity to wish you a peaceful Christmas and look forward to a prosperous 2007.

OUTLOOK FOR 2007...



Welcome to our Winter 2006 Newsletter - another year draws to a close, one in which we have again experienced unprecedented growth in the property market, particularly in the Mid Ulster Area. With interest rates rising and an increasing dependence on the investor market can this level of growth be sustained? In our view there is still great opportunity in the property market, however more than ever investors should be very thorough in their due diligence process when buying.

As for 2007, well a new Prime Minister in the UK, possibly a new Northern Ireland Executive and a changed US political landscape as the democrats take control will undoubtedly leave predicting the interest rate and economic impact more difficult. However, it's our view that the US interest rate cycle may have peaked and if The Fed reduce interest rates

in March / April 2007 a weaker dollar should follow. Not such good news for our local firms exporting to the US, but brighter news for those importing from China and India in dollar denominated currency.

As to the UK and Euro rates, the Euro may have nudged further ahead to near 4.0% by 3rd quarter of 2007 and this could see the Euro back above the 70p mark. The UK cycle may not have ended at 5.0% but there's likely to be little movement until after all the Christmas and January retail figures are analysed.

We believe economic growth and strong investment returns can be secured in 2007 if we all adopt an attitude of strong business confidence and professionalism in everything we do.

Limited Liability Partnership - worth a look?

In today's litigation conscious society many partnerships are looking to protect themselves from the prospect of large legal claims which could, if not fully insured, expose the partners' own personal assets, especially the family home.

Traditionally if there is legal exposure, businesses formed a limited company to give personal protection but there is an alternative - A limited liability partnership is a special vehicle, almost a 'half way house' between a partnership and a limited company. A key advantage is that, for tax purposes, a 'LLP' is treated as if it is an ordinary partnership but from a company law point of view, the partnership is a separate legal person from the individual partners and the same legal protection is provided as is for limited companies.

LLP's are becoming a popular choice for some partnerships - for further details or advice contact Des.kelly@cavanaghkelly.com

New CIS Regulations one step forward or two back?

With effect from 06 April 2007 HM Revenue and Customs are introducing new Construction Industry Scheme (CIS) Regulations. The scheme is supposedly designed to reduce administration burden, improve tax payer compliance and ensure workers are taxed under the correct status.

At our recent CIS Workshops we highlighted the need for improved systems to manage sub contractor payments and appropriate procedures to follow to ensure the employment status of workers is correct.

The new structure may simplify the verification of payments to subcontractors but creates many difficulties with a lack of documentation and controls. In addition the requirement for monthly declarations of compliance with subcontractor status is a new burden.

It is important to be prepared for the changes to ensure you control your costs, maintain compliance and avoid increased penalty provisions. For assistance in the development of good procedures contact fergal.kelly@cavanaghkelly.com



TAX - IHT RELIEF warning on 'AIM' Shares

There has been a lot of interest in the tax benefits of holding investments in unquoted companies since the chancellor clamped down on IHT avoidance. Holding shares in 'AIM' companies (ie the 'baby' stock market) is becoming increasingly popular as an IHT planning device because, if they are held for 2 years, this investment becomes free of IHT. An additional benefit is that they can qualify for the generous Business Asset Taper Relief for capital gains tax purposes.

- However, what is perhaps not sufficiently known is that not all AIM shares qualify for the extra relief and even worse, some of the shares may qualify for one relief but not the other.
- It is therefore vital that if you are investing in AIM shares for tax purposes, ensure that the shares qualify. Our Tax Department will be happy to advise on which shares are eligible for the respective reliefs.

invest northern ireland trade events programme 2007

DATE	EVENT NAME	LOCATION	SECTOR	TYPE OF VISIT
12 - 23 January	Trade Mission to Arabian Gulf States	Saudi Arabia, UAE & Qatar	Multi Sector	Trade Mission
21 - 24 January	Showcase Ireland	Dublin	Giftware	Group Stand
21 - 25 January	MIDEM 2007	Cannes	Music	Sectoral Trade Mission
13 - 16 February	3GSM World Congress	Barcelona	Technologies	Sectoral Trade Mission
26 - 28 February	ScotHot 2007	Glasgow	Food	Sectoral Trade Mission
7 - 8 March	IWWE 2007 - Water, Waste & Environment Exhibition	Dublin	Environmental	Group Stand
10 - 11 March	St. Patricks Day Market	London	Food	Group Stand & Sectoral Trade Mission
11 - 16 March	Trade Mission to USA	San Jose	Multi Sector (Technologies Focus)	Trade Mission
12 - 17 March	NI Chamber of Commerce & Industry Trade Mission to France	Bordeaux, Toulouse	Multi Sector	Trade Mission
15 - 21 March	CEBIT 2007	Hanover	Technologies	Sectoral Trade Mission
18 - 21 March	IFE 07 - Food & Drink Exhibition	London	Food	Group Stand & Sectoral Trade Mission
18 - 24 March	FOSE 2007 - Government Technology Exhibition	Washington DC	Technologies	Sectoral Trade Mission & Info Stand
25 March - 5 april	Trade Mission to India	Mumbai, Chennai & Gujarat	Multi Sector	Trade Mission

Life Insurance



LIFE COVER - Essential Q & A's

Q: Why do I need life insurance?

A: Life cover is important for people with young families. It provides a lump sum in the event of death – this can be very critical to provide finance to cover the essential costs of living.

Q: What is the cheapest kind of cover?

A: Term Cover ie cover for a fixed term of, say, 15 or 20 years is the cheapest. For example, a male, non-smoker aged 34 could have £200,000 of cover for 25 years for as little as £15 per month.

Q: I have cover for my mortgage – is that not enough?

A: Not really. People with young families should ideally have cover to provide enough cash to provide for their upkeep in the event of no other money coming in. This is why term cover is so useful – it provides cover for a large sum at a very low cost.

Q: Do I get tax relief?

A: Not generally, but, under new tax laws applicable from April 2006, self employed people can get tax relief if they buy pension term assurance (PTA) thus reducing the cost even further.

Q: If I'm in a policy, can I switch to PTA?

A: Not everyone would benefit from a switch – if your circumstances have changed the PTA might be more expensive.

— For further advice contact
David White of PFC
our specialist financial
planning consultants at
9078 3030.

Corporate Advice

Call our Insolvency
Department on:
028 8772 1194
for further information

Getting your cash out of your company

When a business comes to the end of its economic life and the owners are left with assets (mainly cash and/or property) to distribute, the big decision is how can this be taken out at a minimum cost.

Normally, if the planning is properly organised, the tax cost can be 10%, but we have seen circumstances whereby companies have delayed for too long and the 10% tax rate is jeopardised.

Secondly there is the question of distribution by way of either liquidation or a strike off. Liquidation can be expensive but, in many circumstances assets can be distributed via a S.603a strike off and if clearance is got from Inland Revenue (generally no problem) the company itself can achieve the winding up without liquidation costs.

Naturally certain conditions need to be met – our Insolvency department can help with advice.

Selling Land for Development

WATCH THE EXTRA TAX BILL!!

The rate of the proposed additional tax called a "Planning Gain Supplement" "PGS" on the 'planning gain' made on development lands has still not been announced.

This tax is to be paid by the landowner but only when the development starts - the scheme is scheduled to come into operation in 2008. This tax is in addition to Capital Gains Tax which is normally charged on the profit from any asset sales.

We are increasingly asked should property be sold now or held? - until we hear the RATES of tax to be charged it is difficult to plan but, as a rough guide we would advise as follows:

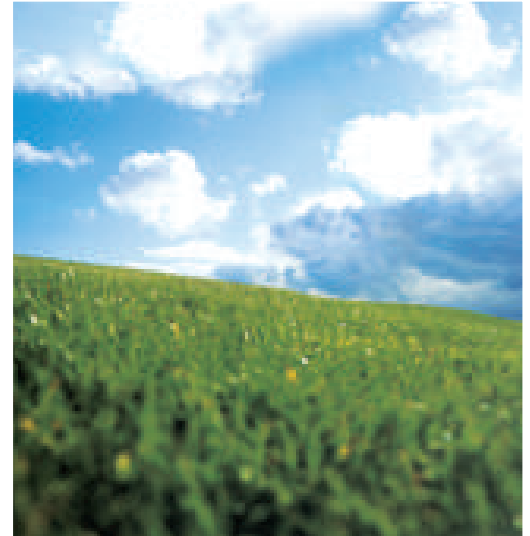
Proposed Tax Rate 8% - 10%

Probably OK to hold on as property values are increasing faster than the tax rate.

Proposed Tax Around 20%

Maybe better to sell before PGS comes in or ensure that development starts before 2008.

We will update all relevant clients when the tax rates are announced.



SAVE ENERGY & SAVE TAX!

Whilst businesses can normally only claim tax relief on the purchase of equipment etc at 25% each year, the taxman is encouraging investment in energy saving by allowing, in certain cases, the entire 100% relief in one year. In some cases this could mean the difference between tax at 40% and tax at 22%.

Currently there are 3 schemes which qualify;

- 1) New Plant such as boilers, refrigeration equipment and pipe insulation. The full list is on the Carbon Trust Website, www.eca.gov.uk
- 2) Low emission cars i.e. with CO2 emissions less than 120gm/km. Examples of such cars are Renault Megane (Diesel), Peugeot 207 (Diesel) and Toyota Yaris (Diesel).
- 3) Water Conservation Plant - the list is available at www.hmrc.gov.uk

NB:

In addition to this valuable tax incentive, the Carbon Trust offers unsecured interest free loans to small and medium sized companies to help fund investment in energy efficient products.

Energy Savings...

Grant support for Householders

New grants are available for householders wishing to install energy efficient technology. The level of support available depends on the type of technology installed. A summary of the support available is as follows:

INSTALLATION	MAXIMUM GRANT AVAILABLE
Solar electricity	£15,000 limited to 50% of cost
Wind turbines	£8,000 limited to 50% of cost
Small hydro electricity	£8,000 limited to 50% of cost
Solar water heating	£1,125 limited to 50% of cost
Ground/water source heat pumps	£3,000 limited to 40% of cost
Air source heat pumps	£2,400 limited to 40% of cost
Pellet stoves/room heater	£1,500 limited to 50% of cost
Wood fuelled boiler system	£3,250 limited to 50% of cost

For more information contact the Household Programme on 0800 0234077.

Selling a business?

Unlock the secret to success!

sale of business

Statistics reveal that only 25% of companies pass to a 2nd generation and only 2.5% have a 3rd generation senior management team.

The most likely conclusion is for a business to be sold!!

For many owners the sale of the business will be uncharted territory. Having never sold a business before it's hard to know exactly what to expect. Making the right decisions is crucial as the sale may hold the key to a comfortable future and a final return on years of hard work and sacrifice.

The secret of a successful outcome is to seek experienced professional advice at the earliest possible stage. This will enable you and your advisors to plan the sale process fully ensuring the business is brought to market in its best light to achieve the best result.

At Cavanagh Kelly we have the experience to manage this process from start to finish. Our expertise is built on years of experience advising leading businesses in the following sectors:

- Property Development & Construction
- Engineering
- Communication and Technology
- Retail & Leisure
- Manufacturing and Distribution
- Hospitality

By understanding your business we focus on providing tailored advice to maximise your opportunities and negotiate the best deal. The best deal is of course a factor of both price and terms.

Over the last 6 months Cavanagh Kelly has brokered over £6m worth of business sales.

Currently we have a database of 11 businesses for sale in a number of sectors including retail, manufacturing and engineering.

If you wish to discuss the potential for the sale of your business or if you are looking for opportunities to expand through acquisition please contact Aeveen Daly in our Corporate Services Department. (aeveen.daly@cavanaghkelly.com).

staff news



Welcome to the Practice

We welcome:

- Linda Allen and Noel Convery into the Business Services division of the practice.
- Karen O'Hagan and Kristina Benson into Corporate Services.
- Una McGinn into the Tax Department.

Exam Success

We are delighted to offer our congratulations to the following staff:

Eamonn Daly and Schree Gilbride in passing their final examinations of the Institute of Chartered Accountants in Ireland.

Congratulations are also extended to Sabrina Campbell on passing her Professional III exams.

Employing Foreign Nationals

5 EASY STEPS

Are you thinking of employing foreign nationals then by following these simple steps you can ensure you comply with the legislation and avoid a penalty of up to £5,000 or a conviction.

Step 1 – Obtain Original Documents

Obtain the employees original national passport/ identity card to check country of origin and identity of person.

Step 2 – Check the Documents

Satisfy yourself that your potential employee is the rightful holder of the documents and that the documents allow them to carry out the type of work you are offering them. Check photographs and date of birth are consistent with the appearance of the employee and that expiry dates have not passed.

Step 3 – Consider their requirement to register with the Home Office?

If the potential employee is a citizen of any of the following countries in the European Economic Area (EEA), they must register with the Home Office to legitimise employment.

Czech Republic	Estonia	Hungary	Latvia
Lithuania	Poland	Slovakia	Slovenia

Step 4 – Obtain a National Insurance Number

Employees should apply for a National Insurance Number from the Inland Revenue by calling their local social security office and arranging an appointment.

Step 5 – Copy the Documents

Take a photocopy of all parts of the documentation and keep a record of it.

If you have seen, checked and copied the appropriate documents then you have established your statutory defence in the event of a query later.

Further information can be obtained from the Employers' Helpline on 0845 010 6677 or www.workingintheuk.gov.uk or alternatively contact Aisling Doyle.

OVERSEAS INVESTMENT - BE CAREFUL!

Over the past few years we have helped many of our clients with the tax and other implications of purchasing property abroad.

Below we set out a few of the initial areas to watch for:

- **Good legal advice.** Often the lawyers involved are proposed by the vendors and they may not be interested in referring to potential legal obligations or restrictions attaching to property in that country.
- **Get the tax right** – check if there is a double tax action agreement between the country of purchase and the UK. This will mean that you won't have to pay tax TWICE – in that country and the UK.
- **Method of purchase** – is it better to purchase personally, in a partnership or via a limited company.

Our tax department will be happy to discuss any of these issues with potential investors.

CAVANAGH KELLY PRACTICE NEWS

Inheritance Tax Seminar

Cavanagh Kelly recently held a successful seminar in conjunction with PFC, our independent financial consultants, which dealt with very valuable planning opportunities available to reduce Inheritance Tax (IHT) liabilities.

Cavanagh Kelly provides IHT planning solutions to clients but also provide advisory services to other professionals who require assistance in this area.

For further information please contact Nuala Kennedy or Mairead Moohan in our Tax Department.



Sean Cavanagh, Des Kelly, Stephen Warke & David White

Christmas Cards

In line with our ongoing commitment to support the Kalingo Project in Zambia we will be making a donation to this charity instead of sending cards.

Forensic Update

ASSESSMENT OF DAMAGES IN PERSONAL INJURY CLAIMS – FUTURE LOSS CALCULATIONS

The recent case of Wolfe v Del Innocenti [2006] EWHC 2694 highlights factors considered by the Court when assessing future loss in personal injury and fatal accident claims, and provides interesting and helpful guidance on the quantification of future loss.

This decision shows that the Courts are not prepared to reduce damages for future loss in circumstances where the plaintiff, as a result of the incident giving rise to the claim pursues additional income. This case may result in a change in the way in which we all look at future loss not only in personal injury claim, but in many other types of claim.

At Cavanagh Kelly, our forensic accounting department can assist with claims in many areas including personal injury, matrimonial and consequential loss cases. Contact our forensic team at catherine.doris@cavanaghkelly.com or melanie.webb@cavanaghkelly.com to discuss how our team can assist you or your clients.

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NEW VAT RULES...

From 1st December 2006, supplies of electronic items such as mobile phones, digital cameras or MP3's to any VAT Registered trader, where that supply is over £1000 in any day, will be treated differently.

If this affects your business, contact Anne Douglas in our Dungannon office for advice or email anne.douglas@cavanaghkelly.com

Grant Assistance - still an option!

Did you know Cavanagh Kelly have worked behind the scenes to help over 70 clients access grant funding for their business or business ideas!!

Over the last six months alone this represents over £750,000 in grant funding.

We had one client who was only one of four NI businesses to successfully secure £250,000 of funding from DETT's Broadband content initiative.

Our dedicated team of management consultants work closely with our clients to quickly assess potential for funding, target the needs of the business and identify the programmes and opportunities available to move the process forward.

Programmes covered include:

- Passport to Export
- Compete
- Smart
- Microtrade
- Broadband content initiative
- Go-for-it
- Product Process Development
- Business Health Check
- EMIS
- Business Improvement Agent
- BITP
- B2B
- Equity Network
- Solo Show Support
- KTP

If you would like to consider the potential for funding under any of the above programmes please do not hesitate to contact Aveen.Daly@cavanaghkelly.com for a consultation.

PARTNERS:

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D.A. Kelly B.Sc. (Econ) F.C.A.

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