



Chartered Accountants ► Taxation Consultants ► Business Advisers



## REFLECTING ON THE FIRST HALF OF 2011

RICHARD WALLER, DIRECTOR

We are now half way through 2011 and the year is panning out for our clients very much in line with our expectations.

Looking at the bigger picture, inflation has remained stubborn with the prospect of a reduction later in the year and interest rates remain at historical lows. UK growth has slowed in the second quarter to 0.2% and, putting aside the political bickering that this raises, the expectation is that a sustained recovery is going to take some time yet to emerge.

Looking to the clients that we work with, overall there is continued improvement and the characteristics that the successful businesses demonstrate are as previously mentioned, they think outside the box, plan ahead and look at new ways and methods of production and service.

The one area where we are seeing a recent shift throughout our client base relates to their ability to raise finance and the banks' overall appetite for business.

For the last eighteen months our clients have generally found it more difficult to raise appropriate finance within their business than the Government, or the banks themselves, seem to be aware of. This is now changing and over the last couple of months we have seen a far greater rate of success for our clients in this area, which is a very positive sign. There is no single specific factor that seems to be driving this, it is, in most cases, a combination of a shift in the banks' attitude together with the clients handling of that relationship and presenting to the banks in a slightly different way. This subject was covered in some detail at our last Business Club Meeting on 21 June and we will be keeping you updated on developments in this area.

For SME businesses throughout the UK this is a very important change and one which we hope continues.

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# THE CONSEQUENCE OF NO WILLS OR BAD WILLS

Probably the most important reason for making a Will is to avoid intestacy. The intestacy rules will apply where a person dies with either no Will or an invalid Will and automatically dictate what is to happen to the deceased's property. It is important to most people that when they die the property in the family is directed in accordance with their wishes. This is just as important to someone who has only a small estate as to someone who is wealthy.

Where no Will or planning has been undertaken the resulting undesired effects are often expensive, if not impossible, to correct. The law assumes that once 'sufficiency' has been given to the surviving spouse to live, the balance passes to other members of the deceased's family such as parents, siblings and children. A Will may also avoid property being forfeited to the Crown.

Under intestacy the surviving spouse, in the first instance, will be appointed as administrator of the estate at a time when they are least able to manage the substantial duties that will need to be performed. If there are minor children involved, the effects in the unfortunate event of the death of both parents should be considered, as under intestacy rules no clear direction is given as to who will be responsible for their care.

When a person dies intestate a deed of family arrangement is often sought by the next of kin to minimise any consequences of the death. But there is no guarantee that the right to make these deeds of family arrangement or variation will continue indefinitely.

The making of a Will allows the person to give careful thought to the overall effect of their death on the family. It also gives their professional advisors time to review any tax planning opportunities to minimise inheritance tax through lifetime transfers as well as those on death, and to plan for the possibility of future nursing home costs.

A Will is a relatively inexpensive document and avoids the terrible consequences of dying intestate. A Will is not set in stone and alterations can be made as future events dictate.

**Carolyn Taylor, [carolyn@kennethmorris.co.uk](mailto:carolyn@kennethmorris.co.uk)**

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## THE ELECTRONIC AGE OF ACCOUNTING

In our last newsletter we explained how from April 2011 HM Revenue & Customs will only accept electronic versions of accounts, tax computations and company tax returns for limited companies 'iXBRL' and that this will ultimately apply to sole traders and partnerships in due course. For some time now income tax returns must be submitted electronically if submitted after 31 October in the tax year. It is also compulsory for PAYE to be filed on line and it is now a requirement for certain businesses to file VAT on line.

It is becoming increasingly difficult for an owner to manage a business keeping manual accounting records. At KM we can offer excel solutions and also recommend Sage software, providing training on a one-to-one basis to assist in the transition from your current system.

Sage packages will produce the figures for your accounts, VAT and PAYE quickly and easily and has the added advantage that you can email a backup of your data to us at any time. This simplifies everything as we can then generate all the reports we need in order to prepare your annual year end accounts. If you require, we can also provide regular management information so that you can monitor your own business throughout the year.

If you would like further information please contact us.

**Teresa Ford, Director, [teresa@kennethmorris.co.uk](mailto:teresa@kennethmorris.co.uk)**

## KM CLIENTS' PRE YEAR END MEETING

Traditionally accountants are not well known for their forward thinking approach to clients' businesses, but as part of the accounts process at KM the Directors aim to meet or speak to each client prior to their financial year end. It is an opportunity to focus on the client and discuss their needs, plans and expectations, rather than the accounts.

The meeting is held prior to the routine year end accounts work and provides an opportunity to look at projected figures which will give an early indication of any tax liabilities and to discuss practical and commercial ways to reduce these liabilities.

Accounts information is normally prepared on a historic basis, so a pre year end meeting is an ideal time to review matters which may impact on the year end figures and which may be too late to discuss after the accounts are prepared.

If you would like to arrange a pre year end meeting please contact Sue Bellingham for further details.

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# HMRC VAT AMNESTY CAMPAIGN

HM Revenue & Customs has announced an initiative to crack down on VAT rule breakers. This new campaign will be focusing on individuals and businesses that are trading above the VAT threshold and have chosen not to or are yet to register for VAT.

The initiative is being discussed with interested parties to ensure HMRC has as much information from them as possible before launching the campaign later this summer.

Mike Wells, HMRC's Director of Risk and Intelligence, said:

*"Our aim is to get as much input as possible into our future campaigns so that the views and experience of people and organisations outside the department play a fuller part in what we design for customers."*

*"We are already in contact with a number of interested parties and I expect many more to contact us with their views before we finalise the design of the VAT initiative."*

*"This will be the model for all our future campaigns and we look forward to being even more open about the compliance activity HMRC is undertaking to ensure we reduce the tax gap and help customers pay what they owe."*

Each HMRC campaign is aimed at reducing the tax gap by focusing on areas where they have identified significant underpayments. HMRC is looking to provide straightforward opportunities for taxpayers to put their records in order on easier terms with lower penalties. This would be followed immediately by HMRC, actively focusing on those who have chosen not to take up the opportunity (the non-compliant). HMRC has received over £500m from voluntary disclosures and a further £100m to date, from their follow-up activities.

Previous campaigns have targeted offshore investments, medical professionals and people working within the plumbing industry. For each campaign, HMRC has and continues to use new technology and legislation to gather and analyse data, from internal and external sources, identifying groups of people who they believe should come forward. This has provided thousands of enquiries and investigations, including a number of criminal ones.

The VAT threshold is currently £73,000 turnover on a rolling annual basis. In previous years it was: 2006/07 – £61,000; 2007/08 – £64,000; 2008/09 - £67,000; 2009/10 - £68,000; 2010/11 - £70,000.

HMRC always encourages anyone who has unpaid tax to come forward and make a voluntary disclosure; it will always be less expensive if the taxpayer approaches HMRC voluntarily, rather than waiting until HMRC catches up with them.

Anybody targeted by previous campaigns will not be able to use subsequent campaigns to disclose liabilities. So please contact us, if you feel you would like to discuss this or any other taxation issues that you may have.

**Mark Withington, [mark@kennethmorris.co.uk](mailto:mark@kennethmorris.co.uk)**

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## EMPLOYERS, PAYE, AND REAL TIME INFORMATION (RTI)

Currently employers send information to H M Revenue & Customs about tax, NIC and other payroll deductions at the end of each tax year on forms P35 and P14. The Real Time Information (RTI) will remove the need to submit these forms and also simplify the employee starting and leaving process.

Under Real Time Information employers will notify HMRC online about tax, NIC and other deductions when or before the payments are made. Over time this should make PAYE more accurate reducing the number of corrections to be made at the end of the tax year through repayments and tax demands.

RTI will also enable the Department of Work and Pensions to access up to date information about a claimant's employment or pension income to calculate Universal Credits payments.

HMRC are to pilot the Real Time Information service with volunteer employers for a year, commencing April 2012. All employers not part of this volunteer program will be required to join RTI between April 2013 and October 2013.

For those who use our Payroll Bureau, we will ensure you meet these requirements, for those who do not, please contact Howard if you have any questions.

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## SPOTLIGHT ON: PIPETECH MECHANICAL LIMITED



Pipetech is a Bromsgrove based business that specialises in the installation and repair of industrial gas boiler systems for business customers throughout the UK.

Fred Byng and Roy Allen have been at the helm since the company's incorporation in 1995 and are both specialist heating engineers and have a highly trained team.

Fred and Roy offer a 24 hour call out service to their customers who are predominantly blue chip customers such as Cadburys, BP, Whitbread and large hotel

groups. As a small business they come up against much larger competition but that poses few challenges as the secret to Pipetech's success is their technical level of expertise together with a willingness to do any job at any time in any location. This is often too much effort for the larger competitors.

Pipetech has been a client of Kenneth Morris since 1996. We work closely with their team, especially Cathy Byng, and they use us for their three monthly Sage review, VAT help and the pre year end tax planning meetings. This complete package, according to Fred, has hugely benefitted their business, especially the tax efficiency of getting the timing right for investing in new equipment, vehicles and profit extraction planning for the Directors.

Pipetech has been selected by our team as being a great example of how a small business can thrive in the current economic climate by providing a specialist job together with a "go anywhere at any time" attitude which means their customers receive a fantastic service

**If you would like to find out more about Pipetech, please feel free to contact Cathy, Fred or Roy on e-mail: [pipe-tech@btconnect.com](mailto:pipe-tech@btconnect.com) or mobile 07973 619890.**

## KM BUSINESS CLUB: STAYING ONE STEP AHEAD

The KM Business Club met on 21 June at the Bromsgrove Golf Centre where KM clients enjoyed breakfast and presentations by Richard Waller and Kevin Johnson of Panoptic Ledger Solutions Limited.

Guests representing a range of industries listened to how changes to tax investigations are starting to impact, how company contributions to pension schemes come in next year and gained an insight into how the banking industry is changing and likely to change over the next two years.

The Business Club concluded the meeting with a question and answer session and networking opportunity.

If you are interested in future Business Club events, please contact Sue Bellingham on 01527 872888 .

**Sue Bellingham, [sue@kennethmorris.co.uk](mailto:sue@kennethmorris.co.uk)**



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