

SUMMER 2008

aspect

News, views and information from Ashdown Hurrey and Spectrum



**STRAIGHT
FROM THE
HORSE'S
MOUTH!**

this issue

Local people

Business Woman
of the Year

It's a family affair

Country Ways Oak

Green issues

Leading the way

Life company bonds

Taxing times



Welcome

Welcome to this, the summer edition of *Aspect* - your regular update from the offices of Ashdown Hurrey and Spectrum.

Although not planned as such, the editors have noticed a 'green' theme running through this edition's contributions and we think this reflects the growing interest in the effect of businesses on the environment.

Three of our client businesses featured; Pebsham Equestrian Centre, Wadhurst Ironmongers and Country Ways Oak Ltd, show that a rural setting means no compromise on business success but helps the proprietors achieve the all important work/life balance. We also feature Phase Electrical Distributors Ltd, who do their bit with environmentally sound products, and QTS Analytical Ltd, who make sure the fruit and vegetables we eat retain their wholesome goodness.

The Government and political parties of all colours are focused on the green agenda and much of the legislation, including tax laws, reflects the electorate's concerns. Whether you think green issues are a lot of hot air or they represent your guiding principles, you cannot ignore that it will affect the amount of tax you pay. How much your car pollutes the atmosphere will now have a very strong influence on the taxes you pay and our article points out that going green will leave you with more money in your pocket.

We hope that you enjoy this edition of *Aspect*. As always, the editors are pleased to receive any comments or feedback, be this good or bad.

Terry Weston Marketing Partner



Partners; Paul Bradbury, Patrick Lee, Jeff Moore and Terry Weston

IS TIME UP FOR LIFE COMPANY BONDS?

BY ROY SNOOK

Recent changes to the tax regime have called into question the effectiveness of investment bonds as a tax efficient savings vehicle.

The facts of the matter are that, for some, the tax advantages of investment bonds have diminished to the point where their usefulness in tax planning has been called into question. This is due to capital gains tax now being charged at a flat rate of 18%.

On death or surrender of an investment bond a liability to higher rate tax could arise. Tax deferred withdrawals can be made and onshore gains come with a basic rate tax credit but this is because life office funds suffer the equivalent tax. Investment bonds have always been an important tool in financial planning largely based on the fact that gains are subject to income tax rather than capital gains tax and the flexibility to defer any additional tax liability. Now, however, the new rate of 18% capital gains tax, rather than the prospect of 40% income tax has eroded many of the tax planning opportunities.

Investment bonds can still be useful for inheritance tax planning and offer tax efficient fund switching which facilitates portfolio management and, for some, will remain a relevant strategy. That said, all policyholders should now review their investment bond holdings and consider if a unit trust/OEIC investment would be more appropriate.

For further information email: aspect@spectrum.co.uk



MORE THAN JUST A PASSING PHASE

Even if you haven't visited one of their branches, you're sure to have seen their vans delivering electrical components to a grateful trade.

Phase Electrical Distributors Limited was formed in 2002 and opened its first branch in Hastings, with the philosophy from day one to offer its customers everything they would expect from an electrical wholesaler, with the type of service they would expect to receive themselves.

Once up and running, expansion soon followed and during 2003 a second branch was opened in Uckfield. The company's third branch was opened in Eastbourne during 2005, incorporating the head office of the rapidly growing company. With the availability of additional space, bulk stores have been established at Eastbourne during 2007 enabling the company to hold a greater range of stock to fulfil customers' needs.

Keeping pace with new technology, the company now has an online shop enabling customers from all over the UK to place orders and receive deliveries where they want them, when they need them.

Mick Murduck at Ashdown Hurrey's Hastings office is pleased to have been involved with the company from inception and looks forward to providing continued support and advice in the future for this very successful expanding company.



For further information visit: www.phase-electrical.co.uk

STRAIGHT FROM THE HORSE'S MOUTH!

ANN RODRIGUEZ – BUSINESS WOMAN OF THE YEAR



THE first winner of the Ashdown Hurrey Business Woman of the Year Award was Ann Rodriguez of Pebsham Equestrian Centre. She received the award from Ann Grant and Sue Middlehurst from Hastings College (pictured). This inaugural competition was open to self-employed and employed women in the Rother area.

The Judges were impressed with Ann's range of skills that allow her to run the Pebsham Equestrian Centre, which includes a family run riding school, RDA centre (Riding for the Disabled), livery yard and Outreach Centre for Plumpton College.

The business was started from scratch in 1997 when an overgrown and disused plant nursery and allotments with one dilapidated out building was converted into stables, car parking facilities and an indoor school. The business grew from there to accommodate RDA riders and now caters for six special schools and a further six care homes and trusts.

Ann is continuing to look to the future and with her husband (who is an architect in addition to being a partner in the business) is planning to build a new classroom with the help of the Low Carbon Trust. This revolutionary building will be a self sustained ecologically friendly building made primarily from recycled material. It will offer better disabled access, more room for classroom activities and a canteen refreshment area, all under one roof.

Pebsham Equestrian Centre has been a long standing client of Ashdown Hurrey and Associate Ben Sallows deals with Ann's accountancy requirements. Ben was particularly pleased that Ann won the inaugural award as the competition was open to all and independently judged. He commented "Ann is always very enthusiastic about her business and she is obviously excited by the new building plans."

Ann's current project is to raise the funds to enable this new building to be completed and contributions from any source would be appreciated.

For further information visit:
www.pebshamec.co.uk

Cover photo: Ann and Ben with their friend Dido

ARE YOU GETTING YOUR 5 A DAY?

Whether what you eat is good for your health has, in recent years, led us to include more fresh fruit and vegetables in our diets. The way our food has been grown is also something over which more and more of us are becoming increasingly concerned.

QTS Analytical Ltd, is a laboratory specialising in the analysis of fresh produce, tea, water and other foodstuffs for pesticide residues which have to pass strict guidelines before they can go on sale in shops and supermarkets.

The company founder, Steve Gardner, set up the company in 2003. The name stands for Quality Turnaround and Service and the ethos behind the company is that testing is quick while still maintaining accuracy. The innovative procedure devised by Steve cuts the time it takes to test produce by half.

"Given the concerns expressed by consumers about food safety this new, fast, analytical, technology that provides top quality results in a very short time has gone a long way to reinforce customer confidence in the quality of fresh produce being sold. Growers and retailers have themselves used this testing to create a sales advantage."

As a result of the success of Steve's ground breaking technique the company has grown significantly in the last few years. The company has invested heavily in new equipment and specialist machinery and now has over 10 employees at its Kent based site.

Mark Weeks-Pearson at Ashdown Hurrey has supported the company since it started, offering both financial advice and payroll services, in addition to the preparation of the accounts.

For further information visit:
www.qtsanalytical.com



PENSION PROTECTION

BY TERRY WESTON

New tax rules governing Isle of Man pensions and the ability to accept transfers from UK pensions under the Qualifying Recognised Overseas Pension Scheme (QROPS) rules raise a number of interesting possibilities.

The principle benefits of such arrangements may be summarised as follows:-

- No annuity purchase required
- Residential property is a qualifying investment
- Full fund value can be passed onto heirs outside of the estate for IHT purposes
- Isle of Man residence not required

To qualify, an individual must be able to demonstrate non UK tax residence for a period of six months in any single tax year. This does not have to be cumulative and therefore a combination of extended holidays during a particular tax year following retirement would suffice.

Full details of QROPS may be found on the HM Revenue & Customs website. This being the case, one would hope that in the future, the Government may see the benefit of applying the Isle of Man rules to UK pension arrangements. Until then, the Isle of Man option may be suitable for certain clients.

For further information email:
aspect@spectrum.co.uk



THE FAMILY BEHIND COUNTRY WAYS OAK FURNITURE

Paul and Jos Kennard, along with their daughter Tina, run the highly successful Country Ways Oak Furniture. Based in the picturesque hamlet of Cripps Corner, East Sussex, Country Ways Oak is one of the UK's leading manufacturers and retailers of fine oak furniture.



With master craftsman Paul at the helm, Country Ways Oak has been crafting the finest oak furniture for satisfied clients across the country since 1987. The workshop at Little Swailes Green Farm uses traditional techniques to make exquisite pieces of furniture. This family-run business has steadily grown and is now regarded by many in the industry as the ideal model of how a modern, UK, furniture retailer and manufacturer should operate.

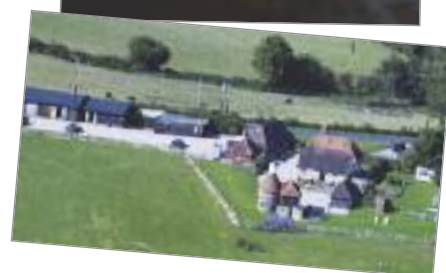
With the able assistance of Jos and Tina, Paul has spearheaded many business developments that have kept Country Ways Oak at the forefront of furniture production in the UK. Two of the most notable introductions have been; an expansive online retail purchasing facility and the ability to enable customers to customise furniture with options such as different legs, wood type, finish and fixtures.

Throughout the last 8 years, Paul and Jos have been advised by Ann Grant of Ashdown Hurrey. Paul says "Ann has been with us every step of the way, always available to advise and encourage us. She takes a genuine interest in our business."

Now with 21 years behind it and with over 2,500 items within the portfolio, Country Ways Oak Furniture is giving Paul and Jos the time to enjoy the finer things in life. Having completely restored their home, Paul has now taken to flying acrobatic planes around the East Sussex coast and has his very own stunt plane based at nearby Lydd Airport. When not pulling loop the loops, Paul and Jos have recently invested in a beautiful Spanish villa and with the freedom of being able to fly under their own steam, they plan to spend much time enjoying the Spanish sunshine.

With the success that Country Ways Oak Furniture has become and with trusted staff keeping things growing while they are away, Paul and Jos Kennard have shown just what can be achieved with hard work, a great idea and the desire to succeed.

For further information visit:
www.countrywaysoak.co.uk



ENTREPRENEURS' RELIEF

BY MICK MURDUCK

The 2007 pre-Budget report contained measures to reform the treatment of capital gains tax arising on the disposal of chargeable assets by individuals and trustees. In principle, from 6 April 2008, all gains were to be calculated on the simple basis of proceeds less cost, or March 1982 value, with both indexation allowance and taper relief being abolished. The resulting gains less allowable losses brought forward and an annual exempt amount would then be charged at a new flat rate of 18%.

Whilst this new approach would have benefited individuals, businesses were up in arms at the loss of business asset taper relief, which had been introduced to encourage business development. On the disposal of a chargeable business asset, which had been held for two years, the maximum effective rate of tax would only be 10%. In response to these objections, the proposal is to establish a new entrepreneurs' relief which will charge capital gains tax at an effective rate of 10% on the first £1m of qualifying gains. The £1m is a lifetime allowance and can be claimed on qualifying disposals made on or after 6 April 2008. Once the allowance has been reached, any remaining gains will be charged at the new flat rate of 18%.

Although entrepreneurs' relief will soften the blow of the new 18% flat rate for businesses, it is neither as generous as the lost taper relief nor as broadly available. Many individuals who expected to pay little or no tax on any asset disposal will find they face a significant capital gains tax bill.

Planning and, in particular, obtaining advice of how the new capital gains tax regime operates can reduce liabilities and avoid nasty shocks. Ashdown Hurrey can guide you through the taxation maze, so if you have a sale or disposal coming up, make sure you are talking to the experts and the sooner the better.

For further information email: aspect@ashdownhurrey.co.uk

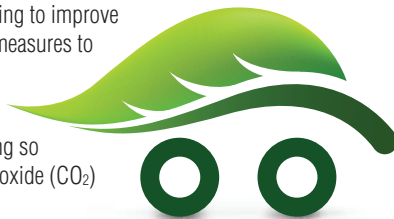


HAVE YOU NOTICED MORE GREEN CARS ON THE ROAD?

BY BEN SALLOWES

The environment, and our actions which affect it, is becoming a very topical issue. The Government is keen to show that it is attempting to improve the environment and has brought in various tax related measures to encourage us all to be more environmentally friendly.

Some of the major causes of pollution are the motor vehicles that we use and the tax rules have been changing so that businesses are encouraged to think about carbon dioxide (CO₂) emissions when choosing which car to purchase.



Company car benefits have been based on the CO₂ emissions for a number of years now and we are currently in a transitional period with regard to capital allowances on business vehicles.

From April 2008, new cars will be classified according to their CO₂ emissions rating to decide the tax relief they attract. If the rating is less than 110 g/km they can be written off against business profits in the year they are bought. More and more cars are falling into this category, the Toyota Prius, Citroën C1 and Toyota Aygo being the best known.

Most cars will fall into the band 110 g/km to 160 g/km and for these vehicles, tax relief will be restricted to a writing down allowance of 20%.

To discourage high emission vehicles with greater than 160 g/km the relief will be restricted to 10% allowance per annum, meaning that it will take many years before the cost is relieved.

The changes mean that if you are looking to purchase a car for use in your business you would want to consider its CO₂ emissions level and may wish to speak to your Ashdown Hurrey adviser before you part with your hard earned cash. With the further complications added by these new rules it is important that advice is taken before a purchase is made.

For further information email: aspect@ashdownhurrey.co.uk

DID YOU KNOW.....

..... that, based in our Bexhill office, we have a thriving department dedicated to private tax clients headed by Sue Crouch.



With 35 years experience and suitably qualified in the taxation field, Sue is able to offer a local service that you might have expected was only available from a larger institution.

The emphasis in our private client department is on personal attention and you will discover a bespoke service that is both professional and friendly.

From completion of tax returns and repayment claims, to capital gains tax matters and inheritance tax planning (including trusts) let us help you to make the most of your money.

For further information email: aspect@ashdownhurrey.co.uk



IT'S ALL A MATTER OF TRUST

BY PATRICK LEE

Mention trusts to most people (including many professionals!) and their eyes glaze over as they think of Dickensian novels and something which could never have anything to do with their financial affairs. This is a pity, as in the right circumstances they can be an extremely useful tax planning tool and be used to protect the family capital.

An arrangement which is worth considering, where available assets and circumstances permit, is a transfer into a trust during lifetime. In simple terms, assets are transferred into a trust, where the settlor can be a trustee but not a beneficiary, and providing the available nil rate band is not breached, no tax will be payable. The transfer to a trust is a chargeable transfer for inheritance tax purposes but if it is below the nil rate band (currently £312,000), then subject to any earlier chargeable transfers, no tax will be payable. Providing the settlor survives seven years,

the assets will fall outside their estate and no inheritance tax will be payable.

For couples, this exercise can be carried out by each spouse/civil partner and repeated after each seven year period so that significant amounts can be protected for passing on to future generations.

The transfer to a trust is a potentially exempt transfer (PET) and is no different from other lifetime gifts for tax purposes. By using a trust, the settlor can retain influence over the assets concerned, which may be important if the intended beneficiaries are young or vulnerable to outright gifts of such large sums. Remember – to reduce inheritance tax, the value of your estate must be reduced, so the assets going into the trust must genuinely be for the chosen beneficiaries.

It is essential that full detailed and specific advice is taken before undertaking such arrangements, but in longer term estate planning these actions can play an important part.

For further information email:
aspect@ashdownhurrey.co.uk

WADHURST IRONMONGERS

Gurbinder Nayyar didn't expect to be running the ironmongers shop in Wadhurst when he completed his physiology and pharmacology degree at Southampton University or when completing his PhD at Bristol, nor even when he embarked upon his CIMA qualification and worked in finance for blue chip companies like IBM and Xerox. What he did know was that he wanted to be running his own business and when the opportunity arose, he jumped at it.

Gurbinder has breathed new life into the shop, extending its range to include all the things you'd expect an ironmonger to sell and a good deal more on top. He recognises that his competition is from the national multiples, but what he has, that they haven't, is the hands-on personal knowledge and interest about the products so that he can guide his customers to the right decision.

The shop is open seven days a week and the personal input of Gurbinder and his family is proving highly successful, with an extension to the shop currently in progress.

Gurbinder is helped in the shop by his wife, Kam, when the demands of their seven month old daughter allow, his father and employee, Damien. So if you want advice on how to complete that tricky DIY job, don't settle for the usual blank stare, ask the experts with a friendly smile.

Gurbinder is quick to thank Ann Grant at Ashdown Hurrey's Hastings office for advice on the structuring of the business and its financial needs. Ann has worked with the Nayyar family and guided them through the maze of requirements when setting up and running a business.



FLAT RATE VAT SCHEME

BY SAM CARTER

As an alternative to the standard VAT scheme, businesses that meet the specified criteria set by HM Revenue & Customs can choose to use the flat rate scheme. Rather than calculating your output VAT and input VAT and then paying over the difference, you will simply apply a predetermined percentage to your total sales and pay that to HM Revenue & Customs.

Your customers will not see the difference as they will still reclaim VAT on your invoices showing the figure at 17.5% in the usual way.

To provide an example, the flat rate percentage for general building is 8.5%.

Using the normal approach, with net sales of £100,000, materials and so forth costing £40,000, then a total liability of £10,500 would be payable, which is calculated as follows: (£100,000 @ 17.5% gives output VAT of £17,500 less inputs of £40,000 @ 17.5% = £7,000 giving a net payment of £10,500).

However using the same outputs and inputs as above but now using the flat rate scheme, the total liability payable would be £8,500 calculated as follows (£100,000 x 8.5%).

The figures used above are purely illustrative and before deciding whether this scheme suits your business it is necessary to check the specific details and you should discuss this with your usual Ashdown Hurrey contact. We can review your recent returns and usually a clear decision can be made as to whether the flat rate scheme will be of benefit.

The financial effect of using the scheme may be beneficial but in addition to this there are the added advantages of receiving a 1% deduction in your flat rate percentage if you are in your first year of VAT registration and you do not need to keep such detailed records of the VAT you charge on sales or pay on purchases.

Some of the disadvantages of the scheme that will also need to be considered are that you still need to calculate VAT and issue VAT sales invoices and you cannot generally reclaim any VAT on your purchases as this has already been taken into account in your flat rate percentage. This is especially a disadvantage if you buy mainly standard-rated items. If you buy any single capital item costing more than £2,000 the VAT paid can be deducted from the liability calculated using the flat rate scheme.

The flat rate scheme is worthy of consideration, so if you need any help in deciding whether it will be of benefit to you, let us know and we can advise you of the implications.

For further information email:
aspect@ashdownhurrey.co.uk



OWNING A SECOND PROPERTY

BY SUE CROUCH

Many people own a second property in addition to their family home. The property may have been inherited or purchased for a variety of reasons; perhaps to secure rental income, as a capital investment, or to give a home to a young or elderly relative.

Of course for many owning a holiday home in the UK or abroad is the ultimate luxury. There are, however, several taxation aspects to consider when two properties are owned, particularly:-

Income Tax – don't forget any income generated from property, home or abroad, should be declared to the Inland Revenue (even if it merely covers expenditure incurred, such as mortgage payments).

Capital Gains Tax – with rising property prices over recent years many properties are now worth considerably more than their original purchase price. Normally the gain arising on the sale or gift of a second property will be chargeable to capital gains tax. Liabilities can be slashed with proper planning.

Inheritance Tax – The market value of all property owned would need to be included when valuing an estate for inheritance tax purposes.

Careful planning now can minimise tax payable later and Ashdown Hurrey can help clients with planning in this area, tailored to their particular circumstances.

Special tax rules also apply to people selling their home if, throughout their ownership it has not been their only or main residence.

For further information email:
aspect@ashdownhurrey.co.uk

PLAYER PROFILE...

Tamsyn Rayner-Vincent



- 1. How long have you been with AH?** 8 years
- 2. Why accountancy and not lion taming?** It's far more challenging!
And it's all I've wanted to be since I started reconciling my pocket money aged 5!
- 3. Who do you admire most in the business world and why?**
Jeff Moore, for earning the role of 'Youngest Partner at Ashdown Hurrey'
- 4. What would you change if Chancellor for a day?** I'd review state pensions and the availability of care packages for the elderly.
- 5. Do you have a secret ambition?** To be the 'youngest partner at Ashdown Hurrey'
- 6. Fantasy dinner guests?** Hugh Laurie, Stephen Fry and Eddie Izzard, for the sarcasm, dry wit and humour.
- 7. What do you like about working in Bexhill?** The diverse community and the sea views.
- 8. What would be your perfect night out?** An Indian meal, followed by a local pub, with live music and good company.
- 9. On holiday, beach bum/culture vulture/adrenaline junkie?** Definitely not beach bum! I'd like to tour the world on my motor bike.
- 10. What would be your battle cry?** 'Those who know me, know better'

THE LOAN ARRANGER...

REVIEWED YOUR BUSINESS LOAN RECENTLY?

BY NIGEL CRUSH

Over the past decade it has become the “norm” to review residential mortgages every few years (often with the help of Spectrum). Surprisingly, commercial loans are rarely given such attention. Even though they can often be significantly larger than residential mortgages, commercial loans are rarely reviewed. Unlike residential mortgages, commercial loans are agreed on an individual basis. The rate offered reflects the market conditions at the time, the “risk” and, dare I say, the presentation of the application to the lending institution. The lending landscape is constantly shifting and that has never been more apparent than now.

In terms of risk, a lending institution will take a totally different view of a start-up business to one that has been trading profitably for a number of years. It is also likely that in the early stages, a higher loan to value would be required. Both of these situations would have an impact on risk with the natural consequence that the higher the risk, the higher the rate charged. As the risk to the lender reduces, clients often fail to review their arrangements and consequently, can end up paying too much for their finance.

Having worked as a senior business manager with one of the high street banks, you could argue that I am a “poacher turned gamekeeper”. I therefore know how to present a commercial application. Having said this, wherever possible, I always look to preserve pre-existing relationships with existing lenders. Reviewing commercial finance does not necessarily result in a change of lender.

Commercial finance is a highly competitive market and fortunately, the current “credit crunch” does not appear to be having such a significant impact in this sector.

For further information email:
aspect@spectrum.co.uk

P.S. It is still possible to negotiate a competitive residential mortgage and in this regard, please do not hesitate to contact David Lakin on 01424 739222 or email davidl@spectrumfs.co.uk


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