



carters

CHARTERED
ACCOUNTANTS

VAT Registration Amnesty

It is generally well known that a business is required to register for VAT when the sales reach the mandatory registration limit of £73,000. However, it is also recognised that some businesses will 'overlook' registering or take steps to reduce the sales to keep below the limit. HM Revenue and Customs have announced plans for a new amnesty to encourage businesses that have exceeded the registration limit but failed to register to now do so. This new campaign by HMRC will be aimed at those businesses operating above the registration limit with the aim of getting these business owners to step forward to register. Full details of the amnesty have yet to be published but it is likely to have the carrot of reduced penalties for defaulters.

It is also possible for a business to register for VAT, even where the turnover is below the mandatory registration limit.

For more details please contact our Tax Partner, **Stephen Taylor** or e-mail stephen.taylor@cartersca.co.uk



RESEARCH & DEVELOPMENT: It's not all about NASA!

It is sometimes very easy to focus on what the taxman is doing to collect more tax and the layers of bureaucracy that all businesses have to work under, that it can be a welcome relief to consider an incentive or 'tax break' provided by the tax rules. Research and Development (R&D) relief has been around for a while and is often overlooked under the misconception that it is only for businesses involved in science and technology. In fact, nothing could be further from the truth. Many businesses will indulge in R&D without realising it as they work to solve technical problems with products. It is not all about NASA level science or complex technological changes.

There could be some merit in reviewing your production processes to review what it is you actually do at different stages of the process and check out what the chap wearing overalls in the workshop at the back of the factory is actually doing! You may be surprised.

However, persuading HMRC that what you are doing qualifies as R&D can be another matter. A basic definition is '*work to resolve a scientific or technological uncertainty aimed at achieving an advance in science or technology*'. Advances include new or improved products, processes and services. Broader innovation in products, processes and services (e.g. proprietary

content, non-technical design or developing other non-technological unique selling points) is not R&D and that is where it can get difficult. If it is obvious to a professional how to do something, doing it is not R&D. If there is a 'non-obvious' scientific or technological problem around how to do something, then doing it is probably R&D.

In order to be 'qualifying' R&D expenditure, the expenditure must meet the following conditions:

The expenditure must:

- not be capital;
- be attributable to relevant R&D undertaken directly by the company or on its behalf, and incurred on any of the following:
 - staff costs;
 - software and consumables;
 - externally provided workers, or
 - subcontracted R&D.

Where a small or medium sized company (SME) is entitled to R&D tax relief for a period and has R&D expenditure which is allowable in computing the profits of its trade, it may claim an enhanced deduction from their profits of the qualifying expenditure with a notional uplift of 100 per cent (previously 75%) of the actual costs incurred. This applies to expenditure incurred after 1 April 2011 and from 1 April 2012 there will be a further increase of 25% giving a total deduction of

225% for Corporation Tax purposes on relevant R&D costs. There is currently a de-minimis limit of £10,000 of qualifying expenditure but it is expected that limit will be abolished from 2012.

Where an SME has a loss in a period, it can claim tax credits of 14 per cent of the lower of the loss or 200% (175% for expenditure prior to 1 April 2011) of the qualifying expenditure for the accounting period in question. This is restricted to the amount of the company's liability for PAYE and NIC for periods ending in the accounting period, disregarding deductions that the company is entitled to make in relation to statutory sick pay or maternity pay, child tax credits or working tax credits. It is expected the limit on claims being capped by the PAYE / NIC paid will also be lifted this year subject to EU approval.

If you think you are doing work which could qualify for R&D relief, please let us know. This often strays into fairly technical matters but Carters do have access to a range of technical experts who can be brought in to look at what the business does, often on the basis of no tax saving, no fee.

For further details please contact our Tax Partner, **Stephen Taylor** or e-mail stephen.taylor@cartersca.co.uk

Pentland House
Saltire Centre
Glenrothes
Fife KY6 2AH
Tel: 01592 630055
Fax: 01592 623200

Also at:

58 Bonnygate
Cupar
Fife KY15 4LD
Tel: 01334 654044
Fax: 01334 654873

Balcain
Viewfield
Dunfermline
Fife KY12 7HY
Tel: 01383 733224
Fax: 01383 733224

Email: info@cartersca.co.uk
Website: www.cartersca.co.uk



This newsletter has been written for the general interest of our clients and other interested readers. The articles in the newsletter are designed to provoke thought without necessarily providing full coverage of the topic.

It is therefore essential to take advice on specific issues. We believe the facts to be correct at the time of printing, but there may be certain errors and omissions for which we cannot be held responsible.

Wearing Two Hats

If you are a director of a company it is often overlooked that you are actually carrying out two distinct roles for the business. Firstly, there is your 'statutory' role as a director. You are required to attend board meetings, ensure the accounting records are maintained and make sure accounts are filed at Companies House etc. In your second role, this is where you perform the bulk of your day to day work activities.

It is possible to separate these two roles. Any payment you receive for your role as a director continues to be paid through the payroll and subjected to PAYE and NIC. However, you can operate as a self employed person to provide the other day to day services under a separate contract. You will still

have to pay tax and NIC on the self employed role but not under the PAYE system. In particular, there are NIC savings to be had for both the individual and the company.

We would advise that you have a contract professionally drafted for the self employed services and you may also want to consider making this arrangement even more tax efficient by, for example, setting up a partnership with your spouse. We can also advise on other aspects to improve the tax efficiency of this arrangement.

To discuss further please contact assistant tax manager, **Gavin Nurse** or e-mail gavin.nurse@cartersca.co.uk

Claiming Business Reliefs for Farms and Estates

In 2009 the Upper Tier Tribunal granted Inheritance Tax (IHT) Business Property Relief (BPR) on the estate of the 4th Earl of Balfour. The Balfour estate extended to 1907 acres, and included farms under the control of his family, farms which had been let out since the 1950s, policy parks, woodlands and sporting rights, twenty six let houses and cottages and also two sets of business premises. A common set of circumstances for country estates and large farming enterprises.

Generally, a business which consists 'wholly or mainly' of 'making or holding investments' does not qualify for tax relief. Letting properties is regarded as an investment activity, not qualifying for BPR. HM Revenue & Customs contended that the Balfour estate did not qualify for BPR.

The Tribunal held that:

- The estate had been managed as a single business
- The business had been run as a sole trade by Lord Balfour or in a partnership throughout the relevant period
- The letting side of the business was ancillary to the farming, forestry and other trading activities.

The Tribunal held that the business activities carried on in the estate did not consist wholly or mainly of making or holding investments and that BPR was available for the whole. The decision provides guidance on the availability of IHT relief for landed estates or estates with mixed trading and property assets. It is important that landowners/farmers take steps to ensure that they can present the strongest possible case when the time comes. It is worth considering:

- Having a single management structure and accounts covering the entire estate business so the estate activities are run through one composite business
- Assets which are obvious investments can be transferred to separate trusts in order to 'ring fence' assets
- Increase trading activity on the estate as against investment activity to make investment activity subordinate to main trade.

Many estates are now looking at how they operate to see if they are able to organise their business activities in this fashion to get the benefit of Business Property Relief. If you would like to discuss this matter, please contact **Bilal Mahmood** or e-mail bilal.mahmood@cartersca.co.uk

Business Builder Forum

It is not often in life that you can say that you have got something right and in business those golden moments can also seem rare as we battle from day to day. However, at Carters, we believe that we have had a major success to be proud of with our Business Builder Forum sessions.

Essentially, this is our business club run on the last Friday of each month at breakfast time which is usually finished by 9.30am. We have a tremendous mix of businesses attending including clients and non clients, new start ups and long established businesses.

We usually have a presentation for 45 minutes followed by a round table discussion, the 'Strategic Board', on the topic, which is where participants regularly comment they get the most value. The topics are intended to help business owners and managers grow their business and develop themselves and their teams.

Some of the recent comments we have had from regular attendees include:

"Lots of good ideas to take away and action."

"A refreshing change."

"Plan, plan, plan!"

"Interesting and worthwhile."

If you would like to join us at our next BBF session on 26 August 2011, as we start our 10th year running the BBF, for further details, please contact **June Yule** or e-mail june.yule@cartersca.co.uk

Team News

Since our last newsletter we have a number of changes to our team to report.

We are pleased to note the deserved retirement of partner, David Hebden, from our Cupar office. David was one of the original partners with James Murray and Co when that firm merged with Carters in 2006. We wish David a long and happy retirement.

Peter Southcott is now the resident partner based in our Cupar office.

We are pleased to welcome some new faces, with Sajida Aslam joining our accounts team in Glenrothes, along with Michael Bray and Nicola Wyllie who join as our latest trainees. We also have a new trainee in our Dunfermline office with the arrival of Simon Taylor.

We were also sad to see the departure of Kirsty Mutch from our tax team based in the Dunfermline office. Kirsty is taking a year out to wander around Australia and New Zealand.



The maternity leave rotating door has been working again with Faye MacDonald leaving and she has produced her third daughter, Saimiah, while we see the welcome return of Dawn Tierney to Dunfermline after her break when she produced daughter, Erin.

Liz Goldie is back in our Tax Dept in Cupar after her spell off when she gave birth to her daughter, Nicole.

Finally, we are delighted to note the promotion of Craig Steedman and Billy Leitch to Assistant Client Manager.

Regulated by the Institute of Chartered Accountants of Scotland for a range of investment business activities

Carters Accountants LLP

Partners: Iain R. Dryburgh, Ian Donaldson, Stephen A. Taylor, Peter Southcott, Mark Gibson, Shirley Dorrian.

Associates: Gail Cowan, Steven Todd



Founder members of the Added Value Network

A national association of independent accountants committed to making businesses more successful and profitable.