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Registered by The Institute of Chartered Accountants in
England and Wales to carry out company audit work



Elliott Bunker Ltd

Business News

Supporting charities that make a difference in Bristol

Supporting the local community is very important to everyone at Elliott Bunker Ltd, by taking an interest in activities happening on our doorstep and giving back what we can Bristol based charities can really benefit from our support.

With this in mind we're donating £100 each and every quarter to a local charity or community project, chosen individually by members of staff.

Previously we have supported charities such as Volunteering Bristol, RSPCA Bristol and District Branch, Kinergy, The Yatton and Congresbury Wildlife Action Group and The Bristol Soup Run Trust. This quarter however, Hop Skip and Jump South West has been chosen by Janet Wilcox our Payroll administrator.

This charity is a play and support centre located in Bristol. The centre, designed as a giant log cabin, provides day care and supervised play for children and young people with any special needs. Their aim is to provide a safe play haven for children, where they can happily play.

The charity donations initiative is supported by all members of the Elliott Bunker team. For more information about what we're doing to support our local community and the charities and projects that play such vital roles, visit www.elliottbunker.co.uk

SPRING 2011

Challenge Alec

We're always delighted to hear about young people grasping the opportunity to make a difference which is why we are throwing our support behind Alec Cridland, son of Director Paul, who has signed up to take part in a World Challenge Event next year.

Alec, who is 17 and attends Backwell Sixth Form, is planning to spend four weeks in Nepal in the Spring of 2012. As well as taking part in a trek, braving high altitudes and even higher rope bridges, Alec and the rest of the World Challenge team will spend time working on volunteer projects in a Nepalese community.

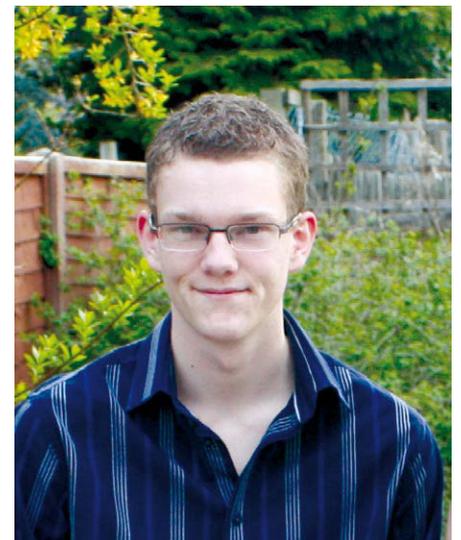
World Challenge Events offer young people the chance to explore new cultures and environments, work with local communities and also learn valuable life skills along the way.

Alec's first challenge is to raise the £4,000 he needs to fund the trip. As well as taking on a part time job and carrying out odd jobs for friends and family he is planning to test out his head for heights by taking part in a sponsored abseil down the Avon Gorge in March 2011.

Alec says: "This is a great opportunity to see the world and also spend some time in a community helping people. It's going to be quite tough while we are there, and I've already started to break in my walking boots as we will be taking part in some long treks! But I'm really looking forward to getting involved in something completely different and learning more about my own strengths and weaknesses before I head off to University. The only thing I'm not looking forward to is the

food – we have to carry our own rations whilst we are trekking and so our menu will be quite limited!"

If you would like to join us in supporting Alec you can sponsor him here by contacting Liz Harnden either by post or emailing lharnden@elliottbunker.co.uk



Avoiding travel turmoil

It is not just the physical battles of travelling during the winter months that can be problematic but also securing tax relief on those travelling expenses which continue to increase. Understanding the specific rules is vital to ensuring that HMRC challenges on motoring and related travel costs do not arise later!

The issue is often considered to be a problem area for employed individuals but this article focuses instead on the self-employed individual whether operating as a sole trader or as a member of a partnership.

What qualifies?

To qualify for tax relief, an expense must be wholly and exclusively incurred for the purpose of the trade. When an expense is incurred for a non trade or private purpose then it is not tax relievable. There will be situations where an expense is incurred for more than one purpose and modern practice may allow a deduction using apportionment where there is an identifiable part or proportion which is incurred wholly and exclusively for the trade. Fuel and other motoring costs are generally apportioned based on the ratio of business miles to total miles, so it is critical to distinguish a business journey from a private one. The most common example of a private journey is the cost of travel from home to work which is generally disallowed.

There are clearly some trades where home to work travel may be solely for the trade as there is no identifiable place of business operations. These are often referred to as itinerant trades. However, where there is an identifiable place of business operations, travel costs from home to that destination are not tax deductible as they are said to have a predominantly private purpose.

The site at which business records and equipment are kept and maintained does not necessarily equate to a place of business operations as a recent case has demonstrated.

Once a week, the taxpayer traded fast food from Chelford market. He had a trailer from which he operated and which he transported to the market. During the relevant period, the taxpayer also traded at two markets at Kendal and one at Blackpool.

The taxpayer stored his trailer, stock and items used for his work at a unit called the 'Showman's Yard' which was four miles from the taxpayer's home. There was also a workshop at the premises. Four days a week the taxpayer attended the Showman's Yard in order to clean and carry out repairs of his equipment.

On market days, the taxpayer went to the Showman's Yard, collected the trailer, transported it to the market, traded and returned it to the yard before going home. The same exercise was also performed by the taxpayer in respect of the Kendal and Blackpool markets.

HMRC accepted that the costs of travel from his home to the yard should be allowed but refused the mileage costs between home and the markets on the basis that the place of business was the market place, principally at Chelford but also at Blackpool and Kendal.

The Tribunal agreed that the place of business was the market place and disallowed the costs of travel from home to the market including the travel costs from home to collect the trailer and stock on market days.

The case shows that when considering whether travel costs are allowable or not it is vital to establish the exact nature of the trade and how business activities are organised. If you have any concerns in this area please do contact us.

The Bribery Act 2010

The Bribery Act is due to come into force in April 2011 and will be applicable not only to all UK businesses, including their overseas operations, but also overseas businesses conducting activities in the UK.

The Act will replace the UK's common law and statutory offences related to bribery. Obviously larger entities (British Aerospace comes to mind!) will need to assess the impact very carefully, but it will apply to every entity regardless of size.

Amongst other offences such as active bribery and passive bribery, the Act will introduce a new corporate offence which will be committed if a person associated with a commercial organisation (such as a company or partnership) bribes another person with the intention of gaining financial or other advantage. Any such organisation found guilty of the offence will be subject to an unlimited fine and its directors could face a prison sentence of up to 10 years. The only defence for the organisation is if it can demonstrate that it had 'adequate procedures' in place to prevent bribery.

However, the Act currently offers no guidance as to what constitutes 'adequate procedures' and it is for this reason that the Ministry of Justice delayed the implementation date of the 2010 Act to April 2011, to allow for public consultation on this matter. In mid January it was announced that the Act is being reviewed but it has been suggested changes are unlikely. There is a possibility of a further delay in the implementation date and it is thought that there may be some amendments to the eagerly anticipated guidance on necessary procedures.

A draft version of this guidance is currently available from the Ministry of Justice website. This proposes a principles-based approach, referring to the following six principles:

- risk assessment
- top level commitment
- due diligence
- clear, practical and accessible policies and procedures
- effective implementation
- monitoring and review.

The draft guidance also offers a series of case studies covering a variety of situations, including the use of business partners and hospitality.

The key step is almost certainly the proposed risk assessment and every business needs to consider what their risks might be from April 2011. In many cases the risk will be very low but where it is not, appropriate procedures will need to be designed.



– iXBRL deadline approaching fast

In 2006 Lord Carter reported on his review of HMRC online services. He recommended that all statutory business tax returns should be filed electronically by 2012 and significant progress has been made. The next major milestone, which is nearly upon us, concerns corporation tax returns.

All corporation tax returns (including form CT600, tax computations and company accounts) in relation to accounting periods ending after 31 March 2010 and submitted after 31 March 2011, must be filed online as paper returns will no longer be accepted. In addition, corporation tax and related payments must be paid electronically.

It is important to appreciate that compulsory filing will not change:

- who has to file a company tax return
- when the return has to be filed or the tax paid
- what is legally required to be filed as part of a company tax return.

So what is going to change?

Specifically CT600 returns will have to be submitted electronically and in XML (Extensible Markup Language) format together with the accounts and tax computations in iXBRL (Inline Extensible Business Reporting Language) format. In broad terms tags are used to define both the content and the structure of data and operate in a similar way to bar codes. There are many thousands of different tags which are pre-defined using special dictionaries known as taxonomies.

These formats are computer-readable data standards for financial reporting statements. Extensible Business Reporting Language (XBRL)

is being adopted by numerous governments, regulators, companies and organisations across the world. However, XBRL is only machine readable whereas iXBRL is both machine and human readable so HMRC can see what you intended to display.

Most accountants in business or practice will rely on support from:

- commercial accounts production software
- corporation tax software
- HMRC online filing tool (suitable for straightforward situations only)
- template based workbooks
- conversion software
- outsource providers.

HMRC have recognised that this is a fundamental change to corporation tax compliance and appreciate that not everyone will get it right first time. They have indicated that they will take a sympathetic approach to penalties in the first two years of implementation where there is a reasonable excuse and reasonable care has been undertaken.

If this is a matter where you require further information or advice please contact us.



Child savings accounts

For children born before 3 January 2011, a Government voucher was issued to open a child trust fund (CTF) account. This capital would then be invested in either cash or shares, with returns being tax free. The idea behind these accounts was to provide all children with a 'nest egg' for when they reached adulthood. Extra vouchers were issued when children turned 7, but these were withdrawn from 1 August 2010.

Vouchers at birth will not be issued for children born on or after 3 January 2011. However, any existing vouchers which have not yet been used to open an account remain valid. Existing accounts remain open and the tax free status will still apply. In addition parents, friends and family can contribute up to £1,200 in total per year. The registered contact can change the trust fund account type or provider at any time. The child can do this once they turn 16. When the child turns 18 the account stops being a CTF account and the money can be withdrawn or reinvested.

See www.childtrustfund.gov.uk for information.

So how can parents save for their children born after 2010?

Well, the Government is to introduce a new 'Junior ISA' to replace the CTF account. These

new accounts will provide parents with a simple and tax free way to save for their children but without any contributions from the Government. The key features of the new account will be:

- All returns will be tax free.
- Funds placed in the account will be owned by the child and will be locked in until the child reaches 18.
- Funds can then be withdrawn without losing any of the tax benefits.
- Investments will be available in cash or stocks and shares.
- Annual contributions will be capped, although the limit has not yet been set.

The new accounts should be available in autumn 2011. Eligibility will be backdated from then to

ensure that no child born after the withdrawal of the child trust fund vouchers will miss out on a tax free savings opportunity.

The key advantage of parents making contributions into a CTF account or a Junior ISA is the combination of tax free status and capital growth. More significant capital growth may be realised with a stocks and shares investment rather than cash investment alone.

If a parent instead provides capital in an ordinary bank account or makes share investments for their child, annual income in excess of £100 will be treated as taxable income of the parent. It therefore follows that significant tax savings could accrue over the life of a CTF or Junior ISA account.

Class 2 National Insurance Contributions (NIC) – the new payment arrangements

Class 2 NIC will be payable by the self employed at a flat rate of £2.50 per week in 2011/12. Currently, Class 2 NIC are paid by quarterly account billing or by monthly direct debit. This is set to change in 2011/12, to bring it in line with payments of income tax and Class 4 NIC.

There will be no collections of Class 2 NIC payments from April 2011 until August 2011. Payments will commence in August from when a monthly direct debit will be taken. This means that by January 2012 six instalments will have been paid, equal to half the liability for the year. By 31 July 2012, the liability for the year will have been paid in full. Unlike income tax and Class 4 NIC there will be no balancing payment on 31 January 2013, as Class 2 is a set amount and does not need to be estimated.

There will be an alternative option to pay Class 2 NIC by two six-monthly direct debits, one on 31 January in the tax year and one on 31 July following the end of the tax year, instead of paying monthly direct debits. For 2011/12 this means the first payment will be due on 31 January 2012 and the second on 31 July 2012. The amounts of the monthly direct debits will vary between £10 and £12.50. The six-monthly payments will be £65 each.

Other NIC changes

The rates and limits for NIC generally are changing from 6 April 2011. The new rates and limits can be found at hmrc.gov.uk/rates/nic.htm

Employee salary (employee NIC only)	2010/11	2011/12
£20,000	£1,571	£1,533
£50,000	£4,259	£4,380
£100,000	£4,759	£5,380
Self employed profits (Class 4 NIC only)		
£20,000	£1,143	£1,150
£50,000	£3,114	£3,323
£100,000	£3,614	£4,323

Due to the increase in the 0% band for Class 1 NIC, employees earning up to £23,800 will be paying less NIC in 2011/12 than in 2010/11.

Employees earning above this limit will see an increase in their NIC bill.

For the self employed, those with profits up to £19,000 will be paying less Class 4 NIC in 2011/12 than in 2010/11. Those with higher profits will see a rise in their Class 4 NIC liability.

If you require any further information about the NIC changes for 2011/12 do contact us.



Counting the cost

The rate of corporation tax your company pays not only depends on the level of profit it makes but also on the number of companies that are associated with your company.

For example, if a single Company S has annual profits of £200,000 it will pay corporation tax at the rate of 20% from 1 April 2011. This means that the corporation tax due on those profits, assuming they relate wholly to the year to 31 March 2012, will be £40,000.

Higher rates of corporation tax apply on profits in excess of £300,000 and £1.5 million. For profits between £300,000 and £1.5 million the effective corporation tax rate is 28.75% and for profits in excess of £1.5 million the rate is 27%. Both rates also apply from 1 April 2011.

The impact of associated companies

If a company has associated companies, the amount of corporation tax may be increased. This is because the profit thresholds of £300,000 and £1.5 million must be shared equally between the company and its associated companies. For example when a company has two associated companies, then there are three companies in total. This means that the corporation tax rate of 28.75% applies between £100,000 and £500,000 and then 27% thereafter. If this applied to Company S its corporation tax due would increase to £48,750 (20% x £100,000 + 28.75% x £100,000).

What is an associated company?

A company is associated with another company if one of them has control of the other or if both are under the control of the same company or person(s).

The shares of direct relatives, business partners in certain situations and some trustees can be attributed to the person for the control test. In a situation where spouses each own separate companies their shares are attributed to the other with the result that both companies are treated as controlled by the same person. This means that the two companies are deemed associated even where they are in all other respects independent operations.

The precise application of these so called attribution rules in other situations can be complex so professional advice is recommended in interpreting when and how to apply them.

Changes ahead

However, a change to the associated company rules to be included in the Finance Bill 2011 may at least offer some relief to spouse controlled companies with effect for accounting periods ending on or after 1 April 2011.

It is proposed to amend the circumstances in which rights held by linked persons are attributed to each other to establish control. Attributions will only be made where there is 'substantial commercial interdependence' between the businesses being run in the companies. So where spouses each separately control their own company and there is no commercial interdependence between the companies, each company will have the use of their own profit limits.

There will clearly be many small and medium sized companies where family shareholding attributions could deem companies to be associated. The identification of whether there is substantial commercial interdependence may therefore be vital for the operation of the correct corporation tax rate.

When considering whether there is 'substantial commercial interdependence' HMRC will have regard to the degree of financial, economic or organisational links which exist, or have existed, or might be expected to exist between the relevant activities/companies involved.

If you consider these matters may affect you please do not hesitate to get in touch.