

WHEELERS WORDS

Wheeler Chartered Accountants and Tax Consultants

Winter 2011

Issue 12

WHEELERS REACH ANOTHER MILESTONE AND MOVE ON...

Every business has exceptional moments in its development, and Winter 2011/12 looks like being a special time for Wheelers. Not only do we celebrate our 70th anniversary, we are also flying our present nest.

The firm was started in 1941 when our founder, Mr G A Wheeler, set up as a sole practitioner. He took on a partner, Mr W J Grounds, in the following year and G A Wheeler & Co was born.

Seventy years on, the big news is that February 2012 sees us relocating to our new offices at 27-29 Old Market, Wisbech. We look forward to welcoming you to the new building. We'll be there from Monday, 20 February 2012.

Those of you with long memories of Wheelers will have a sense of déjà vu. Prior to our move to North Street in 1992, our offices were in fact in Old Market. In a sense, we're just coming home.

Today's Wheelers is made up of 4 partners supported by 26 staff. We currently look after many clients who have been with us for generations. However, we're a forward-looking business and our doors will always be open to new clients.

We're also taking our relationship with Independent Financial Advisers, Almary Green, onto a new level. Almary Green will be opening their own Wisbech branch office within our building, offering advice and support to individuals and businesses throughout the area.

We would like to take this opportunity to thank all our clients for their support and loyalty, however long they have been with us.



70 Years of Wheelers in Wisbech

The world that the original Mr Wheeler knew back in 1941 was very different, of course. It was in the middle of the Second World War and businesses faced some unique challenges.

The intervening years have seen the firm grow and develop with branches opening – and later closing when better roads and IT made a central office more practical – in neighbouring towns including Long Sutton, Downham Market and King's Lynn. There have been mergers and buy-outs, along with a few divisions and sell-offs as the firm adapted to local opportunities and challenges. Mr Wheeler himself was a part of the firm until June 1971. He was the last Wheeler to serve in the firm; his son, Geoffrey Wheeler, had been a partner, but had sadly died in June 1970.

Partners in the firm today are **Mervyn Baker, Andrew Cave, Robert Booty** and **Helen Garrett**.

Remember, from 20 February 2012, you will find us at:

**27-29 Old Market
Wisbech
PE13 1NE**



Employed vs Self-Employed

What about the Workers?

Many employers assume that the people involved in their business will fall into one of two pots – they will either be employees with the rights associated with their employment or they will be self-employed, as with sub-contractors. However, under employment law, there is a third category: workers.

The status of “worker” sits between that of the employed and the self-employed. This category will include casual workers, agency workers and some freelance workers and generally the employment status will be determined by the terms of the contract.

If the individual qualifies as a worker but not an employee, he or she does have some protection under employment law, but not as much as a full employee. However, workers are entitled to some of the most critical elements of employment law, including the right to holiday pay, the National Minimum Wage, protection against unlawful deductions from wages and protection from discrimination.

If a worker wishes to prove status in a claim against the business under his or her employment law rights, then the first question to be asked is if a contract exists between the two parties. Without some kind of contract, status is difficult to prove, leaving both sides of the claim vulnerable. If there is a contract, then its content will determine whether the individual can be classed as a worker, or as a self-employed sub-contractor.

Firstly, the worker cannot be a business or professional providing services to a client. If the individual looks after their own business management and promotion, provides their own equipment and transport, undertakes concurrent contracts and has the authority to take on or decline work from clients for example, then he or she is considered a business rather than a worker and therefore truly self-employed.

Secondly a worker must be personally obliged to provide the service within the contract – by which we mean that no substitute can be sent along to replace the individual doing the work. A sub-contractor’s contract could include a substitution clause allowing a replacement person to do the contracted work, but if the potential substitution is unrealistic and impractical (ie for health and safety, security or business continuity reasons) then a tribunal might decide that the clause is invalid and the case for worker status might be upheld. The defending business would need to prove that not only is a substitution acceptable, but also that it might reasonably be expected to happen. It would also need to identify the procedure to be undertaken if a substitute is to be used.

There are undoubtedly businesses out there where workers are being passed off as self-employed, therefore missing out on key employment benefits. A contract that claims self-employment status but doesn’t reflect the realities of working practices and expectations is likely to be dismissed by a tribunal. Contracts should be drawn up to reflect the real-life situation between the parties, not an official position that one or both parties would like the world to think it is adopting. It is important, too, that the terms of a self-employment contract are properly negotiated and agreed by both parties without any hint of enforcement.

Of course, there are many genuine cases of self-employed individuals enjoying long-term working relationships with businesses. Just because the relationship is long-term doesn’t mean that the individual is a worker. However, circumstances do change and it is prudent for both parties to review the terms of the contract and the nature of the relationship on a regular basis to ensure that true self-employment status can be justified.

If you would like to discuss this or other employment issues, please email **Helen Garrett** at helen.garrett@wheelers-accountants.co.uk or call her on **01945 582547**.

BUSINESS NEWS

Proposed New Audit Rules

The Government is proposing to change the rules affecting the financial reporting requirements for small and medium enterprises.

If the proposals come to fruition, it would mean more than 100,000 businesses could benefit. Currently, the requirement for an audit is waived for businesses meeting two key criteria: firstly, the business turnover must not be more than £6.5 million and, secondly, the gross assets must not be more than £3.26 million. However, EU rules use a third criterion – the average number of employees – for classification of a small company and require that businesses meet any two of the three. The proposal is to adopt this rationale in the UK.

Other proposed changes include removing the mandatory audit from subsidiary companies provided that their parent company is prepared to guarantee their debts.

The proposals are at the consultation stage at the moment – we will keep you posted on any decisions made.

If you would like to discuss your audit requirements, please email **Andrew Cave** at andrew.cave@wheelers-accountants.co.uk or call him on **01945 582547**.

HMRC Puts the Spotlight on Business Records

HM Revenue & Customs (HMRC) is taking action to meet Government concerns about the adequacy of business records.

In a pilot study, HMRC visited a number of businesses to assess their records. Their report suggests that up to 44% of businesses have issues with their record keeping. A disturbing 12% had what was described as “seriously inadequate” records.

As a result of their findings, HMRC plans to increase the number of Business Record Checks it makes on businesses. Their target is to complete up to 12,000 checks this financial year and 20,000 in the 2012/13 financial year.

HMRC will be issuing guidelines about what constitutes adequate records, and initially will only impose penalties on cases where records fall seriously short of what is required.

Good record-keeping will not only keep the taxman happy, it will also help you identify the strengths and weaknesses of your business. If you find business records a problem, then there are tools and services out there that can help. Our tax and accounts experts can advise on the right records to keep and, if you need it, we can provide a package of support to suit your needs ranging from help with end of year returns to a fully outsourced book-keeping service. To discuss your book-keeping needs, email **Helen Garrett** at helen.garrett@wheelers-accountants.co.uk or call her on **01945 582547**.



DON'T MISS the Annual Investment Allowance Boat

Businesses who are looking to invest substantial sums in plant and machinery over the short to medium term should be thinking now about maximising the investment allowances available ahead of changes due to take effect in April 2012.

The main change is to reduce the maximum Annual Investment Allowance (AIA) from its current level of £100,000 to £25,000 for expenditure incurred on or after 6 April 2012 (1 April 2012 for companies).

If your current accounting period ends before April 2012 you may find it makes economic sense to take advantage of the higher level of allowance available and bring forward any plans for qualifying capital expenditure.

The accounting periods of many businesses will span these start dates and where this occurs a pro rata calculation of their maximum entitlement will be used. Where a business has an accounting period that spans the 1 or 6 April 2012, the maximum allowance for that period is the sum of:

- the maximum AIA entitlement based on the previous £100,000 annual cap for the portion of the accounting period falling before the 1 or 6 April 2012;
- the maximum AIA entitlement based on the new £25,000 cap for the portion of the accounting period falling on or after the 1 or 6 April 2012.

However, an important restriction has been set so that, for expenditure incurred in the portion of the accounting period falling on or after 1 or 6 April 2012, the maximum entitlement is given only by reference to that period.

This does not affect the business's maximum AIA for the accounting period as a whole but rather the amount of expenditure after the relevant start date that may be covered by the AIA.

Example

A business makes up its accounts to 30 September annually. For the year to 30 September 2012, the limit is calculated as follows:

October 2011 – March 2012	6/12 x £100,000	=	£50,000
April – September 2012	6/12 x £25,000	=	£12,500
Total AIA			£62,500

Under the restriction detailed above, the limit on expenditure qualifying for the AIA for the six months to 30 September 2012 is just £12,500. This means that if, in the six months to March 2012, the business spends £60,000 on purchases of machinery, the expenditure will all qualify for AIA as it is below the total available AIA of £62,500. However, if the business spends its £60,000 in the six months to September 2012, only £12,500 will qualify for AIA.

Timing

Clearly, the timing of your expenditure may be critical, particularly in light of the rather strange '£12,500 rule' in the example above. Consideration should be given to ensuring that expenditure is **incurred before** the 1 or 6 April 2012, as the date that expenditure is incurred usually triggers the entitlement to capital allowances.

Traps for the unwary

Two points are worth noting in relation to the trigger point for capital allowances.

Firstly, the normal rule is that expenditure is incurred on the date on which the obligation to pay becomes unconditional. The contract for purchase will be evidence of when this arises. So if the contract specifies that payment is required within 30 days of delivery, the obligation to pay arises on the date of delivery.

However, if there is a gap of more than four months between the date on which the obligation to pay becomes unconditional (eg delivery) and the date on which payment is required to be made, the expenditure is not treated as incurred until the date on which payment is required to be made. This could, for example, apply to interest-free credit arrangements.

Secondly, a special rule applies to hire purchase agreements. Usually all of the capital expenditure incurred under a hire purchase contract is treated as incurred up front. However, if the asset is not brought into use by the end of the accounting period, any capital expenditure not incurred at the end of that period is deferred until the asset is actually brought into use.

Changes to writing down allowances (WDAs)

For accounting periods commencing on or after 6 April 2012 (1 April 2012 for companies), the rates of WDAs per annum on expenditure not relieved by other allowances is reduced as follows:

- from 20% to 18% on expenditure allocated to the main pool; and
- from 10% to 8% on expenditure allocated to the special rate pool.

Transitional rules apply for accounting periods which span 1 or 6 April 2012. The broad effect of the rules is to give a rate for the transitional period between 20% and 18% (or 10% and 8%).

This change affects all the main rates which apply to plant and machinery, including cars.

What to do now

As you can see, the changes are not positive for businesses but, with a bit of careful planning, the rules for capital allowances can be maximised. If you would like to find out more about the capital allowances available to your business, contact **Mary Plant** at mary.plant@wheelers-accountants.co.uk or call her on **01945 582547**.

Watch out for fake Taxman Emails

An email from the Taxman offering you a tax refund could look like great news, but is much more likely to be a scam perpetrated by an online crook.

Remember: HM Revenue & Customs don't use email, telephone calls or third parties to tell you about a tax refund. The only method they currently use is by letter.

This type of online crime is on the increase; around 2,400 fraudulent emails were received in August 2011 alone and HMRC is warning taxpayers not to be taken in. The email may look genuine and the link takes the recipient through to what looks like a genuine HMRC page. You'll be asked for credit or

debit card details so that your refund can be paid to you, but in reality the criminals will use this information to access your accounts.

If you receive an email claiming to be from HMRC, send it on to them at

phishing@hmrc.gsi.gov.uk so

that they can investigate and close the sites down – and then delete it permanently from your mailbox.

If you have any concerns about your tax payments,

please contact **Mary Plant** at mary.plant@wheelers-accountants.co.uk or call her on **01945 582547**.



VAT RETURNS AND PAYMENTS ONLINE IS COMPULSORY

Online filing for VAT Returns will become compulsory for VAT Registered businesses with a turnover of less than £100,000 excluding VAT from April 2012. VAT payments to HMRC for the affected businesses must also be made electronically from the same date. Larger businesses have been both filing and paying VAT online for a couple of years now.

Wheelers Accounts Teams offer help and support with online submissions and all other aspects of your VAT records and payments. If you would like to discuss your needs and how we can assist you, please contact **Helen Garrett** at helen.garrett@wheelers-accountants.co.uk or call her on **01945 582547**.

CONSTRUCTION INDUSTRY SCHEME (CIS)

FIREWORKS if returns are late

Construction Industry Scheme returns submitted late will face a new penalty regime. The new rules will affect all returns for payments to subcontractors starting with the month ending 5 November 2011. The changes came into effect on 6 October 2011 and include a £100 fixed penalty if the return misses its due date (19th of each month), as well as a second fixed penalty of £200 if the return is two months late. There are also further tax-gear penalties of up to £3,000 a time for those returns not filed after six and twelve months. These escalate depending on whether it is judged that the withholding of information was deliberate or concealed.

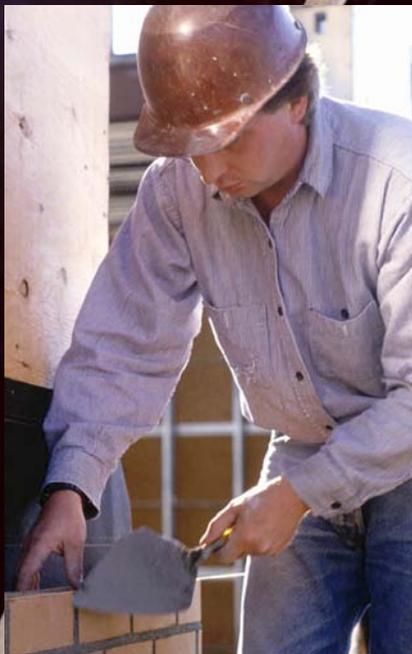
Those who benefit from Gross Payment status under the CIS rules should note that Tax Treatment Qualification Tests (TTQT) are now carried out on an automated system. Loss of this status will be triggered automatically if the contractor is late with a key return (a monthly CIS300 return, a self-assessment return or a corporation tax return), or if the contractor's PAYE or CIS payment is either late on 4 occasions or more than 14 days late just once.

If you have concerns about your participation in CIS, talk to our CIS expert, **Helen Garrett**. You can email her at

helen.garrett@wheelers-accountants.co.uk or call her on **01945 582547**.

Don't be Late with your Tax Return!

As we reported in our last Wheelers Words, there are new stiffer penalties for those who file their tax returns late and those who pay late. Interest on outstanding amounts will be charged on top of the penalties. Make sure you meet both the submission and payment deadlines: online returns must be submitted and payments made by 31 January 2012. If you need help with your tax return, email **Mary Plant** at **mary.plant@wheelers-accountants.co.uk** or call her on **01945 582547**.



Business News: Making it Easier to Appoint Apprentices

In an attempt to encourage businesses to employ young workers, the Government is planning to sweep away the red tape and bureaucracy surrounding the appointment of apprentices.

The plans include simplification of payments, streamlining of contracts and a reduction in the reporting requirements and returns imposed on employers. This is good news for both businesses and their potential apprentices and should allow the total number of apprentices to rise in the coming year.

Our Payroll team have experience in handling payments to apprentices and the associated returns. For more information, email **Helen Garret** at **helen.garrett@wheelers-accountants.co.uk** or call her on **01945 583547**.

Staff News

We have two new members of staff to tell you about in this edition of Wheelers Words. Sam Faben has joined our payroll team, helping to process PAYE records, returns and payments for our payroll bureau clients. Stephanie Mays joins us straight from university as a trainee accountant and will be working in our unincorporated accounts department. We're delighted to welcome them both!



Sam Faben



Stephanie Mays

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All views and information expressed within this newsletter are generic and should not be taken as any form of recommendation or advice specific to you. We strongly advise that you take professional advice before making any decisions based on this newsletter.

The information is based on our understanding of current HMRC rules and practices (as at November 2011) which are always subject to change.