

I N F O C U S

Autumn 2001

UK 200 Group News

After an exceptionally busy first half of the year, the Group now looks forward to its Annual Conference in November in Bristol which will focus on 'Identifying and Managing Professional Risk'. As a member firm of the UK 200 Group we take pride in keeping up to speed! The Group holds many training conferences such as Healthcare and Agricultural Groups, the Corporate Finance Panel, the IT Users' Group and the Forensic Accounting and Litigation Support Panel. All these training sessions ensure we offer the best possible support to our clients.

Another successful event held earlier this year was the Group's April Conference targeted at the Growing Business sector. A record audience heard a galaxy of top speakers, including the Rt. Hon. Michael Heseltine and Professor Sir Roland Smith, Chairman of Manchester United and Chancellor of UMIST. It was a very inspiring and thought provoking day.

Many clients are finding our newsletters and bulletins of real interest. In July the UK 200 Group's National Economic Survey was published along with the Agricultural Group's Newsletter. In October, the next Healthcare Newsletter and Bankers' Bulletin will be available. If any of these are of interest, please do not hesitate to contact us.

Winters Latest

The Partners are pleased to welcome four new members of staff, Alan Maynard to the tax department, Jonathan Orme and Tom Rees as audit juniors and Mark Raybould to join Nigel Tiffany of Winters Investment Business providing independent financial, investment and pension advice.

Congratulations to Dawn Bowden in our tax department who was married during the summer, now to be known as Dawn Garrad. Also congratulations to audit

manager Phil Clark and his wife Liz who gave birth to their third son in June.

Still doing our bit for charity, following on from the money raised for the British Heart Foundation and British Wheelchair Association in our sponsored slim (although most have put some of the weight back on), Christine Dilworth our Company Secretary raised £250 on a sponsored run for Cancer relief, well done Christine.



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Limited Liability Partnerships - A New Business Structure

Limited Liability Partnerships or LLPs were introduced into the UK from 1 April 2001. This represents the first major addition to the forms of legal vehicle available under UK law since the introduction of joint stock companies in 1844.

Originally intended for use by regulated professional partnerships the final legislation allows the adoption of LLP status by any two or more people in business together with a view to profit. As a result any business in the UK can now choose between unincorporated partnership (or sole trader/practitioner), LLP or company.

The first point to make clear is that even though the title LLP includes the word partnership, an LLP is not simply a partnership with limited liability. In fact the LLP legislation explicitly states that the law relating to partnerships will not apply to LLPs. Throughout the law and regulations introducing LLPs there is no mention of partners. Instead the term 'members' is used for those persons who would be partners if the business was a normal partnership.

In general terms it is much easier to think of an LLP as a company which is taxed in the same way as a partnership rather than as a slightly different form of partnership. The reason for this is that LLPs are regulated by company law with minor modifications to fit the structure of an LLP. The main effects are as follows:

- an LLP is an incorporated body and has to follow an incorporation procedure based on that for companies
- the registrar of companies will maintain details of LLPs on public record

including names and addresses of members; all changes will need to be notified

- LLPs are required to produce and file annual accounts in exactly the same way as companies; these accounts are subject to audit where appropriate
- the members of the LLP are subject to a penalty regime for failing to comply with the requirements and these are similar to the penalties applicable to directors of a company.

Where an LLP gains over a company is in the way it is taxed. Even though it is a separate legal entity, this is not recognised for tax purposes and the aim of the tax legislation is transparency. As a result the tax law says that any business conducted by an LLP shall be treated for tax purposes as carried on in partnership by its members.

Each member will be taxed on his or her share of the profits of the LLP as if they were partners in a partnership. There is, however, some anti-avoidance legislation to prevent any perceived abuse of the rules.

The introduction of LLPs into the UK provides an interesting alternative to conducting business as a partnership or limited company. There will be significant advantages to some businesses which could benefit from limited liability but for whom limited company status may not be appropriate.

As our article highlights, it is not however a simple decision to make and there are many factors to consider. If you would like to discuss LLPs in more detail please speak to us.

Authors and Creative Artists

Authors and others whose income comes wholly or mainly from the creation of literary, musical or artistic works or of designs are now able to average their profits over two consecutive tax years under provisions introduced in this year's Finance Act.

Authors and artists are likely to have fluctuating income levels because a work can take more than a year to create or because a lump sum payment has been received. An averaging claim, as the example below demonstrates, is intended to smooth the pattern of taxable profits and so save higher rate tax and improve cash flow. The first two years available for averaging are 2000/01 and 2001/02.

Jo is a musician, his profits are:

	£
2000/01	10,000
2001/02	24,000
2002/03	7,000
	<u>£41,000</u>

Averaging is possible where the profits of the lower year are less than 75% of the profits of the higher year.

Averaging will result in the following pattern of taxable profits:

	£
2000/01	17,000
2001/02	12,000
2002/03	12,000
	<u>£41,000</u>

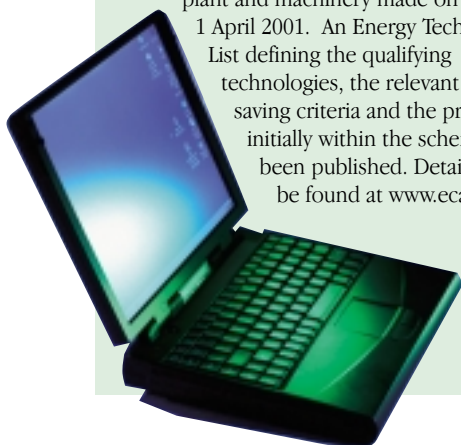
(2002/03 can be averaged further with 2003/04)

Please talk to us if you wish to discuss the points raised in this article further.

Capital Allowances - don't miss out!

Energy Saving Investments

Businesses can claim 100% allowances on investments in designated energy-saving plant and machinery made on or after 1 April 2001. An Energy Technology List defining the qualifying technologies, the relevant energy-saving criteria and the products initially within the scheme has been published. Details can be found at www.eca.gov.uk



IT Equipment

Last year, 100% allowances were introduced for expenditure incurred on IT equipment by small businesses between 1 April 2000 and 31 March 2003. Look at the list below to see the wide range of expenditure covered under this heading.

Small Business

One that satisfies two out of the following three conditions:

- annual turnover not more than £2.8m
- gross assets not exceeding £1.4m
- not more than 50 employees.

IT Equipment Hardware - including

- laptop and palmtop as well as deskbound computers
- peripheral devices connected to or inserted into the computer - eg printers, fax modems; "connected" includes devices using the new infra red technology instead of cables
- cabling and dedicated electrical systems
- consultancy costs to install the technology

Software - including

- costs of building and operating a web site

Mobile phones

- if WAP or internet-enabled

Talk to us if you need any further help or advice.

ISA Update

The Government has commented that "ISAs are a continuing major savings success story". In 1999/00, the first year of ISAs, over £28.4 billion was paid into nearly 9.3 million accounts.

As a consequence, the £7,000 annual ISA subscription limit has not been reduced to £5,000 as originally planned but will be retained at £7,000 until April 2006. However, it is important to remember that within the £7,000 limit, you can choose either a single Maxi ISA or up to three Mini ISAs. The limits are set out below.

Annual ISA Limits

	Maxi ISA £
Overall limit	7,000
Stocks and shares	up to 7,000
Cash	up to 3,000
Life insurance	up to 1,000
	Mini ISA £
Overall limit	7,000
Stocks and shares	up to 3,000
Cash	up to 3,000
Life insurance	up to 1,000

The Inland Revenue has identified around 85,000 investors who may have taken out "incompatible" ISAs - eg opened a mini ISA in the same tax year as a maxi ISA. Where this has happened, the investor will not be entitled to any tax relief in respect of the ISA which they should not have opened.

It is now possible for 16 and 17 year olds to open mini-cash ISAs so that they can earn tax-free interest on an investment of up to £3,000 a year. This extension is really only likely to benefit those teenagers whose income exceeds their personal allowance of £4,535. Furthermore, the cash invested in such an ISA should not come from a parent, or the interest would remain taxable on the parent if it exceeded £100 a year. Teenagers will need to look to their grandparents, other relatives or trust funds to provide the necessary finance so that the parental problem is avoided.

Property News

1. Did you know?

Suppose you put your house up for sale and, having found a purchaser, the sale falls through. If this happens after the prospective purchaser has paid his 10% deposit you get to keep it. All well and good, BUT the law treats the forfeited deposit as the price of granting an option over the house so that the money is subject to capital gains tax (CGT). It does not count as a disposal of your house which would normally be exempt from CGT. It is taxable in full, with no taper relief, and the only deductions allowed are the legal costs you incurred on the abortive sale. At worst this could mean an obligation to enter the deposit on your tax return and pay CGT at 40%!

2. Stamp duty

It was widely expected that Gordon Brown would announce a further hike in stamp duty rates in his March 2001 Budget. This did not happen. However, we may well see some further increases during this Parliamentary term, but for now we provide a reminder of the current rates and thresholds in the box below.

Stamp duty rates

Transfers of shares and securities 0.5%

Transfers of other property
(from 28 March 2000)

Price

Up to £60,000	Nil
£60,001 - £250,000	1%
£250,001 - £500,000	3%
Over £500,000	4%

Remember that stamp duty at the appropriate rate is charged on the full price not just on any excess over a threshold.

3. Stamp duty exemption

An exemption from stamp duty is to be introduced on all property transactions in certain disadvantaged parts of the UK.

4. Flats for letting

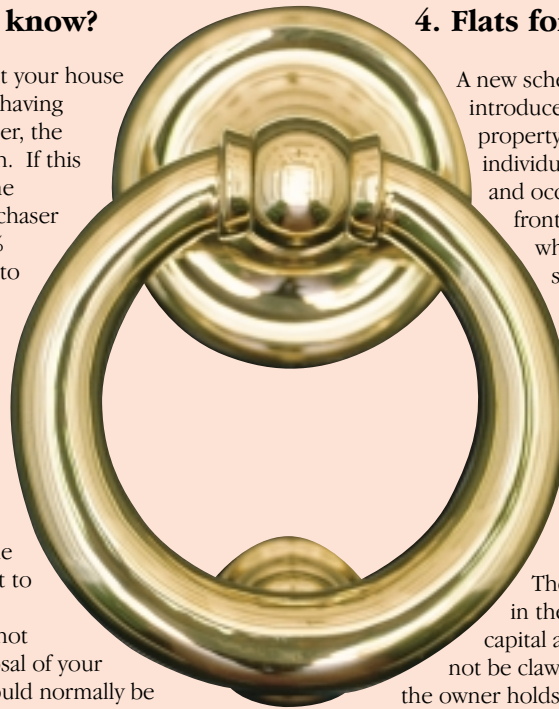
A new scheme has been introduced to enable property owners, whether individuals or companies, and occupiers to claim up-front tax relief on the whole of their capital spending on the renovation or conversion of vacant or underused space above shops and other commercial premises to provide flats for rent.

The tax relief is given in the form of 100% capital allowances and will not be clawed back so long as the owner holds the same freehold or leasehold interest in the property for seven years after the conversion and the flats are available for letting during that period. However, although the measure may encourage regeneration of towns and cities, numerous conditions will need to be satisfied before the relief can be claimed. We provide a useful summary of these below.

Conditions to be satisfied

- Property built before 1980
- Maximum of five floors
- Originally constructed with floors above ground floor primarily for residential use
- Ground floor is a shop/other commercial premises
- Other floors currently empty/used for storage
- Converted flats are self-contained, have no more than four rooms and are not of high value. For example a four room flat will only qualify if the rent that could reasonably be expected assuming it is let furnished is not more than £480 a week in Greater London or £300 elsewhere
- The conversion must take place within the existing boundaries of the building, with extensions allowed only to provide access to the flats.

Please talk to us if you think this scheme could benefit you.



Data on the Move

mCommerce

It is vitally important for today's busy executive to be in constant contact with the outside world and to be contactable by the outside world, whether in the office, or on a train or in a plane or car. This means that there is now a strong case for mobile technology. We no longer need to be in touch with the office just by phone. We also need, for example, to be able to send and receive e-mails, browse the internet, synchronise diaries and databases and have a look at the accounts system to review particular customer accounts. There are a whole range of devices which make this possible.

Choosing a mobile device

The choice of mobile technology can seem overwhelming. However the devices can be grouped into a relatively small number of categories.

Laptop PCs

Portable computers with a full size keyboard, hard disk and large screen. They are desktop replacements and allow users to run the same applications used on the office PC. Many now offer video and sound and the possibility of upgrading with plug in PC cards (eg modem and network cards).

Hand-held computers

These include PDAs – personal digital assistants – tablet based devices that use a touch screen and stylus. They are good for personal information management applications but not for writing large amounts of text. The latest hand-helds are equipped with a fold-out keyboard. Such devices are available from Psion, Palm, Handspring, Compaq and Hewlett-Packard and some now use Microsoft's windows CE operating system, a cut down version of windows. It will clearly be important to establish whether it can run the range of applications you need.

Mobile phones

Mobile phones are currently going through major technological changes. The second generation 'WAP' phones have a built-in browser and can access specially developed websites but because WAP is a dial-up system it tends to be slow. There is consequently much interest in the emerging GPRS (General Packet Radio Service) phones. These offer a faster 'always-on' connection to the internet.

Smart phones

Smart phones attempt to combine all of the technology required into one unit. Still in their infancy, these devices combine a PDA and a mobile phone.

There are two key players in this emerging market, Microsoft and Symbian (a consortium formed by Nokia, Ericsson, Psion and others).

Compatibility

This may be a very important consideration. Many products include synchronisation software that allows users to link their mobile device to a PC or server but some products make this easier than others.

Will your mobile technology work anywhere in the world or are there geographical limitations? You need to check this too.

Finally, if mobile technology is going to be used away from a power point for any length of time, battery life is important. Most laptop battery packs will only last for a couple of hours but many hand-held computers have a much, much longer battery life.

Costs

In addition to the initial cost of any device, you will need to consider the cost of any add-ons or peripherals and software costs, call costs and internet access costs. Furthermore there will be training costs, administration back-up costs and the cost of any additional security required, not to mention on-going maintenance costs. All of these need to be considered at the outset.

Other issues to be considered include reliability, control, safety and the effect mobile devices will have on staff productivity.

Conclusions

It is clear that there is still some way to go before a single device will provide all our communication needs. There are technological solutions to some of the problems, such as voice and character recognition to minimise the need for a large keyboard. However, these solutions are only just beginning to appear all together in one single piece of hardware. So whilst there is a very exciting future in the mobile communications market, we may have to compromise in the meantime with a variety of different devices.

Starting in Business – watch the deadline!



The Inland Revenue has launched a campaign to encourage those starting their own business to register immediately with them.

A new helpline (0845 9 15 45 15) is open seven days a week from 8am to 8pm and will take registrations over the phone.

The main purpose of the registration is for Class 2 (flat-rate) NIC purposes, but it will also count for Class 4 NIC and income tax purposes.

The deadline for registration is three months from the end of the month in which the self-employment began. Therefore someone beginning self-employment in September 2001 must register by 31 December 2001.

Failure to meet this deadline could mean a £100 penalty. This may not seem a lot but compared with the Class 2 NIC charge of £2 per week it represents almost a full year's liability.

Individuals with earnings below £3,955 in the current tax year do not have to pay NICs and escape the £100 penalty if they are late in registering. If you are in this position you still need to register but should apply for the small earnings exception.

Disclaimer - for information of users

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