

proactive

Inside:
Making Hay?

SUMMER 2011

Our top IT tips

- Have you heard of solid state drives? If you haven't then the chances are that you'd be amazed at how much faster they are than traditional drives. In a laptop they use less power and are more shock resistant. They are also relatively inexpensive.
- Do you back up your system regularly and do you keep a copy off-site? If not, have you considered the consequences of losing all your data?
- Do you have good quality anti-virus and anti-spam software and do you keep it up to date?
- If you use a wireless network, have you restricted access to authorised users only?
- Do you keep your passwords physically secure? Would you be covered for data loss or a breach of security if anyone obtained your password?
- Have you received an email purporting to be from HMRC telling you that you are owed a tax refund? If you have, you should ignore it: fraudsters are active again and HMRC does not send emails about refunds.

Better than nothing...

One, little noticed, change in the Budget was the increase in the tax free mileage rate to 45 pence per mile for the first 10,000 business miles each year. It may not be much, but every little helps.

In the news

Tax partner Paul Aplin was called by the House of Commons Treasury Committee to give evidence as part of its enquiry into H M Revenue & Customs. The hearing can be viewed on the Parliament TV website and Paul's evidence was also reported by the Daily Mail and in the professional press.

What do you see?

Most people would say a construction site, but we see an opportunity to maximise tax reliefs.

Although there is no income tax or corporation tax relief for the expenditure on bricks and mortar, there is more to a building than just that. The trick lies in knowing what to look for and what to claim. The earlier you involve us, the more effective we can be in maximising any tax relief available.

The building in the photograph is now a year-round play facility at Flambards in Helston. We were keen to visit during the building's construction so that we could meet the builders and identify items that would qualify for capital allowances. Talking to them at an early stage ensured that they knew which elements of the

cost needed to be quantified and clearly identified in their invoices. If builders are unaware of the need to identify specific items, invoices can be far too general for us to use when looking at the tax issues. If you are having a building constructed, we would welcome an early opportunity to talk about tax. There are also tax issues involved in buying or selling a building - tax can often be significantly mitigated by involving us at an early stage and certainly before contracts are finalised by your legal advisers.

To find out what the building looks like now, turn to page four.



Making hay?

Many farmers in the South West are diversifying into power generation through energy crops, photovoltaic arrays, hydroelectric plants, wind turbines, combined heat and power units or anaerobic digesters.

So many in fact that the Government recently announced that it would be scaling back the incentives offered under the Feed in Tariff (FIT) scheme launched in April 2010 for photovoltaic arrays in excess of 50kW. The incentives under the scheme are, however, still attractive - especially when combined with tax reliefs and even in some cases increased tax credits. And while the Tariff payments for photovoltaic systems have been scaled back, those for anaerobic digesters of up to 500kW have been increased.

The first thing to say is that although there are incentives and tax reliefs available, there are other things to consider as well. Planning permission and financing the project are major considerations, but as with any major investment it is important to prepare calculations to make sure that the numbers stack up. This is especially true where there is likely to be substantial capital investment and where amounts are payable over a long period, as they are under the FIT scheme.

The objective of the FIT scheme is to encourage small scale, low carbon energy generation. Over 40,000 installations have been registered to date. A "generation tariff" is paid for electricity generated under the scheme. The tariff will be paid for 25 years for photovoltaic installations and for 20 years for anaerobic digesters, wind and hydroelectric installations. While the tariff can be tax free for domestic users, it will be taxable where a business generates the electricity (where there is mixed use, part may be taxable and part tax free). A business may be able to benefit in two ways. Firstly it will reduce its energy costs by receiving the Tariff payments and secondly it may be able to claim capital allowances on the cost of the equipment.

For capital allowances the exact type of equipment and the timing of expenditure and installation could be critical: some items may qualify for 100% capital allowances under the Enhanced Capital Allowances (ECA) rules and the Annual Investment Allowance (AIA) can potentially be used to secure 100% relief on other items - but the AIA falls from £100,000 to £25,000 at the beginning of April next year and the Government is known to believe that the combination of ECA and FIT is too generous. Any expenditure in excess of the AIA can be written down at 20% per annum (falling to 18% next April).

While these tax reliefs may be attractive it is important not to lose sight of the potential tax downside: as with any diversification, Inheritance Tax (IHT) reliefs may be prejudiced in some cases. The overall picture must be looked at very carefully.

Another current scheme is the Renewable Heat Incentive (RHI). The Government is currently consulting on whether to block claims for ECA in respect of FIT and RHI schemes and to reduce the writing down allowance from the 18% rate to the lower 8% rate for expenditure incurred on or after 1 April 2012 for companies and on or after 5 April 2012 for other businesses.

For many farmers it is no longer a case of making hay while the sun is shining but of generating electricity. If you are thinking about making the transition, there is much to consider and we would be happy to guide you through the issues. Time, though, could be of the essence.

An inspector calls

HM Revenue & Customs recently began a programme of visits to small businesses to assess the quality of their accounting records.

They intend to visit up to 50,000 small businesses a year and any found to have inadequate records could face a hefty fine. HMRC will be particularly keen to establish that sales are fully and accurately recorded within a reasonable time and that there is adequate documentary evidence to support expenditure.

If you would like us to review your records in advance of a visit or to advise on changes to your bookkeeping and accounting system we would be pleased to do so. We may well be able to help you to simplify or improve your records, saving you both time and money in the long run.

If you do receive a visit and you do not like the line HMRC is taking you can always ask the officer to direct questions to us: while there is nothing to fear from answering straightforward questions openly and honestly, some questions can have more meaning for HMRC than might be apparent. Never sign a written note of a meeting unless you are content that it accurately reflects what you said. If you are unsure, ask us: it's what we are here for.

Over here – but still over there for tax?

Many US citizens and Green Card holders living outside the USA think that if they have no income in the US and file tax returns in the country in which they live, they have discharged their obligations.

They could not be more wrong - and the US Internal Revenue Service (IRS) has made it clear that it expects full compliance. The sanctions being threatened against those who ignore the requirements are severe.

Even those with no US tax liability may have to file both US tax returns and information returns detailing their bank accounts outside the USA. Penalties for failing to do so can be based on the value of the undeclared balances rather than the tax due. The definition of bank accounts is very wide and can even include UK tax exempt assets such as pension funds and ISAs.

Hoping that the IRS will not catch up is a dangerous course to take: those who fail to comply voluntarily may face penalties for willfully failing to file or even criminal prosecution if the IRS tracks them down. From 2013, the US government will have sweeping powers to obtain information from financial

institutions worldwide. Information may end up in the hands of the IRS by less conventional means before then and the UK Money Laundering Regulations oblige solicitors, accountants and others to consider a report to the Serious Organised Crime Agency (SOCA) if they suspect that US tax might be unpaid as it would constitute criminal property. Reports involving unpaid US tax might well be forwarded to the IRS.

There is currently an amnesty, but action needs to be taken very quickly and the amnesty may not necessarily be the best way to put matters right. Those affected may well need the services of a US attorney as well as a specialist US accountant to ensure that communications are legally privileged. If you think that you may be affected then we can put you in touch with US based specialists. Doing nothing could be a very dangerous option.



Flambards

When Douglas Kingsford Hale retired from the Fleet Air Arm in 1976 he and his wife Audrey decided to set up an aviation museum and on the 10th June 1976 the Cornwall Aircraft Park opened its gates to visitors.

Some 76,000 people visited during the first season and the Park won a coveted British Tourist Authority 'Come to Britain' award. The name was changed to Flambards when the aircraft from the Yorkshire television serial of that name were put on display. To complement the old aircraft and to recapture scenes from the television drama, a workshop, kitchen and nursery of the period were built. These proved so popular that more period rooms, including a coach house and shops were added and the exhibition today has almost 60 shops and homes all set in genuine cobbled streets with carriages and costumes of the period. In 1984 Britain in the Blitz was opened by Dame Vera Lynn and the latest exhibition features recently acquired documents from Operation Sea Lion, Hitler's plan to invade Britain in 1940.

Over the years a number of rides – from rollercoasters and log flumes to the 28 metre high Skyraker 001 - have been constructed in the surrounding park to add to the attractions for all ages. The combination of rides and exhibitions now provides one of the West County's best family days out. In 2001 Douglas was appointed MBE for services to tourism and while he and Audrey still maintain an active involvement in the business, their son James is now managing director.

In June 2011 Flambards opened the doors to its newest attraction, one 2 eleven, an indoor activity centre which will be open 360 days a year. When James first mentioned the idea to us we said that we'd like to visit while the building was being constructed so that we could meet the builders.



By seeing it at an early stage we were able to talk the builders through the items that would qualify for tax relief and those that would not, enabling them to clearly distinguish the costs for us. We were also able to identify qualifying items that would subsequently have been out of sight underground or behind cladding. The conversation even identified the potential for making changes to attract tax relief that would otherwise have been missed.

The investment the business has made in the new building is significant and the cost of our journey to Helston to look at when only half built will have paid for itself in tax relief many times over. It is just another example of the effective and proactive advice we have been able to provide thanks to the close working relationship we have built.

In James Kingsford Hale's words *"We moved to A C Mole & Sons - who were highly recommended to us – around a year ago and we have not been disappointed. In the short period of time we have been associated, we have built an excellent relationship. The hands-on approach is so refreshing and their genuine interest in our business means that we are reaching into areas that we previously have not explored. This means we have a far better understanding of the issues which will affect our business in the future"*

You can find out more about Flambards at www.flambards.co.uk