

proactive

Pensions:
Planning for A Day

Read more inside

AUTUMN 2005

In the News Again

In addition to writing the monthly tax column in the Somerset County Gazette's business section, tax partner Paul Aplin has recently been quoted in the Financial Times, Accountancy Age and other national journals on Lord Carter's review of HM Revenue & Customs electronic services. Paul has written editorials for Taxation and TAXline magazines on the subject and in his capacity as Deputy Chairman of the Institute of Chartered Accountants Tax Faculty met Lord Carter and his team at the Treasury in September. As pioneers in the field of electronic filing we have a particular interest in the review and by participating we have been able to highlight the practical problems our clients face as well as the benefits of using on-line systems.

Contact Details

Please note that the old Taunton telephone and fax numbers are no longer in use. The new telephone number is 01823 624450 and the new fax number is 01823 444533.



Jeremy Browne MP with A.C. Mole & Sons Chairman, Nigel Banks

One Year On

It hardly seems possible, but by the time this newsletter reaches you, we will have been in our new Taunton offices at Blackbrook Park for a year.

On 6 December 2004 Taunton's then Member of Parliament, Adrian Flook opened the new building. This summer we were pleased to welcome his successor, Jeremy Browne to Stafford House. Jeremy spent several hours talking with partners and staff about local and national issues.

Reactions to the new building have been overwhelmingly positive and it has provided a springboard for another year of growth for the firm. Among many new clients are Dewhurst, the national butchers' chain, the film production company Great Western Features and Quantock Group (who design our newsletter). We have also established a new relationship with independent

financial advisers Rowan & Co (successors to Stafford House Investments) who now have an adviser – Caroline Perry – permanently in the building. An article by Caroline on the implications of pensions A Day appears on page two.

Much of the impetus for the move came from seeing our clients Clerksroom – featured on page four – move to Blackbrook Park in December 2003. We held our May 2004 partners meeting in their new offices and discussed relocating. Within a month we had found a buyer for our existing building and concluded negotiations for the new one with developers (and clients) Summerfield Developments. The rest, as they say, is history.



Pensions: Planning for A Day

Caroline Perry of Rowan & Co writes:

6th April 2006 ("A-Day") will bring wholesale changes to the UK pensions system. These changes are radical and far reaching and have been brought about by concerns that the British public consider pensions expensive, inflexible and just plain confusing. As a result, not enough is being saved and there are real concerns that too many people will face retirement with insufficient income to provide the lifestyle that they were planning.

Although the State currently provides a minimum income guarantee, this is only enough to cover the bare essentials and it is looking increasingly likely that the qualifying age for a State pension may be pushed back to 67 or beyond. As most people would like to have the option to retire earlier rather than later, the case for taking control of your own pension planning is compelling.

To encourage private provision, the Government has decided to make sweeping changes to the pension regime to make pensions more flexible, and offer a wider choice with less restrictive and complicated rules.

The changes will affect every pension arrangement in some way or another and as is usually the case with change, there will be those who benefit from the changes and those who lose out. The new rules will have an effect on the level of contributions that may be made to a pension arrangement, how much of the pension fund can be taken as a tax free cash lump sum, the amount by which a pension fund can grow without incurring additional tax charges, and how retirement benefits may be taken.

For those who have already built up substantial pension rights, including rights to tax free cash in excess of that permitted under the new rules, there are safeguards proposed to protect existing arrangements however in some cases, action must be taken by the plan holder to register these rights.

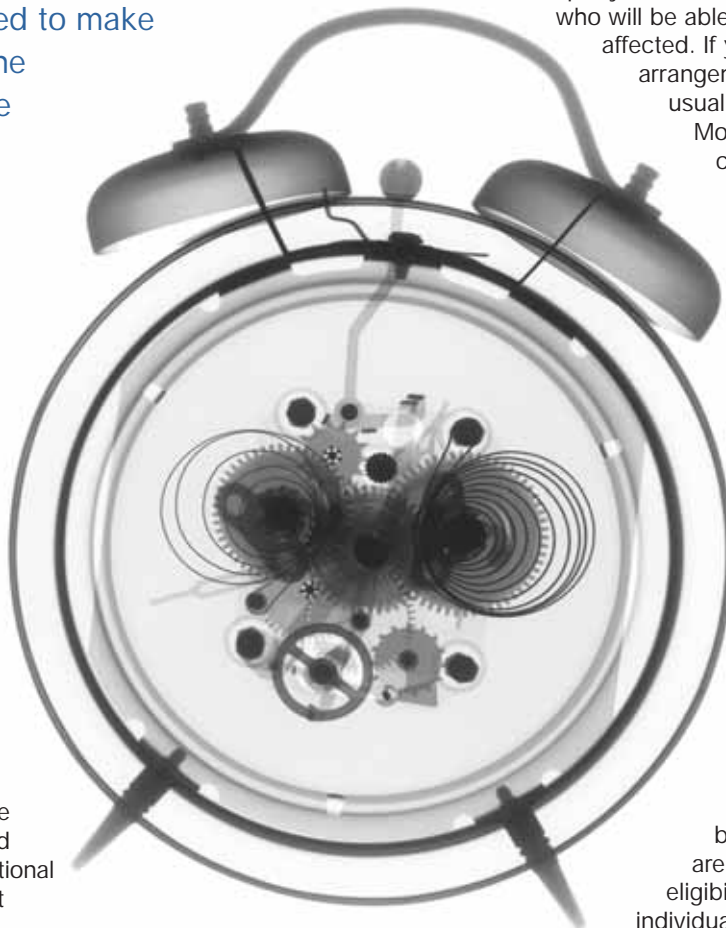
Failure to take action before A-Day could result in unnecessary tax being paid. Equally the changes will open up new

possibilities for pension planning. Whether you need to act before A-Day, after A-Day or do not need to take any action at all, will depend on your personal circumstances.

Because of the scale and implications of these changes it is important that everyone with a pension now takes appropriate individual advice. For those in company sponsored arrangements, your Human Resources department should be able to put you in touch with the Scheme Administrators who will be able to tell you how you will be affected. If you have an individual arrangement you should contact your usual adviser.

Most financial planning involves the co-operation between different financial professionals. AC Mole and Sons are now working closely with Independent Financial Advisers, Rowan. As an adviser with Rowan, I am now permanently based in AC Mole & Sons new Taunton offices and am available to offer advice on request, not just on the A-Day changes outlined above but on all aspects of financial and investment planning.

The views and opinions expressed in this article are those of Rowan and are based on our understanding and interpretation of the pensions simplification proposals, which may be subject to change. Levels and bases of, and reliefs from, taxation are also subject to future change and eligibility will be dependent upon individual circumstances. This article is provided for information purposes only: it must not be taken to construe advice and it does not constitute a recommendation or advice in any form.





Capital Gain? Ease the Pain!

Many people who pay capital gains tax (CGT) could easily – and legally - avoid it. As Lord Clyde, in one famous tax case said: “No man in the country is under the smallest obligation, moral or other, to enable the Inland Revenue to put the largest possible shovel in his stores”.

Here are just seven of many perfectly acceptable ways to minimise the impact of the CGT shovel.

Never lose track of capital losses - they can be carried forward indefinitely to set against future gains.

Claim capital losses on shares that become worthless. Even if you do not receive a penny, you may be able to claim a loss either against future capital gains or, in the case of some unquoted trading company shares, against income tax.

Transfers between husband and wife, or couples registering under the Civil Partnership Act 2005 are exempt from CGT. If one spouse or partner has an unused annual CGT allowance or pays tax at a lower rate, then you could consider transferring the asset to that person before sale.

If one spouse or partner has available losses and the other is about to dispose of an asset at a gain, you could consider

transferring the asset to the person with the losses. Losses themselves, however, cannot be transferred.

If you rent an asset (for example a property or land) to someone who uses it in their business, you may be able to claim the higher (business) rate of taper relief, relieving up to 75% of any gain from CGT.

Even if you cannot use any of these tax breaks, you may be able to “defer” the tax on a gain indefinitely if you invest in certain kinds of unquoted trading company (you may even get an income tax break as well).

If you have already made a gain, consider whether there are any losses you could crystallise in the same tax year.

There are many more ways to reduce or eliminate the effect of CGT – the most important thing is to talk to us before, rather than after, making a disposal.

All Change on Audits

The Enron, WorldCom and Parmalat accounting scandals were widely reported in the media. Although they took place overseas and under very different auditing regimes, they have prompted the introduction of even more rigorous auditing and ethical standards in the UK. At the same time, there has been a move towards the global harmonisation of Auditing Standards and the UK has also now adopted International Standards on Auditing (ISAs).

For accounting periods beginning on or after 15 December 2004 all UK audits must be performed in accordance with these new standards. The aim is to ensure better protection for shareholders, lenders and other users of audited accounts. The main changes involve a detailed assessment of business risks, greater consideration, discussion and assessment of the risk of fraud and the recording and assessment of internal controls. The

new ethical standards aim to ensure that auditors are, and are seen to be, independent.

The introduction of the new standards will inevitably result in an increase in the audit work that has to be performed, but the increased focus on risk areas should reduce the potential for Enron type disasters in the UK. More time will be spent with management discussing key business issues and the new procedures are more likely to identify potential improvements to systems and controls which will help to reduce the risk of losses due to fraud and error.

It would be easy to see the new measures as yet another burden on businesses but we plan to make full use of the additional information we will obtain to make our reports to management more comprehensive and more focused on commercial issues. We will be better able to bring to bear – and indeed to share – the experience we have built up from our close involvement with many hundreds of businesses over the years. And that must be good news.

Clerksroom

We are used to offering our clients advice. Occasionally, however, we find that the tables are reversed and our relationship with Clerksroom is a remarkable case in point. It was largely responsible for us uprooting from the Taunton premises we had occupied for ninety years and relocating to Blackbrook Business Park.

We were approached in 2001 by barristers Jonathan Dingle and Harry Hodgkin and their clerk Stephen Ward. The three were setting up a new clerking operation for barristers, arbitrators and mediators and operating from two small rented rooms above a builder's offices. Within five years they were to change the way that much of the consultancy arm of the legal profession would be managed.

Until 2001, almost all barristers operated from sets of chambers – like those immortalised in Rumpole of the Bailey, Kavanagh QC and North Square (but with perhaps rather less of the Judge John Deed). Jonathan, Harry and Stephen thought that this was inefficient, expensive and unnecessary – and decided to make use of the technological revolution inspired by broadband internet availability to offer clerking to barristers, arbitrators and mediators online.

It was not, of course, an overnight decision, but was carefully researched. The professional body sanctioned each step and the IT required diligent selection. A business plan was set out and colleagues and advisers – including A C Mole & Sons - consulted. Ultimately there came the day when there were two barristers, two clerks and phones waiting to ring.

And ring they did. By offering the very highest standards of clerking to self-confident barristers, Clerksroom was able to meet the traditional demands of solicitors and clients for the "three As": availability, affordability and ability. Yet it typically charged its barristers less than half of the rent (or commission) that traditional chambers extract.

As a result, there was rapid and substantial growth and Clerksroom's website www.clerksroom.com reports that the venture now supports the practices of 59 barristers (including four QCs), 170 arbitrators and 417 mediators. Clerksroom is Europe's leading practice administration service for barristers, arbitrators and mediators in independent practice. It also supports or administers a number of government and private

mediation and arbitration schemes. That is a remarkable achievement in less than five years, in which support staff numbers have grown to 17 with a strong seven figure turnover.

The rapid growth meant that by 2003 the business needed substantially bigger premises and a new 6000 square foot building was commissioned at Blackbrook. A C Mole & Sons advised that the most tax efficient way to acquire the building would be through a SIPP, with the Government footing a large slice of the bill and in December 2003 the business moved to Equity House on Blackbrook Park Avenue.



(Clockwise from left) Stephen Ward, Jonathan Dingle and Harry Hodgkin*

We have been closely involved with Clerksroom's expansion – producing management accounts, providing guidance on budgets and cash flow forecasts and operating a payroll bureau service. And seeing their new building inspired us to take the plunge ourselves. In fact the partners meeting at which the decision to move was taken was held at Equity House. In December 2004, we became neighbours!

Jonathan Dingle says of the relationship: "In relocating, we were reliant on A C Mole & Sons for timely, effective and business driven advice and support. Uniquely in my experience, they provide that support and advice with a smile that lets you know there is a real person standing behind the figures and wisdom. I suppose the best testimonial is that many of our people have placed their personal tax work in A C Mole & Sons hands. In doing so they are putting their money where their mouths are - and that is quite something for a barrister!"