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Entrepreneur of Thriving Company

In this edition Success speaks to long standing client **John Mooney** who formed **Jontek** in June 1989.

Having trained as an Electronic Design Engineer he started as a self employed consultant specialising in telephony communications. Four and a half years later, after building his profile and gaining valuable contacts, he continued to consult part time whilst focusing on designing his own products and setting up offices in Bredbury.



Jontek design, develop and install Telecare and Homecare Software Telephony solutions for local authorities, primary health care trusts and private care providers. The company is still flourishing 18 years on, now employing 32 full time staff covering the whole of the UK, Isle of Man and Jersey.

A key part of Jontek's customer care policy is to build partnerships with clients to ensure that needs are met for now and the future. All customers receive annual software upgrades as part of the extensive support and maintenance program.

Jontek are continuously developing systems to meet changing needs of clients. The company invest in excess of 25% of its sales income in the continued development of existing systems and the exploitation of the latest technological advances. This enables Jontek to remain at the cutting edge of technology. A recent example is the launch of new web enabled products.

Jontek has been a client of Clarke Nicklin since 1992. As the business has grown John has been happy to use more and more services provided by Clarke Nicklin. The offering now includes:-

- **Fortnightly bookkeeping (Sage)**
- **Monthly payroll**
- **Quarterly management accounts**
- **Quarterly VAT returns**
- **Annual audit**
- **Corporation tax returns**
- **P11D's**
- **Tax planning**
- **Financial advice**

John is also looking to Grove House Financial Planning to review the company's existing pension scheme, discussing group benefits, life cover, private medical insurance and cost effective ways of moving forward with existing schemes.

When asked about his thoughts and relationship with Clarke Nicklin, he responds *'I have an extremely close working relationship with Brian Bradley and Rob Mowat. I no longer require a full time accountant on site, which removes the cost, hassle and risk of employing someone. Rob visits fortnightly for the bookkeeping. This ensures both myself and Clarke Nicklin have to hand correct information which leaves me safe in the knowledge I can assess and make decisions to improve the business. Over the years I have never had any issues and have complete trust in what they do.'*

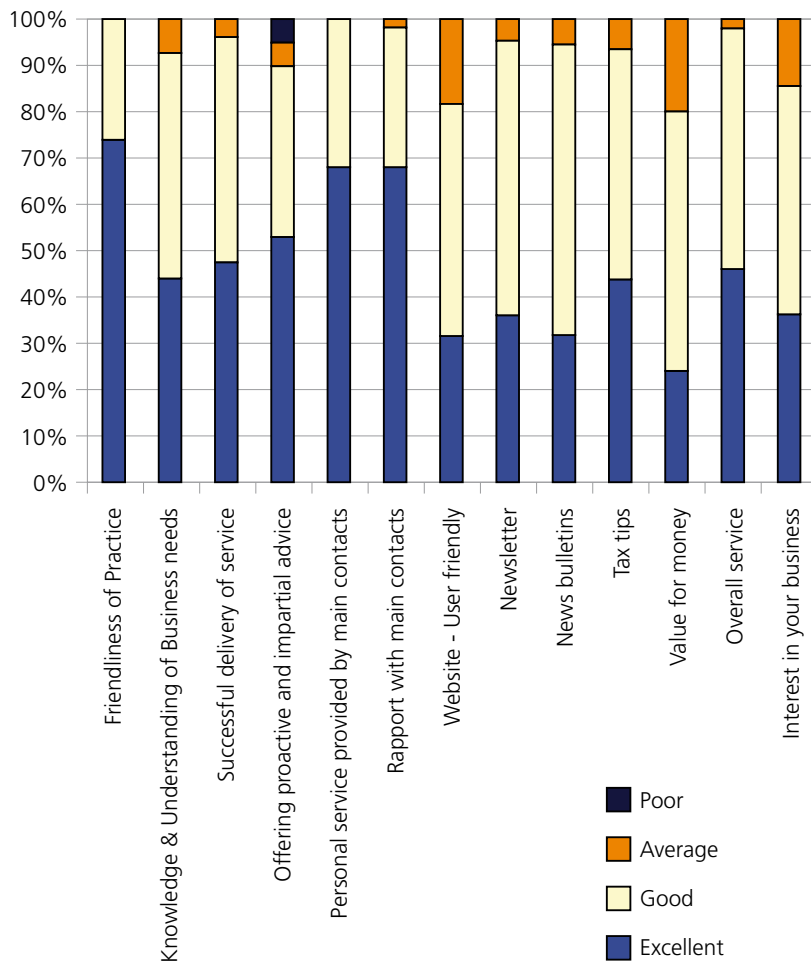
Steve's trip to HMRC

In a bid to rebuild relationships with agents, acting chairman of HMRC Dave Hartnett invited three practitioners to a meeting of HMRC's Executive Committee (ExCom) to discuss declining service standards. Partner **Steve Humphries** attended to give his views on what life is like at the sharp end. No punches were pulled and one member of ExCom said that what they heard was sobering and they were determined to rectify matters. It was also suggested that ExCom members spend time in front line tax offices and practitioners' offices (including ours!) to experience at first hand the effects of post delays, dealing with call centres and IT issues. Let us hope that service standards improve.

Client questionnaire results

Many thanks to everyone who completed and returned the questionnaire. All feedback is greatly appreciated and will be used to improve the level of service you receive.

Client questionnaire results



Do your duty

A company director should act in the best interests of the company on behalf of the shareholders. That's always been a principle of law, but it's now a statutory duty with the Companies Act 2006 which took effect on 1 October 2007. From October 2008 there will be more specific duties of directors, such as to avoid a conflict between their own interests and the interests of the company.

In a big company, it's clear that these duties are needed – the shareholders are outsiders who don't have day-to-day control of the management. It may be less obvious in a small company where some or all of the shareholders are directors and vice versa. It's still important to remember – the company is a legal person separate from the shareholders and the directors, and it has its own rights. Directors – even those who own 100% of the shares – should not regard the company's money as "theirs". Paying it out has consequences – usually for tax – and taking too much out can get the director in serious trouble if the company goes bust.

If you are not sure what your duties as a director involve, we will be happy to advise you.

Late return

We recently found out about an accountant who wrote to the taxman to say that his client had died. HMRC sent back a standard letter addressed to him saying that they no longer require tax returns unless his circumstances changed!!!!

Capital Gains Relief for Entrepreneurs' Announced

Small businesses had been promised some sort of concession from the proposed hike in Capital Gains Tax (CGT) from 5% or 10% (see below) to 18%. We thought a form of retirement relief would be introduced, but instead a brand new entrepreneurs' relief has been announced.

The new entrepreneurs' relief can apply when you sell part or all of your business, or shares in your own company after 5th April 2008. The capital gain will be cut by 4/9ths leaving 5/9ths taxable at 18%. This makes the effective CGT rate on the gain before allowances just 10% instead of 18%. Currently where full business asset taper relief applies a higher rate taxpayer pays CGT at 10% and a lower rate taxpayer pays CGT at 5% on the same gains.

From sale of a business in 2008/09	£
Gain from selling your business:	450,000
Less Entrepreneurs' relief (4/9 x 450,000)	(200,000)
Taxable gain before allowances:	250,000
Less annual exemption for 2008/09 say:	(9,500)
Net gain:	240,500
CGT due at 18%	43,290

Any capital losses can also be set-off after the deduction of the entrepreneurs' relief, which was not the case with taper relief.

There are some tight restrictions to the new entrepreneur relief:

1. You must be disposing of part or all of your business, and there are likely to be some detailed rules on what 'part of a business' means. If you are selling a single asset, perhaps one field from your farm, entrepreneurs' relief is unlikely to apply.
2. You must have held the assets or shares for at least one year before the sale.
3. The business must fall under the definition of a trading business, which means a property letting business will not qualify.
4. Where you are disposing of company shares you must have worked for, or have been a director or company secretary of that company, and have held at least 5% of the ordinary voting shares.
5. The relief only applies to the first £1 million of qualifying gains made after 5 April 2008. Gains in excess of £1 million, or which do not qualify for other reasons will be taxed at 18%.

More restrictions may emerge when the full details are known.

If you are planning to sell your business the entrepreneurs' relief may allow you to defer the sale until after 5 April 2008, but where the gain is expected to run into millions, the maximum tax you will save by claiming that relief is £80,000.

Memorable Quotation

The best measure of a man's honesty isn't his income tax return. It's the zero adjust on his bathroom scale.

– Arthur C. Clarke

The daily grind

What's a business journey? If you are travelling on business, your employer can pay your transport costs, including mileage allowances, with no tax charge on you. If it's not a business journey, meeting the cost will be treated as taxable.

The law says that "ordinary commuting" is not a business journey. The idea is that where you choose to live is a personal matter, so the commute from home to work is not "business". "Ordinary commuting" is any journey between your home and a "permanent workplace". If you are travelling between home and a "temporary workplace", that will be business. Unfortunately calling in somewhere as part of your normal commute won't magically change any part of it into a tax-free journey.



A permanent workplace is somewhere you go regularly, unless it's for a brief task such as a weekly inspection or meter reading. If you spend every Monday in one branch, every Tuesday in another and so on, you can have five permanent workplaces.

Getting this wrong can be expensive – if the employer pays expenses on the basis that something is business travel when it isn't, there can be back tax and penalties to pay when a PAYE inspection comes around.

If you want to make sure you are drawing the line in the right place, Tony Jakara can advise you.

Use our website

Our website has a huge amount of information and provides monthly tax tips which help with any queries you may have.

www.clarkenicklin.co.uk

All about our staff.

Exam results, a wedding, a retirement...

We focus on staff and their achievements.

Congratulations

Congratulations to **Avi Ashraf** who married **Mobien** on Christmas Day. The ceremony was held at Ashton Mosque then on to the Hilton hotel for celebrations. The first two weeks of January were spent in the Dominican Republic. Now there's a way to beat the January blues!



Christmas at the races

Last year substantial profits were made at Uttoxeter by a few of the staff. This year the only celebrations were with partners **Steve** and **Andy** who for the first time in 4 years backed a winner and came home in the black!



Exam results

Well done to Kerry Hinks who has passed her most recent set of exams, Financial Accounting top-up and Audit and Assurance. As mentioned in the last issue she is studying via the fast track route to becoming a Chartered Accountant.

Goodbye Dot

A fond farewell to **Dorothy Hester** who retired mid January on her 60th birthday after 7 years as **Tax Senior**. Dot says 'More than anything I will miss the team, I have met some great characters over the years and will take away plenty of memories. However, I am looking forward to being a housewife for the first time ever!'



Staff Spotlight

Name: Donal McCormack **Job title:** Audit and Practice Manager

Day to day duties: Responsible for quality control and technical issues on limited company accounts and audits, company formations and for the firm's compliance issues with the Institute. Also some internal admin.

■ When did you join the company?

June 1993

■ What are the best aspects of the job?

Working with a wide variety of clients, in different types of business and each with different circumstances, so no assignment is ever the same.

■ What are the worst? (If any!)

The M6, M62, M60, M56 – travelling from St Helens can be a real bind especially in winter. Also whenever the computers crash, bless them!

■ Interests?

I'm a governor of a Sixth Form College and that takes up a bit of time. Otherwise, I like travelling (USA, Ireland, European cities) and going to the theatre. I also go watching a lot of sport (Liverpool FC, St Helens Rugby League, Lancashire cricket) and go to the gym.

■ What are you passionate about?

(Will my wife be reading this?) Family, friends, faith, football, St Helens Rugby League and, of course, auditing.

■ What have you done that's scared you?

I'm really bad with heights, but my wife loves American lakes and mountain holidays, so I'm pretty much scared out of my wits every summer. Last year, driving in Yosemite National Park, California with sheer drops on either side was particularly terrifying.

■ What is your pet hate?

I could fill the page, but I'll settle for being stuck in traffic and other drivers queue jumping.



■ What is your most cringe worthy moment?

Being dragged on to the stage at the Lowry Theatre last year as the male audience "volunteer". At least I can say it was my finest theatrical performance to date.

■ What is in your CD player at the moment?

Unless my wife has put some of her funky stuff in there, probably The Saw Doctors, Bonnie Raitt or Joan Armatrading.

■ If you had the chance to go anywhere no expense spared where would it be and why?

My Mum would probably want me to go to visit my brother in New Zealand. However, I'd like to see The Great Wall in China or the penguins in the Antarctic. Sorry Mum.

■ Plans for the future?

Professionally, these are exciting times at Clarke Nicklin with lots of different and exciting work opportunities coming through, so there's plenty of scope for career development within the firm. Personally, to celebrate Liverpool's 19th Championship and 6th European Cup with all my colleagues here at Clarke Nicklin, and maybe resume my acting career.

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