

UPDATE

Summer 2006

WELCOME TO GROVE HOUSE FINANCIAL PLANNING

Working in partnership with LighthouseCarrwood, one of the UK's leading IFA providers, Grove House Financial Planning (GHFP) offers a comprehensive range of personal and corporate financial planning services.

Working from our Hazel Grove office, GHFP financial adviser, Scott Herbert, will help us to provide solutions to our client's financial needs.

Clarke Nicklin, partner, Andrew Baggott says: "This joint venture with LighthouseCarrwood is an exciting development for Clarke Nicklin and a great new service for our clients.

"Pensions, Wealth Protection and Investments are the three key

elements that make up a secure financial future. With Scott, we will be able to work with clients to provide objective, independent financial advice, so that they are positioned to deal with whatever the future may hold.

"In addition, any tax implications or relief opportunities will also be taken into account in any financial planning review."



Scott Herbert, GHFP's independent financial adviser



CHARTERED
an
ACCOUNTANTS

integral

BUSINESS

part of

ADVISORS

your

TAX

SUCCESS

CONSULTANTS

The GHFP approach will be to:

- Discuss a client's personal and business current and future needs
- Review their existing financial portfolio, to see if it is meeting expectations, the effects of the economic climate and changes in legislation
- Develop and implement an appropriate solution
- Provide free financial reviews.

For a free pensions, wealth protection or investments review contact Scott on 0161 483 8155 or email: sherbert@ghfp.co.uk

Grove House
Financial Planning

Pensions | Wealth Protection | Investments

Grove House Financial Planning is a trading name of LighthouseCarrwood Limited which is an appointed representative of LighthouseXpress Limited which is authorised and regulated by the Financial Services Authority.

“Prepared to get involved in our business”

The 'Out of Hours' services offered by GP practices has undergone radical changes in recent years and one of our major clients, Mastercall, has been very active in seizing the opportunities resulting from these changes to the benefit of GPs and patients alike.

Established in 1996 as Stockport Doctors' Co-operative to serve the Stockport area, a merger with two other 'Out of Hours' providers enabled the organisation to expand and develop its services and subsequently be renamed Mastercall.

Update spoke to Michaela Buck, managing director of Mastercall on their 10th anniversary to get her views on a successful client/practice relationship. "From those early days, we needed a practice that was prepared to get involved in our business and had an understanding of the NHS and the not-for-profit sector; with Clarke Nicklin we were lucky enough to have one.

"The strength and closeness of our relationship has always been there, however, it has become particularly important since the new 'Out of Hours' contract was muted and then introduced in December 2004.

"During 2003, we successfully secured the contract to provide 'Out of Hours' medical care for 900,000 patients from 169 GP practices covering the following five Primary Care Trusts – Central Manchester, South Manchester, Stockport, Trafford North and Trafford South and a small sector of North Manchester. All of this resulted in a 72% growth in our business and a recognition that we had to simplify our structure to meet the challenges ahead.

"Clarke Nicklin partner, Graham Clarke and manager, Rick Downes have both been actively involved in the reorganisation of our structure to maximise the benefits and opportunities that the new contract has provided. They have worked closely with me, my management team and the Board to develop a solution that will enable us to grow and meet future needs.

"Throughout all of this, the team at Clarke Nicklin has continued to provide us with our ongoing accounting requirements. However, it is their willingness to get deeply involved in the operation and structure of our business, providing invaluable advice that makes all the difference. Rick is always at the end of the phone, Graham attends our quarterly board meetings and they are both available to attend PCT meetings when finance issues are being discussed.

"So in summary, what makes a successful client/practice relationship? In our case, Clarke Nicklin's ongoing involvement in our day to day business and their desire to take an active role in our plans and aims for the future."



The Mastercall team celebrating their 10th anniversary. (l to r) Dr Bharat Nanavati, director of clinical standards; Michaela Buck, managing director; Mark Cockerton, advisor; Audrey Duckett, director of nursing; Dr Michael Rooney, chief executive; Dr Vijay Nathoo, director of finance and Dr David Bostock, chairman.

Offshore Money

HMRC recently convinced a court that they should be allowed to demand details of foreign accounts held by a bank's customers.

One of the Big Four clearing banks will have to open its books to the authorities and similar demands may follow to the others.

The Revenue managed to convince the court that it was very likely that many people with foreign bank accounts were not declaring their income and gains properly. They wanted to check back from the bank's records to see if the customers were declaring the income on those accounts, or could explain where the funds themselves had come from.

It's a common misconception that 'moving your money offshore' gets it out of the taxman's grasp. If you are British resident and domiciled, it's still completely taxable, wherever it is in the world. Offshore money is just harder for the Revenue to see.

It's suggested that the Revenue may have bitten off more than they can chew – or at least, they may get indigestion chewing it. There will be so much information for them to check and many of the people concerned will have been declaring everything properly. But they are likely to find a few who have not and they hope to make the exercise worthwhile.

If you have money offshore, remember that it usually remains taxable. If you are not sure about the status of your accounts, Steve Humphries will be happy to discuss them with you. Voluntary disclosure before being caught can significantly reduce the penalties charged.

VAT'S UP DOC? DOC?

A number of doctors' practices have registered for VAT for the first time in April this year. This won't make much difference to the patients – most of what a doctor does isn't VATable – but it will make a bigger difference to the practice, which will have to get used to filing VAT returns.

The reason is a change in the way the NHS reimburses doctors for the drugs they use. Drugs are bought with VAT attaching and sometimes that VAT is recoverable from Customs – if the doctor is registered for VAT. The NHS used to reimburse the VAT to doctors who weren't registered, but their new line is: 'if you could get it back from Customs, you can't get it back from us'. This seems pointless, as one government department or the other should be picking up the bill and the poor doctors are stuck in the middle. But that's how it is.

There is a possible problem with being VAT-registered. If you do something which isn't covered by the normal VAT exemption for medical care, you will have to charge VAT on it, even though it's only a small amount and below the normal registration threshold of £61,000 a year. Customs have been carrying out a consultation on whether doctors should charge VAT on some fringe activities such as examinations for insurance policies or legal claims.

They haven't yet published the results, but it's possible that doctors who registered in April – to recover some VAT on the cost of drugs – may later this year find that they have to start accounting for output tax on some of the things they have traditionally not charged VAT on.

If you are a doctor and need help with your VAT, Andrew Robinson will be happy to help.

IT AIN'T OVER...

Proverbially, it ain't over until the fat lady sings. Legally, it's over when the House of Lords have delivered a judgment. The case about husband and wife companies – 'Arctic Systems', or *Garnett v Jones* – is going to the Lords after the taxpayer won in the Court of Appeal.

The Revenue are continuing to argue that the company was an artificial arrangement to allow Mr Jones to take advantage of his wife's personal allowances and lower rates of taxation. She was paid dividends on a share that he let her subscribe for, while he did all the fee-earning work. HMRC believe that the law allows them to tax the income on him as arising under a 'settlement' made by a husband for his wife.

If you are a married couple – or a registered civil partnership – running a business together, you should watch this space: we will keep you posted on what happens.

Capital Gains Tax

“The savings can be very large”

There is a standard plan for reducing capital gains tax where one half of a married couple has something to sell: often the other spouse won't have used the year's annual exemption and might pay tax at lower rates, so it's an easy matter to put the asset into joint names before you sell it and then the gain is split half and half. The savings can be very large – over £10,000 for a gain of £41,800 transferred from a higher-rate taxpayer to a non-taxpayer in 2006/07.

This has been going on very successfully since the introduction of independent taxation of husband and wife in 1990. Now there are reports that the Revenue are questioning whether the plan works. Under the law, it's hard to see what they could do about it: a transfer from one to the other is required to be at a 'no loss, no gain' price – you don't claim for this or qualify for it in any way other than simply being married.

It seems that the Revenue are arguing that the gift is really 'half the proceeds' (i.e. after the sale) rather than 'half the asset' (before the sale). If that's so, the gain is all realised by the original owner and you don't save any tax. If you want the tax advantage, you clearly have to make sure that there is a properly effective legal transfer of ownership before the sale.

But the Revenue are even arguing that a proper transfer can be ignored if it was undertaken only for the tax saving. That's highly questionable, but it's worth being aware that the Revenue are raising the point.

In the meantime, if you have capital gains to realise, Tony Jakara will be happy to discuss ways in which you can minimise the tax charge.

Staff

SPOTLIGHT

The most important asset in our business is the people who work for us. In this issue of Update our Staff Spotlight shines on John Bate.



John joined Clarke Nicklin three years ago as an audit clerk and now with his newly awarded ACCA qualification, he is one of our audit seniors.

Working in our audit and accounts department, John is responsible for some 50 clients, whose diversity is one of the main attractions of working for us.

John said: "The mix of clients, the variety of their business sectors, the requirement to work in and out of the office and the opportunity to develop my skills are the key benefits of working here.

"On top of this, there is a great team of people working at Clarke Nicklin."

He has recently become a proud father of son, Ben and he and his partner Helen are beginning to reap the rewards of having a family, but at the same time, recognise the hard work involved.

However, for all of his clients service continues as normal!

“...there is a great team of people working at Clarke Nicklin.”

Pension Contributions – New Rules

The world of pensions changed on 6 April – although many people won't have noticed. We have had plenty of warning to get used to the new rules, but now we have to get on with them in practice.

One of the most important changes for small company owners is that personal contributions have to be made out of current year earnings. In recent years, many people have taken advantage of tax savings by paying a small salary and large dividend out of a company – it has still been possible to get tax relief on pension contributions if there were large earnings in the previous five years. That won't be possible any more.

If you want to put money into a pension fund this year, there will be a choice. You can pay yourself a salary and use that to pay pension contributions. The salary will be charged to National Insurance Contributions, which makes it expensive; but you will now be able to put the whole salary into pensions, instead of the old percentage limits that applied up to 5 April 2006.

The other possibility is for the company to pay the pension contribution directly. This has the advantage of not being charged to NIC. However, it will only be tax-efficient if the company can treat the payment as a trading expense. Where the company used to pay a small salary and no pension contribution and suddenly pays a small salary but a large pension contribution, the Revenue may question whether the contribution is 'wholly and exclusively for the trade'.

The Revenue have issued guidance on how they will judge this. It seems that they will look at the value of the work done by the individual for the company this year, rather than the history of past payments by the company. But we can see some arguments ahead and we will be keeping alert for any news of disputes going to court.

If you want to discuss how best to make pension contributions under the new rules, please contact Scott Herbert at Grove House Financial Planning on 0161 483 8155.

Clarke Nicklin LLP, Grove House, 227/233 London Road, Hazel Grove, Stockport SK7 4HS

t: 0161 483 5284 f: 0161 483 1464 e: enquiries@clarkenicklin.co.uk w: clarkenicklin.co.uk

This firm is not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services to clients because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide.