

the**business**

Plenty to sing about

**Why The 100 Club
values our services**

Plan now, save later
New rules for IHT

A rare opportunity
VAT refunds

Welcome



We are very pleased to introduce the first issue of *The Business*, a new publication produced by our Business Advisory Services (BAS) division.

BAS acts primarily for owner-managed enterprises, typically with turnovers of between £1m and £20m. We specialise in providing strategic business advice and efficient compliance services to clients from a wide range of sectors. We offer our clients a high level of partner involvement, together with the combined knowledge and experience of an established team.

I know that business owners find the increasing burden of red tape not only time consuming, but also a distraction from their main focus of operating the business profitably. One of our key objectives is

to guide and help our clients through this maze of legislation and rules.

When I started in the profession, the main reference points were the Companies Act and the Income Tax Act, but now we also have Financial Reporting Standards, Auditing Standards, annual Finance Acts, VAT legislation and the list goes on!

Adding to this bureaucratic mountain is the Companies Act 2006 which will come into operation over the next two years. Look out for updates on this in future issues of *The Business*. We hope you'll find the first issue a useful read.

**Melvin Crutchley, Partner
Head of Business Advisory Services**

Business news

Interest rates up

UK interest rates have been increased to 5.25%, following the January meeting of the Bank of England's Monetary Policy Committee. The move was not anticipated, and comes as the Bank considers the impact on inflation of two previous rate rises over the past four months. The Bank last raised the cost of borrowing to 5% in November and it is now at its highest level for five years.

Capital's house prices grow

London house prices in 2006 reached their highest annual rate of growth since 2002, greatly outperforming the rest of the country and highlighting the extent to which the capital's housing market is riding its own rollercoaster.

Smoking breaks consultation

Employers are being encouraged to bring non-smoking and smoking workers together to agree



an acceptable workplace policy. This follows the Government's announcement that smoking will be banned in all public places in England, including business premises, from 1 July 2007.

The new rules even extend to smoking in company cars. Non compliance could see employers fined up to £2,500.

Pre-Budget report highlights

- Taxes on companies and air passengers have been raised by £2bn.
- Individual Savings Accounts (ISAs) will continue to exist beyond 2010 for UK investors. The £7,000 annual savings limit remains unchanged.
- In the first increase since October 2003, fuel duty went up 1.25p per litre for most fuels from 6 December 2006, taking the tax paid on most petrol and diesel to 48.35p per litre.

For further details on the Chancellor's Pre-Budget report, see our website at www.clblf.com/press/pre-budget_report_2006.asp

VAT refunds

– a rare opportunity

You may have Marks & Spencer to thank for more than Christmas gifts this winter. They recently won a case against the Government on VAT refund capping.

By Robert Jones, VAT Partner



Ten years ago the Government reduced the period in which a business could make a claim for repayment of overpaid VAT, the 'correction of errors' and late claims of VAT, from six to three years. These were known as the 'capping provisions'.

But what the Government did not allow for was a transitional period for this three-year reduction. That's where 'Your M&S' may have come to the rescue. The European Court of Justice ruled that the store's case showed the capping was inconsistent with EU VAT legislation.

Result? Input VAT claims arising before 1 May 1997, and output

VAT claims arising before 4 December 1996, that were either not submitted or not repaid because of the lack of transitional provisions, should now be honoured by HMRC.

How can we help?

If you think you have a valid claim and have the paperwork to support it, you should take specialist advice. The Courts may rule that all capping legislation is unlawful in the absence of a transitional period. This might be a once in a lifetime opportunity!

For more information contact VAT Partner, Robert Jones, on 020 7369 4595 or at rjones@clblf.com



Legislation digest

By Stacey Perrin

Maternity pay changes

New maternity pay laws apply for women who give birth on or after 1 April this year. Previously women could take a year off but were only paid for six months. The new rules extend statutory maternity pay from 26 weeks to 39 weeks, with the first six weeks being paid at 90% of average weekly earnings and the rest at £110 per week.

New company legislation

Most of the provisions of the Companies Act are expected to come into force in October 2008. Changes include: directors' duties; improved rights for shareholders; deregulation of private companies; the abolition of the need to appoint a company secretary and the limitation of auditors' liability.

Age discrimination

The new legislation The Employment Equality (Age) Regulations 2006 came into force in October last year. Businesses now need to consider age issues carefully when recruiting, calculating pay and benefits and determining the timing of retirement.

Minimum wage

The minimum wage was increased in October. The new hourly rates are:

- £5.35 for workers aged 22 or over
- £4.45 (a 'development' rate) for workers aged 18 to 21 inclusive
- £3.30 for workers under 18, but who are no longer of compulsory school age.

When the famous music venue The 100 Club wanted to put up their door price, it was CLB Littlejohn Frazer who advised them not to. Find out why.

A club with plenty to sing

Photos: Darren Russell



The club, whose acts have included the legendary Glen Miller and Louis Armstrong and, more recently, Oasis and Travis, was named after its address at 100 Oxford Street in London. Owned and managed by the Horton family since the mid-60s, they have been our clients since the early 1990s.

Current director, Jeff Horton, explains how the relationship began: "We were going through a back duty tax inquiry and, at the time, the company secretary doubled up as our accountant – which wasn't ideal. A friend recommended Littlejohn Frazer, as they were then, and the rest is history."

Expertise and credibility

The Business Advisory division assigned a tax specialist to the task, to provide both expertise and more credibility in the eyes of HM Revenue & Customs. The

matter was resolved and The 100 Club also received a cheque for £32,000, representing owed 'advance corporation tax' that had been withheld while the inquiry was under way.

"As a division we specialise in owner-managed businesses," explains Rob Goodwin, one of the team's partners and the key contact for The 100 Club. "This means our clients are drawn from every conceivable business sector – from metal trading to motor vehicle dealerships, from construction to entertainment.

"There's also huge diversity in the matters that we cover. Of course, we'll provide all the usual services they'd expect from an accountant: company secretarial, statutory accounts, tax returns, VAT, payroll. But we always use this as a basis for considering other matters that we could advise on, so as to add value to their business."

Rent struggles

In July 2003, The 100 Club was faced with a rent review. The landlords wanted to increase it by more than 100% overnight. A tribunal found in favour of the landlords, but the club couldn't afford the rent. Jeff turned to Littlejohn Frazer. "They were fantastic," he recalls. "They drafted a letter for us, asking for a hardship clause."

The letter explained the historic club had been at the same address since it was founded in 1942 and proposed a staggered rent rise to give them a chance to raise their income sufficiently to cover it.

"It worked and the rent was pegged for the first year, then raised in stages. This saved us almost £32,000 in the first year – amazing!" says Jeff.

Door versus bar

Like other clubs, bar takings

ng about



are by far the highest slice of revenue. But five years ago, the Hortons proposed upping the entry fee from £10 to £12. "I figured it wasn't going to cost us anything, whereas beer comes at a price so I hadn't thought to increase drinks prices," Jeff adds.

"But Littlejohn Frazer pointed out that 80% of our income comes from the bar, so we needed as many people coming in as possible. So why not raise bar prices by, say, 10p or 20p instead? It was definitely the

right decision. It increased our clear profit by £2,000 a month!"

In 2004, Roger Horton, Jeff's father, finally retired as director, handing over to sons Jeff (as director) and Richard (as company secretary). Again, the Business Advisory team were on hand with the best advice. "We recommended a new remuneration strategy," Rob explains. "We achieved what they wanted personally and, at the same time, reduced the amount paid out by the club." For the

club that meant a saving of about £8,000 per year.

First port of call

"I have a very strong relationship with CLB Littlejohn Frazer," Jeff concludes. "Their tax advice is second to none. And if I have any financial worries, whether about rent, tax, how dividends should be paid, or something that's flagged up in our Sage accountancy system, my first port of call is always Rob.

"For anyone in my industry, the strongest advice I could possibly give is use the best accountants. Any club is about 95% a cash business, which often raises government suspicions. I choose to run all the books myself, so that I can see what's working and what isn't. But there's no doubt I need regular help - it can be very complicated."

"In Jeff Horton and The 100 Club, we are delighted to have such a long-standing client. There was once an ad campaign that said it was 'easier to sleep with a chartered accountant' - a reference to peace of mind, of course," Rob concludes. "But in the Business Advisory team, we like to think our clients would also have plenty to party about - perhaps even at The 100 Club!"



For more information about our services, contact Rob Goodwin on 020 7369 4545 or at rgoodwin@clbif.com

The 100 Club: five things you may not know

- The club was a popular refuge during World War II and jazz drummer Victor Feldman used to advertise: 'Forget the Doodle Bug - Come and Jitterbug'
- Among stars to perform there in the 50s and 60s were Humphrey Lyttleton, Acker Bilk, Kenny Ball, Terry Lightfoot and Muddy Waters
- In 1976, the club was host to the first ever punk festival, featuring bands such as the Sex Pistols, The Clash, The Damned and The Buzzcocks
- More recently, it was a focus for African jazz and township music, until the release of Nelson Mandela
- As well as music, the club hosts comedy nights, with performers such as Arthur Smith, Harry Hill and Mark Lamarr.

Do you know the new pension rules?

They may have been around since last April, but how familiar are you with arguably the most radical review in pensions history? **Rob Mackenzie** reports

Several new pieces of legislation were introduced on 6 April 2006. This is referred to as 'A Day'. We look at some of the major changes.

Annual contribution limits

There used to be no limit on what an employer could pay into a pension fund. Since 'A Day' there is a combined annual ceiling for employer and employee contributions of £215,000, which attracts tax relief.

You can contribute 100% of what you earn into a pension scheme, so long as it doesn't exceed the ceiling. Limits for future years are:

2007/2008	£225,000
2008/2009	£235,000
2009/2010	£245,000
2010/2011	£255,000

Tax-free lump sums

From 'A Day' the maximum tax-free cash sum allowable on retirement, under any scheme, is 25% of the fund.

Age restrictions

You can now take retirement benefits while continuing to work. But there remain age limitations to when you can take them. Early retirement at 50 is allowed, but this changes to 55 from 2010.

Another major change is the removal of the need to purchase an annuity at age 75.

Lifetime limits

In the tax year 2006/2007, £1,500,000 is the maximum allowable aggregate value of an individual's accumulated pension funds. Limits for future years are:

2007/2008	£1.6 million
2008/2009	£1.65 million
2009/2010	£1.75 million
2010/2011	£1.8 million

Death benefits

Irrespective of your status or type of scheme, 100% of the fund value can be paid as a lump sum death benefit.

Unused relief

You can no longer carry forward unused relief or carry back a pension contribution between tax years.

For more advice on pensions and investments contact Rob MacKenzie, Head of Wealth Management, on 020 7369 4544 or at rmackenzie@clblf.com

Top tips for your business By Tim Herbert

Tax

- Christmas party and annual function costs may be considered a 'benefit in kind', if the cost exceeds £150 per head per tax year
- If you're VAT registered, consider switching to the 'flat rate' scheme. Depending on the industry in which you work, this can be to your financial advantage
- Remember to make full use of your tax allowances each year. For example, for 2006/07 an individual's capital gains annual exemption is £8,800

Accounting & business

- Keeping management accounting information up to date is essential and can help strategic decision-making
- Remember that you need to understand your figures. Ask your accountant to explain anything you're unsure of. It's your business and, if you don't know what something is, it may lead to future complications
- Does your website contain the latest information on your business or is it getting tired? Updating your website with useful, up-to-the-minute

information can lead to more site hits and more business opportunities!

- Don't miss your deadlines. Fines are easily avoided with proper planning. Here's a reminder:

private limited company accounts
due 10 months after the period end
public limited company accounts
due 7 months after the period end
corporation tax (small companies)
due 9 months and 1 day after the period end
corporation tax returns
due within 12 months of the period end

If you need any more information on any of these tips, please contact Tim Herbert, Business Advisory Services Manager on 020 7369 3865 or at therbert@clblf.com



Plan now, **save** later

Business Property Relief for Inheritance Tax (IHT) could save you and your beneficiaries serious money.

Barry Luscombe takes us through the new rules.



Making gifts that qualify as Potentially Exempt Transfers – ie not liable to inheritance tax as long as the donor lives for at least seven years after making the gift – has long been part of the inheritance tax planning culture.

That's changed with the 2006 Finance Act, which limits the types of gifts that qualify as potentially exempt. But the good news for business owners is that they can obtain relief of up to 100% for gifts of business assets, whether made outright or in trust. Here are some tips to ensure you don't miss out on this valuable benefit.

Do you qualify?

Check your position as there are a number of qualifying conditions to meet, and holding certain types of assets can reduce the relief available.

Business relief is not limited to family company shares. Any

unlisted shares may qualify, including investments in the AIM or OFEX markets. Sole traders, partners and members of LLPs, are all eligible.

Gifts before sale

Owners intending to sell their businesses should consider how they will ensure their children or grandchildren receive a share of the proceeds. Gifts of shares must be made at least seven years before a sale to be eligible for business relief. Relief may be clawed back if you die within seven years and the business has been sold, but these provisions can be mitigated if the gift is made into trust.

Where there's a will...

It's often assumed that, if shares in a family company pass to the owner's spouse on their death, the relief will be obtained when the spouse dies. But this only applies if the assets are still held and still qualify for relief. If the shares have been sold or the law

has changed, the relief is lost.

It is important to remember that the relief attaches to the shares. By leaving a discretionary legacy of shares in your will, you can ensure that your spouse retains some control over them, receives dividends, and has access to sale proceeds.

If the surviving spouse intends to retain the business, creating a trust with different sub-funds within the will could enable the relief to be obtained twice.

Post-death variations

Where a will is not tax efficient, or even where there is no will at all, the position can be rectified, to some extent, by a post-death variation made within two years of death.

Barry Luscombe is a senior tax consultant. If you would like any further information, please contact Barry on 020 7369 4504 or at bluscombe@clbif.com

Meet the team

As accountants and advisers to entrepreneurial owner-managed businesses, the Business Advisory Services team often works with other specialist departments in the firm. These include tax, business assurance and wealth management, outsourcing, corporate finance and IT. This structure means we are small enough to offer flexibility and rapid decision-making, yet large enough to provide a wide range of technical specialists. The core team consists of five partners, six managers and 17 accounting staff, who all play a key role in the delivery of our services.

Our five partners



Melvin Crutchley

"Make sure you guide and motivate your team, not only for their own benefit but also to get the best out of them for the benefit of your clients."

Having joined the firm 27 years ago, Melvin heads up the team.

His broad experience gives him knowledge of most business sectors and he currently acts as advisor to many substantial businesses and a number of professional service firms.

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Rob Goodwin

"My tip to any small business is not to delay obtaining good quality advice or dealing with compliance matters. Involving an accountant too late can only ever add to the overall cost in fees, tax or penalties."

Rob joined in 1989 and became a partner in 2002. He acts as advisor to a wide range of growing Docklands and East London businesses and advises clients on how to raise finance and prepare business plans. Rob is a board member of the Docklands Business Club.

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Derrick Tout

"One of the main ways a business can grow is through acquisition. If you have growth plans, you should always be looking to acquire. You may have to look at 100 businesses before you find the right one for you."

Derrick has been with the firm for 33 years and a partner for 22. He acts as advisor to owner-managed businesses, particularly in the motor sector. His specialisms include raising finance, buying and selling companies and all matters relating to family businesses.

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Eric Hindson

"You are in business only as long as you satisfy your customers' needs. So find out what they are and you'll become a truly customer-led business."

With more than 20 years' experience, Eric joined CLB in 1994 and became a partner in 2001. Acting as a general practitioner, but specialising in strategic advice, his portfolio covers international and UK businesses of considerable size.

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Azhar Rana

"Sherlock Holmes always attributed his success to his powers of observation. He was able to see things which others were not. In business, opportunity is all around. Slow down, look and observe - then seize that opportunity."

Although Azhar only joined the firm in June 2006, he has been in the profession for more than 20 years. He has acted for a broad range of clients including property investment and development companies, businesses in the services sector and professional service firms.

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