

proactive

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SPRING 2006

Welcome...

Ian Marfell, previously a consultant to AC Mole & Sons and for many years principal of Apsleys Exeter, is retiring from general practice after a long and distinguished career and we are delighted to welcome many of his clients to the firm. Ian is a past president of the South West Society of Chartered Accountants and was group divisional bursar of Woodard Schools. He has now been invited to join the school council of two of the Schools.

We look forward to meeting those of Ian's clients we have not already met and to establishing exactly the kind of close long term relationship that they have enjoyed in the past.

...and welcome back!

If you think that you have heard the new voice answering the telephone in Taunton or have seen the new face on reception somewhere before you would be right. We are pleased to welcome back Denise Land who was our receptionist at the old Stafford House twenty years ago.



LLP directors Paul Kingdom of A C Mole & Sons and Jeremy Wake of Rowan with adviser Caroline Perry

A new service

Over the past year many clients have told us that they would find it useful to have an independent financial adviser based permanently at Stafford House.

In response we have established a new independent joint venture, AC Mole Financial Services LLP, with investment advisers Rowan & Co Capital Management PLC. The LLP is an appointed representative of Rowan & Co. Capital Management PLC which is authorised and regulated by the Financial Services Authority. We see this as a significant enhancement to the services offered to clients at Stafford House.

already – and will continue to be - looked after by Rowan directly but the new joint venture will provide an alternative for those seeking a financial adviser for the first time or seeking to change adviser. The LLP's adviser Caroline Perry is now based permanently at Stafford House and can be contacted on 01823 624450.

An article by Caroline on the topical issue of Individual Savings Accounts appears on page two.

Our connections with Rowan go back over twenty years. Many clients are



Investment Issues

Abbey National/Banco Santander

If you held shares in Abbey National and received Banco Santander shares in the recent takeover you need to be aware of a potential pitfall. If you sell Banco Santander shares you are legally required to inform the Spanish authorities within 30 days or face a fine. We understand that if you sell through Abbey Sharedealing, they will help with the paperwork. Otherwise you need to fill in a Form 210 for which there are 26 pages of guidance and advice at www.gruposantander.co.uk and appoint a Spanish tax representative to deliver the document.

Individual Savings Accounts

**Caroline Perry of
AC Mole Financial Services writes:**

The "ISA Season" is almost upon us again! Soon the investment houses will be splashing large colour advertisements over the papers to try and get you to invest your ISA allowance in their funds. With this allowance it is very much "use it or lose it" and you have only until the 5th April to take advantage of the concession for this tax year.

Whilst ISAs might not be as attractive as they once were, due to the scrapping of the dividend tax credit, they are still one of the most tax efficient ways to hold share investments especially for higher rate tax payers and anyone looking for long term capital growth. Investments within the ISA wrapper escape capital gains tax and any income taken is free of income tax.

The views and opinions expressed in this article are those of AC Mole Financial Services LLP and are based on our understanding and interpretation of the ISA legislation. 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.

AC Mole Financial Services LLP is an appointed representative of Rowan & Co. Capital Management PLC which is authorised and regulated by the Financial Services Authority. Registered Office: Stafford House, Blackbrook Park Avenue, Taunton, Somerset TA1 2PX. Registered in England: OC316396

So how much can you invest?

There are 2 types of ISA, Mini and Maxi.

If you select a Mini ISA you will be able to use two different ISA providers within the same tax year, one for each part of the ISA investment. A Maxi ISA investment requires you to use the same provider for both elements but you can choose to forego the cash element and invest your full allowance in stocks and shares. The current limits are:

- Cash £3000
- Stocks and Shares £4000 (Mini) or £7000 (Maxi)

You cannot invest in both a Maxi and a Mini ISA in the same tax year and your total annual investment cannot exceed £7,000.

There have been some recent changes to the ISA rules and for the first time property funds will be allowed within the wrapper. This looks like it will prove very popular with investors and already new funds are being launched. Like any investment though, there are risks attached and any decision to invest in this sector should be carefully considered in relation to your existing investment portfolio and independent advice taken.



Tax Matters

Making allowances

Most businesses know that capital allowances can be claimed on certain fixtures but many are unaware of just how many items can qualify. The list of items that qualify is long and often as surprising in what it contains as in what it does not. Qualifying items include moveable partitions, suspended ceilings associated with air conditioning systems, mechanical equipment and computers.

If you have a legal interest (freehold or leasehold) in a building and you incur expenditure on plant and fixtures used in a qualifying business, a claim may be possible.

If you are buying or selling a building containing qualifying fixtures you have an opportunity to make even more savings, but generally only if you act before finalising the deal and make an important election. The election affords one of the few opportunities to agree a value that the tax man cannot dispute.

And it is even possible to save tax twice on the same expenditure. When selling a property containing plant, the cost of the plant can be deducted from the proceeds - despite the fact that it has already been fully tax relieved through capital allowances - as long as there is an overall capital gain.

VAT and employees' car fuel

With the practical demise of the company car, most business car mileage is now reimbursed to employees using the 'tax-free' limit of up to 40p per mile. The employer can recover some input VAT on these payments - but restricted to the fuel element only. This means a recovery of VAT of between 1p and 2.4p per mile depending on type of fuel and engine size. Just about enough to make it worthwhile entering in the VAT records!

However from 1 January 2006, no VAT can be recovered unless it is supported by a VAT invoice provided by the employee for the fuel purchased. The invoice must be dated before the journey and cover at least the amount of the VAT claim.

The VAT man has promised to enforce the change with a 'light touch' initially but employers should be changing their procedures as soon as possible.

5 April is approaching...

5 April is approaching and some allowances are lost if they remain unused at the end of the tax year.

Every individual has an annual capital gains tax exemption of £8,500 (£4,250 generally for trusts), but if it is not used by 5 April it is lost for ever. Although bed and breakfasting of shares to make use of the allowance has been rendered ineffective, there is nothing to prevent one spouse making a sale and the other making a purchase. There can be reasons to defer gains though - leaving it the extra few days into the new tax year can defer the tax payment for a full twelve months and can attract an extra year's taper relief.

If you have already made capital gains there may still be ways to shelter them by crystallising losses on other assets before 5 April. If you do not own assets standing at a loss but your spouse (or civil partner) does then consider transferring those assets and crystallising the losses before 5 April.

Capital gains can also be sheltered by using an Enterprise Investment Scheme (EIS) investment which has the added benefit of giving a 20% income tax break.

Individuals also have an annual inheritance tax (IHT) allowance of £3,000. This allows you to give away up to £3000 in total. If the allowance is not used, it can be carried forward for one year only. It is worth remembering two other IHT allowances. Any number of gifts of up to £250 each can be made in addition to the £3,000 allowance. Regular gifts out of income are also completely exempt but they must be part of a regular pattern and must be out of income and not capital.

Don't forget your annual Individual Savings Account (ISA) allowance (see page two). 5 April is also the deadline for pension payments to be relieved in this tax year and the pension rules change dramatically on 6 April.

Finally, if you are in business and you are considering expenditure that will attract tax relief you will obtain the relief a year earlier by incurring it before your year end rather than after.



Client Focus - Bical

In 1998, a group of West Country farmers formed a co-operative company – Bical - to develop and exploit potential uses for Miscanthus (Elephant Grass). At the time it was a huge leap of faith, but eight years on the company is a world leader in the successful development and production of Miscanthus.



Managing Director David Croxton with members of the Bical team - and some Miscanthus

During the 1990's, the UK government examined suitable species for producing high amounts of biomass to be used as energy crops for electricity generation. Miscanthus was one such crop. When grown for energy the amount of CO₂ taken out of the atmosphere during the growing season is released by the plant on combustion, making it CO₂ neutral. Commercial power generation projects using biomass have now commenced around the UK. In addition to its use as an energy crop, Bical has developed many other uses for Miscanthus, including equine bedding, thatch, composites (for markets as diverse as car parts

to plant pots) and bio-degradable plastics. The company has also developed innovative new methods of mechanically planting and lifting the crop and carries out a range of scientific research.

Miscanthus originated from Asia and was introduced to Europe in the 19th Century. The crop is perennial - the oldest in the UK is 20 years old and still producing the same yield of cane today as when it reached full yield potential in year 5 of its life - with stems emerging in the spring and reaching maximum height (3m) towards the end of August. The crop is left in the field over winter and by spring the cane is ready for harvest. Miscanthus is harvested annually and once it has established, no pesticides or fertilizers are generally required.

In 2004, Bical won the award for Best Business Innovation in the South West Green Energy Awards and in 2005 the company achieved national publicity when it signed a major deal with Drax Power Station in Yorkshire. Drax is the largest coal-fired Power Station in the UK, currently producing some 7% of our electricity needs. As part of its aim to reduce CO₂ emissions, it plans to burn up to 500,000odt of Biomass a year and Bical has been appointed to set up a local Producer Group to supply Drax with significant quantities of Miscanthus Biomass, possibly as much as 100,000odt per year, by 2010. This will require up to 10,000ha of Miscanthus to be planted within a reasonable radius of the Power Station.

A C Mole & Sons have been involved with Bical since 2001. Initially we were asked to reverse the Revenue's refusal to grant Enterprise Investment Scheme (EIS) status for the company, which we successfully achieved. Subsequently we have provided a range of services from cash flow and profit forecasting to budget preparation and the implementation of a tax efficient share scheme. For several years a partner also served as a director to provide board level advice.

Managing Director David Croxton says of the relationship:

Since becoming clients of A C Mole & Sons, we have grown our business substantially benefiting throughout from a close, personal and friendly relationship that has been rewarding yet efficient. The advice and hands on support has been second to none and we look forward to continuing our rapid growth backed by such a highly valued accountancy practice.

If you would like to know more about Bical, the company can be contacted on **01984 656606** or visit its website: www.bical.net