

proactive

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Moving Forward

We are pleased to welcome Laurence Ashman and his clients to the firm. Laurence merged his practice with A C Mole & Sons in April to offer his clients a broader range of services and in house specialist advice. Laurence is based at our Bridgwater office.

We are also pleased to announce that Sharon Lake has become the firm's fifth associate and that associate Amanda Gunter – who gave birth to a baby girl, Jasmine, in April - returned to her role in the tax department at the beginning of September.

In October, Alex Tetley will be joining us to broaden our corporate finance services. Alex has extensive experience in the mergers and acquisitions sector. Our aim is to offer comprehensive advice to businesses of all sizes - from start up finance for small businesses through to venture capital for larger businesses.



Malcolm Cavill

New Website

If you recognise this photograph, the chances are that you have visited our website recently – and if you have, you will have noticed some changes.

When we asked clients Quantock Group to redesign the website we said that we wanted something distinctive that summed us up as a firm. We think they achieved their brief. The new site is highly visual and is built around some of our clients and what they say about us.

Farmer Malcolm Cavill (seen above) now features on our home page as do a number of other clients who reflect the range of individuals and businesses we act for. Each of the services pages also incorporates a client's view of the firm.

Clients range from individuals and small businesses to World leading ultrasonic technology pioneers Sonic Systems and Europe's largest Hitachi excavator dealers, H M Plant.

As we say on the website, we treat our clients as people, not file numbers. We always feature at least one client in our newsletter and we were delighted that so many were keen to appear on the website. Our clients, after all, are the best judges of what we do. You can find the new website at www.acmole.co.uk

Tax Relief & Life Assurance



Full tax relief on your life assurance premiums? It sounds too good to be true, but the recent changes in pension legislation now make this a real possibility for many people. Previously the level of contribution allowed for life cover

under a pension plan was relatively low - but all this has changed. Taken with the general reduction in life assurance rates over the last few years almost everyone who has term assurance might benefit from a review of their arrangements.

Although the cover is known as pension term assurance, it can nevertheless be used for almost every purpose for which traditional term assurance is usually recommended.

As with any financial product pension term assurance is not suitable for everyone. It is technically a pension plan and although it appears to be a very straightforward arrangement, it will interact with retirement planning. It is important to take your full pension circumstances into account. In particular, if you already have or expect to have a large pension fund in the future, extreme care must be taken, otherwise your beneficiaries might find themselves facing a significant tax bill on the proceeds. People affected by these concerns are, however, likely to be in the minority.

In the next newsletter, we will examine the impact of the 2006 Budget on the taxation of trust arrangements.

For more information, please contact your usual IFA or if you do not have an adviser, Caroline Perry at AC Mole Financial Services on 01823 624450.

The views and opinions expressed in this article are those of A C Mole Financial Services LLP and are based on our understanding of United Kingdom law and H M Revenue and Customs practice at the time of writing. 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.

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Tax and the Farmhouse

In the Spring 2003 edition of **proactive** we looked at two cases which suggested that HMRC were taking a closer interest in the inheritance tax (IHT) relief for farmhouses.

The law says that for a farmhouse to qualify for relief, it must be occupied with agricultural land and must be "of a character appropriate to the property". In one of the cases – Antrobus – the special commissioners decided that the farmhouse was indeed appropriate to the holding and that it was occupied with agricultural land. At that stage, the taxpayer appeared to have won.

HMRC returned to the case however and said that the IHT relief was only on the "agricultural value". The Land Tribunal decided that a discount of 30% should be applied to the market value to arrive at the agricultural value. If HMRC applied this discount generally – and if they do, they should be resisted - a farmhouse worth £500,000 on the open market could attract an unexpected IHT bill of £60,000.

HMRC have now issued new guidance to inspectors, which suggests that they are looking to distinguish between farmhouses from which the farm is merely managed and those from which the day to day operations are actually conducted. This may seem a fine distinction and while the apparent intention is to restrict relief for "lifestyle" farmers the impact may be wider, hitting for example those who operate through contracting arrangements. If you are in any doubt, we would be happy to discuss the situation – the cost of not taking advice could be substantial.

Interventions

Tax enquiries can be costly and stressful. HMRC's decision to try a new, informal approach in some situations should therefore be welcome news. There are, however, some concerns.

In an enquiry, there is a clear legal framework. The inspector and the taxpayer have specified powers and rights. The formal process helps to ensure that questions are answered properly after consideration and not inaccurately because they have been misunderstood. This can be a real danger when an inspector speaks direct to a taxpayer who (understandably) does not have the technical knowledge to appreciate exactly what is being asked.

So what form do the new informal "interventions" take, and what should you do if you are chosen for one?



acting they will tell the agent that they intend to contact the taxpayer so that the agent can give advice beforehand if appropriate. In one case we have been told about however, the

The interventions can take the form of a telephone call, a letter or a request for a visit. HMRC have said that where an agent is

agent was telephoned as agreed but the call to the taxpayer was made immediately afterwards, before the agent could call.

The main interventions being trialled are:

- A request to review the current business records
- A suggestion that the tax payer "self-audits" a section of their return
- A request for confirmation that specific figures are in fact correct – this should be treated with especial caution if it is in respect of a return for 2003/4 or earlier where the year is technically closed for enquiries

Cooperating does not guarantee that there will not be a subsequent formal enquiry.

If you receive an intervention call or letter you should speak to us before responding. We will certainly not involve you in the expense of a formal enquiry if we can avoid it but this new initiative, while we applaud the idea of reducing time and costs, should be treated with caution.

A Question of Status

HMRC are looking more closely than ever at the employment status of workers. The difference between being employed and being self employed can have a significant effect on tax liabilities, both for the worker and the engager. A self employed worker will be able to claim more expenses for tax than an employee. An employer will have to pay employer's National Insurance contributions for employees (but not for self employed workers).

If you engage self employed workers it is important to regularly review their status. A written contract setting out the nature of the engagement is advisable.

An employee is generally entitled to regular hours, payment irrespective of the availability of work, paid holidays, paid sick leave and provision by the employer of tools and equipment necessary to do the job. Other rights might include a formal notice period, employer pension contributions and benefits.

A self employed person will generally have no right to demand work and will provide their own tools and equipment. They will usually work for a number of engagers none of whom will be entitled to insist that they carry out work. They will pay Class 2 National Insurance and return their income on the self employment pages of their tax return. They may carry business related insurance or be VAT registered. They will not have any of the rights that employees have to paid holiday, sick pay, pensions or regular work.

Every case has to be judged on its facts. If you engage workers either as employees or as self employed individuals and HMRC ask questions about them or ask to visit you should seek our advice straight away. It is all too easy to say the wrong thing if you do not understand what lies behind the question. As settlements can cover up to six years and include penalties and interest, the cost of not taking advice can be substantial.

Client Focus - Quantock

Quantock Design was established in 1989 by Shaun and Simon Mears and operates from offices in Taunton's Crescent. The business specialises in corporate identity, brand packaging, print and display graphics and website design. Clients include The Tussauds Group, BA London Eye, Siemens, Gooch & Housego, Interpet, Stovax, Ernst & Young and of course A C Mole & Sons.

Our relationship with Quantock began several years ago when they redesigned our corporate identity and our stationery. Subsequently they took over the design of our newsletter, turning the text and photographs we supply into the professional product you see.

More recently they designed the signage for our new Taunton office and this year they completed the redesign of our website.

A year ago we were pleased to welcome them as clients. Talking about the work Quantock has done for us, director Simon Mears says...

"from day one working with the marketing team at A C Mole has been rewarding. Initially we developed a clear vision of the modern professional values that A C Mole & Sons needed to convey. This vision has provided the platform for the consistent development of all their marketing communications. I believe this strategic approach has had a significant role in the very considerable business success they have enjoyed over the last few years."

Changing the Chancellor's Mind

In a previous newsletter we looked at tax partner Paul Aplin's work as Deputy Chairman of the ICAEW's Tax Faculty. Paul said that people sometimes asked if talking to HM Revenue & Customs, HM Treasury and Government ever really changed anything.

On Budget Day, Lord Carter published his report on HMRC's electronic services and recommended that the tax return deadline should be changed from 31 January to 30 November for electronic returns and 30 September for paper returns. The Government accepted his recommendation. Paul led a coalition of eight accountancy and tax bodies in negotiations with HMRC and HM Treasury to try to reverse the proposal. Much work behind the scenes resulted in Lord Carter announcing at the Tax Faculty's annual Wyman Symposium – at which Paul also spoke – that he had decided to revise his recommendation to Ministers, leaving the filing date for electronic returns as 31 January. The government accepted the revised recommendation. For the tax and accountancy profession as well as for taxpayers this represented a significant victory.

Paul ended his speech at the Wyman Symposium with a story about an interview he'd done on e-filing. Last October he and his wife were in a cab on their way from Edinburgh airport to the City centre when he took a call from a journalist. She asked for his

reaction to the withdrawal of the Electronic Lodgement Service (ELS) for filing tax returns, which A C Mole & Sons launched back in 1997. Paul gave his views in forthright terms. When they got out of the taxi his wife asked if he'd noticed how interested the driver had been in the phone call. "Think about it," she said "from his point of view. To most of us **FBI** doesn't mean Filing by Internet and there you were banging on about **FBI** and **agents**. The way you were talking about ELS anyone would have thought it was a person, so when you said you had issues about the way it had been **terminated** the man's eyes nearly popped out of his head." Accountancy Age repeated the story and picked it up in its weekly cartoon which, with the magazine's kind permission, is printed below.

