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Dear Client,

Spring is on the way and Team Morrell Middleton is in training for the 10-mile walk along Hadrian's Wall on Sunday 23 April! Many thanks to all those who have agreed to sponsor us in our efforts to raise funds for the British Heart Foundation. So far we have raised nearly £2,000. Any further support would be most gratefully received.

It has become apparent that we are not always advised when clients change address and telephone numbers, especially mobile phone numbers, and this does create problems if we need to contact someone urgently. We are therefore sending our current contact details to every client with a request that they check, amend if necessary, and return the form to us so that our records can be updated. In this electronic age I am aware that many clients would prefer to receive correspondence from us by e-mail rather than "snail-mail". The savings to be made by using e-mail are quite significant in terms of stationery and postage, not to mention time. The Government is committed to moving most of its business to the internet over the next few years and many other institutions are doing likewise. I should be grateful if you would indicate on the contact details sheet if you would prefer us not to contact you this way.

Lost in the small print of the Budget notes was yet another u-turn by Gordon Brown who is fast becoming infamous for giving tax breaks only to rescind them a short while later. The tax-exempt status of the loan of computer equipment to employees introduced in 1999 which the DTi built on to produce and promote the Home Computers Initiative is removed from 6 April 2006. The HCI scheme was a fundamental part of this Government's ambition to have "a computer in every home" but removal of the tax exemption rings the death knell for this. Another tax break to disappear from 1 April 2006 is the 0% band for Corporation Tax which was introduced by Brown in 2002. Whilst it may still be advantageous for small businesses to incorporate the benefit is much reduced.



Another hidden shocker was the proposed change to the filing deadline for Self Assessment Tax Returns from 2008. Paper Returns will have to be filed by 30 September rather than 31 January following the end of the tax year-4 months earlier!! Returns filed online will have 2 months longer, until 30 November. Last year, by 30 September, less than half of our clients had provided both the accounts and Tax Return information to enable us to prepare their Return. It is therefore becoming more important that we are given the information as soon after the year-end as possible. Income Tax checklists are now being sent to clients for the year ended 5 April 2006, please let us have the information as soon as you are able. The checklist is an aid to remind you of the information we need. You do not need to complete the form **apart from Section D**-just supply the information requested e.g. certificates of interest received, forms P60 and P11D etc. etc.

And finally...

An accountant is having a hard time sleeping and goes to see his doctor. "Doctor, I just can't get to sleep at night."

"Have you tried counting sheep?"

"That's the problem - I make a mistake and then spend three hours trying to find it"

There once was a business owner who was interviewing people for a division manager position. He decided to select the individual that could answer the question "how much is 2+2?"

The engineer pulled out his slide rule and shuffled it back and forth, and finally announced, "It lies between 3.98 and 4.02".

The physicist declared, "It's in the magnitude of 1×10^1 ."

The social worker said, "I don't know the answer, but I am glad that we discussed this important question."

The trader asked, "Are you buying or selling?"

The accountant looked at the business owner, then got out of his chair, went to see if anyone was listening at the door and pulled the blinds. Then he returned to the business owner, leaned across the desk and said in a low voice, "What would you like it to be?"

Office Arithmetic

Smart boss + smart employee = profit

Smart boss + dumb employee = production

Dumb boss + smart employee = promotion

Dumb boss + dumb employee = overtime

Kind regards

BUDGET 2006

BUDGET REVIEW

Gordon Brown's tenth budget was more a political statement - contrasting himself as committed to public spending, with the Tories' desire to out taxes.

Looking at the economy the Chancellor was able to state that growth this year was reasonable (though not as good as originally predicted) - and, since 1997, growth has been better than our economic neighbours. He also highlighted the fact that he has presided over ten years of continuous growth. Growth for 2006 is predicted at 2.5%, and for 2007 between 2.75% - 3.25%, in line with most forecasters' predictions. Borrowing figures are within the Chancellor's self imposed "Golden Rule" of 40% of GDP - though at 38% there is not too much room for manoeuvre.

Next year sees the next Comprehensive Spending Review, so this budget was never going to include too much detail on spending. The obvious exception to this being the Chancellor's commitment to raise the level of spending per pupil in state schools to that of spending per pupil in private schools - approximately £8,000 per year. The Chancellor's assumptions have spending rising by only 1.9% in real terms from 2008 to 2011, so some government departments may start to feel the pinch. Extra money was also promised for the armed forces, to combat terrorism, and for Olympic funding.

Tax and national insurance rates and allowances have risen in line with inflation, so there will be a benefit to the Chancellor with fiscal drag, as average earnings outperform inflation.

As has become the norm with this Chancellor, most of the detail was actually in the accompanying notes and releases rather than in the actual speech.

There is the usual raft of anti-avoidance measures, a favourite topic for this administration. Principal target was accumulation and maintenance trusts - a popular way of passing assets from one generation to another without incurring an inheritance tax liability.

Also affected were interest in possession trusts - both of these trusts will now be taxed much more like discretionary trusts in the future. The old adage about inheritance tax being a voluntary tax may now become a thing of the past.

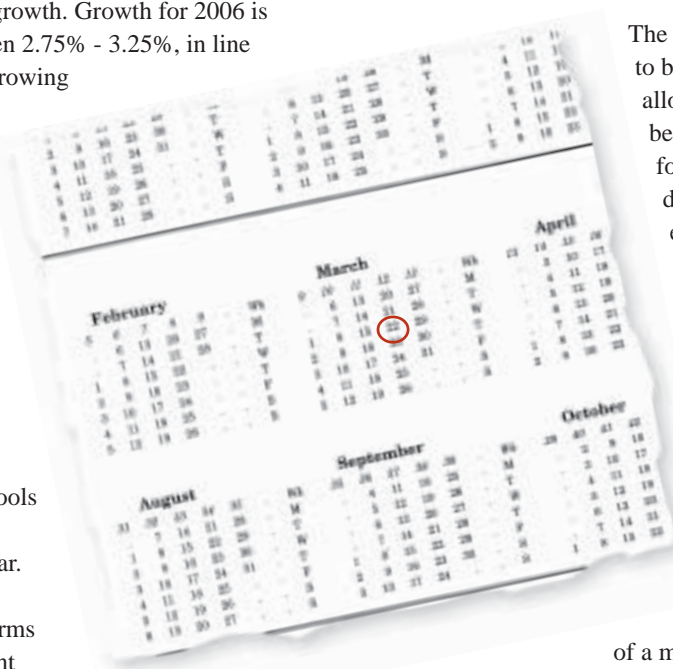
Also revisited in the anti avoidance area were capital gains tax 'bed and breakfast' rules, and the taxation of employment related securities.

The Chancellor has provided incentives to business - first year capital allowances for small companies have been increased from 40% to 50%, and for larger companies the research and development credit has been extended, so that more companies will gain from this 150% relief.

On a more negative note, it was surprising that the exemption from tax for an employer to provide an employee with a computer for use at home has been removed, particularly given that the government have been encouraging this scheme. Also, the tax exemption for the provision of a mobile phone will now only apply to the first such phone.

Pensions simplifications - the 'A' day rules - have been 'tweaked' with the final rules as to which assets can, and cannot, be invested in, together with some anti-avoidance provisions being introduced here. Also, the final rules for the new UK Real Estate Investment Trusts (UK-REIT) were established.

Finally the Chancellor promised a review of corporation tax - an area he has previously left alone (except for the now removed nil rate band) - and the partial exemption rules for VAT. For those thinking that there is not too much scope for play for the Chancellor here, you may care to consider that we currently have three rates of corporation tax. - when the Chancellor was first appointed there was only one rate of car road tax, as a result of this budget there are now seven!



EMAIL ADDRESSES

Please note our email addresses. All initials are suffixed by @morrell-middleton.co.uk

Steve Morrell **SJM**
 Kim Middleton **EKM**
 Andrew Taylor **AAT**
 Philip Rees **PWR**
 Julie Cave **JAC**

Val Lakey **VAL**
 Chris Howson **CBH**
 Nicci Atkinson **NAA**
 Simon Howson **STH**

Sarah Hobbs **SFH**
 Adam Findlay **AJF**
 Adam Franks **ASF**
 Claire Lakey **CAL**

2005/6 TAX YEAR

EXPENSES & BENEFITS

Employers are required to give the Inland Revenue details of any expenses payments, benefits and facilities (and their cash equivalents) provided for each director and other employees. They are also required to provide the director/employee with a copy of the details submitted.

Forms P11D (for all directors and those employees whose remuneration package, i.e. salary plus value of benefits, is at least £8500) and forms P9D (for employees whose remuneration package is less than £8500) are required to be completed and submitted to HM Inspector of Taxes (and a copy provided to the director/employee) by 6 July 2006.

Employers are required to pay Class 1A National Insurance Contributions (at the rate of 12.8%) on most benefits. Such benefits are identified by a brown heading 1A symbol on the form P11D. **You should note that some benefits are liable to Class 1 NICs at the time they are provided and the value of the benefit should be added to the gross pay in that pay period for the calculation of NICs only.**

Form P11D(b) must be completed to be submitted with the completed forms P11D and P9D. This form is a Return of Class 1A National Insurance Contributions and shows the total due for payment by 19 July 2006.

The forms and working sheets to enable you to calculate the cash equivalents (and therefore the Class 1A NICs) are available from Orderline on 08457 646 646.

If you require any assistance with the completion of forms P11D/P9D or with the calculation of Class 1A NICs please contact Val Lakey.

Company Vans

A big change this year! From 6 April 2005 employees will no longer be assessed on the benefit of a company van if it is used mainly for work and the only private journeys made are between their homes and workplace.

Employers must be able to show the Revenue that the benefit is not chargeable and this may mean keeping mileage records, having a signed agreement or contract clause limiting private use.

If other significant private journeys are made the scale benefits of £500 or £350 (where the van is 4 years or older) will apply for the years 2005/2006 and 2006/2007.

Beware, these scale charges will increase to £3,000 irrespective of the age of the van from 6 April 2007. In addition there will be a £500 additional flat charge where free or subsidised fuel is provided for private use after that date.

TAX CREDITS

You should have received a Stop Notice for all Tax Credit awards previously paid through your payroll. Payment of Tax Credits by employers will cease on 31 March 2006 and future credits will be paid direct into employees' bank accounts. If you have not received a Stop Notice for any employee's award you need to contact the Tax Credit Office for advice.

TAX-FREE PAYMENTS TO EMPLOYERS

Regrettably, almost half of the clients for whom we filed the 2004/2005 Employer's Annual Return online have yet to receive their tax-free incentive payment. We have been actively pursuing the remaining payments for months now only to be repeatedly advised that a Revenue software problem is preventing identification of many online submissions. We have supplied the Tax Office with copies of the acknowledgements received at the time each of those Returns was filed online in the hope that this will facilitate the identification process. We have also made an official complaint on behalf of our clients.

This unfortunate situation has not changed the Government's determination that **all** End of Year Returns will have to be submitted electronically from the year 2009/2010 onwards and there remain tax-free incentives to be made, eventually, to those employers with fewer than 50 concurrent employees who file online before that deadline. These are:

- File online for 2005/2006 £250
- File online for 2006/2007 £150
- File online for 2007/2008 £100
- File online for 2008/2009 £75

Submission of a "nil" Return does not qualify the employer for the tax-free payment.

The incentive payment will become available after your Return is successfully filed online and will be credited to your PAYE/NIC payment record to be off-set against future payments due or you will be able to claim repayment.

You can register on the Inland Revenue website to use their online service yourself or you can use a registered payroll bureau, such as ourselves.

If you would like to discuss this further please contact Val Lakey.

CIS DEDUCTIONS SUFFERED BY LIMITED COMPANIES

Since 6th April 2002, companies that have deductions made from their income as subcontractors, have been able to offset these deductions against the monthly or quarterly PAYE/NICs and any CIS liabilities due from their own employees and/or subcontractors.

Companies should simply reduce their PAYE/NICs and any CIS liabilities by the amount of CIS deductions made from their income as subcontractors.

If, for any month or quarter, the company's own CIS deductions are greater than the PAYE/NICs/CIS liabilities due, the company should set off the excess against future payments in the same tax year. At the end of the tax year any excess CIS deductions which cannot be set off may be refunded or set against other liabilities due.

Companies must keep a record of the amounts set off so they can complete the end of year forms P35 and CIS36, where necessary. The total tax deducted on forms CIS25 from payments made to a company in the tax year should be entered at **Box 31** of the form P35 for that year.

INTO 2006/7

EMPLOYER/CONTRACTOR END OF YEAR RETURNS

2005/2006 forms P35 together with forms P14, P38(A) where applicable and CIS36 (for contractors) need to be submitted to HM Inspector of Taxes by **19 May 2006**. Please note that interest is chargeable on any outstanding tax and NIC due for the year 2005/2006 from **19 April 2006**.

You will need to obtain the forms P14/P60 by phoning the Orderline on 08457 646 646.

Forms P14/P60 must be completed for any employees who were paid £82 or more in any week or who were in receipt of Tax Credits *even if no tax or NICs needed to be deducted*.

Please note that you must give current employees their 2005/2006 form P60 by 31 May 2006. Forms P60 for those employees who

left your employment prior to 5 April 2006 should be destroyed.

Only one form P60 should be given to an employee even if that employee had more than one period of employment with you in the tax year. If an employee asks for another copy, you may issue a duplicate. Any duplicate must be clearly marked with the word "DUPLICATE".

If requested, you must also advise each employee (or ex-employee) of their total pay from your employment in the year even if tax and National Insurance Contributions were not due to be deducted.

If you require assistance in the completion, online filing, simply checking of your End of Year Returns, or just advice, please contact Val Lakey as soon as possible.

FORMS P46

Please note that a new version of form P46 is available for use from 6 April 2006. Supplies of the old style form should be scrapped.

Providing that a signed P46 is held declaring that that yours is the only or main employment of an employee, no deductions are required from gross pay up to £97 per week from 6 April 2006. Where pay exceeds this amount both tax and NIC deductions must be made and the completed form P46 submitted to the Inspector of Taxes. The tax should be calculated using the emergency tax code of 503L on a week 1 basis.

It should be noted however that if an employee's earnings reach or exceed the Lower Earnings Limit of £84 per week they will be credited with National Insurance Contributions for benefit purposes, e.g. SSP/SMP and state retirement pension providing the information is returned to the Inland Revenue. It is therefore necessary to maintain a form P11 (Deductions Working Sheet), or computerised payroll record, for any employee paid above £84 per week **even though no deductions are required**.

ANYONE PAYING AN EMPLOYEE £84 OR MORE PER WEEK MUST BE REGISTERED AS AN EMPLOYER WITH THE INLAND REVENUE.

If looking after your Payroll is getting too much, why not let us do it for you?

We offer a full payroll service.

Ring Val for a quote

PAYE-CARRY FORWARD OF THE 2005/2006 TAX CODE TO THE NEW TAX YEAR

Where you have not received a tax code notification for an existing employee for the year 2006/2007 you should carry forward the latest code issued for the year 2005/2006 even if that notification arrived too late for you to use it in the final payroll run for the earlier year. **Any week 1/month 1 suffix should be removed and any tax code ending in L should be increased by 14, e.g. 489L becomes 503L.**

The emergency tax code for the year 2006/2007 is 503Lwk1/m1.

SUDOKU

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Answer on page 11

NEW TAX YEAR

BUSINESS TRAVEL

The tax free rates for reimbursement of business travel in privately owned cars, vans or on cycles are as follows:

- **0-10,000 miles** **40p per mile**
- **over 10,000 miles** **25p per mile**
- **motorcycles** **24p per mile**
- **bicycles** **20p per mile**

To encourage car sharing by employees an additional 5p per mile may be paid for each passenger carried.

Employees can claim back tax relief on the difference between the above rates and a lower amount paid by the employer. This can be done on an employee's Tax Return or by way of a letter to the Inland Revenue.

Employers may pay higher rates than those shown above if they so choose but any excess is taxable. For NIC purposes the higher rate of 40p per mile is used irrespective of the number of miles to calculate the amount on which NICs are due.

The Revenue's Advisory Fuel Rates for Company Cars apply where employers choose to either reimburse employees for business travel in their company cars or require employees to

repay the cost of fuel used for private travel. These arrangements are alternatives to the Car Fuel Benefit Scale Charges.

The rates are as follows:

Engine Size	Petrol (all years)	Diesel (all years)	LPG (from 2004/05)
1400cc or less	10p	9p	7p
1401cc to 2000cc	12p	9p	8p
Over 2000cc	14p	12p	10p

If the rate paid per mile of business travel does not exceed the above rates the Revenue will accept that there is no taxable profit and no NIC liability.

Providing all private travel has been properly identified, the Revenue will accept that no fuel scale charge need be applied where the above rates (or higher) are used to calculate the cost of fuel used for private travel that the employee must repay to the employer.

For either of these options to work successfully and be accepted by the Revenue it is essential that a log is maintained of all business and/or private mileage as appropriate.

TAX DIARY

- 06.04.06 New NIC Tables to be used.
New forms P46 to be used-supplies of old forms to be scrapped.
- 19.04.06 PAYE/NIC/CIS deductions due
IR35 PAYE/NIC payments on any deemed payment due
- 19.05.06 P35/CIS36 returns due
- 26.05.06 Automatic penalties charged on any outstanding P35/CIS36 returns.
- 31.05.06 P60s to be given to employees
- 24.05.06 Last day to accept tax codes on forms P45 dated prior to 6 April 2006. The emergency tax code of 503L(wk1/m1) should be used in these cases and part 3 of form P45 completed accordingly.
- 06.07.06 P11ds/P9Ds/P11D(b)s submission. Copies must be supplied to employees
- 19.07.06 Class 1A NICs due for payment
- 31.07.06 2nd penalty of £100 for not filing 2004/2005 Tax Returns
2nd surcharge for 2004/2005 payments due
31.01.06
2nd payment on account due for year 2005/2006
- 01.10.06 National Minimum Wage for workers aged 18-21 years to increase to £4.45
National Minimum Wage for workers aged 22 and over to increase to £5.35
National Minimum Wage for workers aged 16 and 17 years to increase to £3.30

EMPLOYING STUDENTS

The only occasion where a student can be treated differently to any other employee is where he/she is working for you **solely during normal college holiday times**. In this instance only you can ask the student to complete the student's declaration on form **P38(S)** as soon as he/she starts working for you. NICs must be paid where the threshold is exceeded however no tax is deductible and code NT is to be used.

Forms P38(S) must be completed for each tax year a student works for you. If, therefore, they work for you during the Easter holidays both before and after 5 April, they must complete two forms P38(S).

At the end of the student's period of employment with you (or 5 April) you must complete the Employer's statement on form P38(S). All completed forms P38(S) should be retained with payroll records.

Students who work for you during the holidays but also during term time are dealt with under the normal P46/P45 arrangements.

NEW NIC TABLES

Please check that you are using the new (April 2006 issue) National Insurance Tables which reflect the increase in the Lower Earnings Limit and Threshold. The continued use of old tables is a common mistake and it is advisable to scrap them to avoid confusion.

The new tables are available from Orderline on 08457 646 646 or can be ordered online at www.hmrc.gov.uk

FOOD FOR THOUGHT

DRAFT FAMILY REGULATIONS PUBLISHED

The Government recently announced (in the Ten Year Strategy for Childcare), that it would be making reforms of the “family related leave” and flexible working provisions. The DTI has now published draft regulations to implement these reforms, which are expected to come into force in April 2007.

The Government proposes making changes to the Maternity and Parental Leave (and Pay) Regulations, the Paternity and Adoption Leave Regulations and the Flexible Working Regulations.

Family related leave provisions: (**maternity, parental, paternity and adoption**)

The Government is planning to introduce the following changes:

- All pregnant employees (or adopters) will be able to take the extended period of maternity allowance, statutory maternity pay, or adoption pay, if they so choose (regardless of length of service)
- Extension of statutory maternity pay and statutory adoption pay from 26 to 39 weeks (ensuring that all eligible mothers and adopters benefit)
- Introduction of a new right for mothers to transfer a proportion of their leave entitlement and pay to fathers
- Extension of notice requirements when returning to work from 28 days to 8 weeks

- Employers will be encouraged to make “reasonable contact” with employees while on leave (helping employers and employees plan ahead and stay in touch during periods of maternity and adoption leave)
- Introduction of ‘Keeping in Touch’ days to enable mothers to work for a limited number of days during their statutory pay period without losing statutory payments for that week, or ending their leave. (Any such work must be by agreement between the parties and there is no right for an employer to demand that an employee undertake any such work, nor for an employee to have such work offered to her).

Flexible Working Regulations

The Flexible Working regulations currently allow parents of young and disabled children to apply to their employer for flexible working. The Government announced its decision to extend the right to request flexible working to “carers of adults”. A “carer” is defined as someone “who cares for an adult who is either their spouse or civil partner, a relative, or a person living at the same address”.

Consultation on these draft regulations ends on 18 April 2006.

RECOVERY OF VAT ON FUEL PURCHASED BY EMPLOYEES.

For several years the UK has been out of line with European Law by allowing businesses to reclaim VAT on fuel purchased by employees, as the fuel is supplied to a private individual and not a taxable person under the terms of Article 17(2)(a) of the Sixth Directive. This could be a reimbursal of the actual cost or by way of a mileage allowance.

Following pressure from Europe UK Law has been changed to comply with European Law so that the VAT registered businesses in the UK can continue to do this, but there are additional stipulations. The new order, Value Added Tax (Input Tax) (Reimbursement by Employers of Employees’ Business Use of Road Fuel) Regulations 2005, came into force on 1 January 2006. The new order makes it implicit that a VAT invoice is held covering every claim for input VAT on fuel paid for by the employee. It is also important that input VAT is only claimed on business fuel and not private fuel therefore only invoices covering this amount need to be retained.

Please make sure you are claiming the correct amount and have the correct supporting documentation – please contact us if you need any further advice.

COMPANIES HOUSE ANTI-HIJACKING SERVICE

The occurrence of company hijacking is becoming more frequent. This is where fraudsters change the registered office and director’s details of companies in order to hide behind the shield of a respectable established company. Companies House are aware of the problems, but cannot investigate all forms submitted for filing.

Some forms can be filed online and indeed the Annual Return filing fee of £30 is reduced to £15 for online filing. Security of online transactions is maintained by the issue of authentication codes and registered email addresses.

Companies House have also set up the PROOF (Protected Online Filing) Service. When a company is registered for PROOF Companies House will only accept the Annual Return or forms for changing the company’s registered office or directors details when filed online. This greatly increases the company’s security as all paper versions of these forms will be rejected.

We already file Annual Returns for some clients electronically and will be moving to filing more Companies House documents in this way in the near future, but if you would like us to file your Annual Return on your behalf, or register for PROOF please get in touch.

VAT AND PARTIAL EXEMPTION

Does your business have both VATable and exempt supplies? - If so you are partially exempt.

Partial exemption rules can be complex, but basically if you are partially exempt you may not be able to recover input VAT on expenses in relation to the exempt supplies. In addition you may not be able to recover all of the input VAT on all of your overheads. Have you been making the correct adjustments to your VAT Return? Most commonly those businesses which are partially exempt have rental income from land and property, which is an exempt supply, as well as other trading income.

If you think you should be partially exempt or have queries relating to this then please get in touch.

FOOD FOR THOUGHT

A VISIT FROM THE VATMAN!

Any VAT registered business could, at any time, have a visit from the VATman, although these visits are becoming less frequent. Some visits are full inspections whilst others cover only a specific area such as your last VAT Return, if this Return was in some way unusual. It is also possible to have a VAT visit which has been triggered following enquiries into one of your customers or suppliers.

No-one likes a VAT visit. The feeling is often that the VATman's sole aim is to prove you owe more VAT, however this is not the case. The result of the visit may be that you owe more VAT, but could equally be that things are fine or even that you are owed a refund of VAT!

The visit may last a few hours or even a day or two, but in general the VATman will need access to all your records, somewhere to work and someone on the premises to discuss details of your business and his findings. You may feel happier if this meeting was done with our presence or even at our offices.

If errors are found then these will be explained to you. You will also be told whether further investigation is needed or whether an assessment will be raised. If you have underdeclared VAT then an assessment will be issued and this will include interest and penalties at the appropriate rate. It is possible to appeal against this, but success is rare.

What can I do if I find errors?

Let's face it, we are all human and make errors. If you discover an error you have two choices; either you wait and chance a VAT visit, or you do something proactive about it. Errors totalling £2,000 or less can be adjusted without any undue consequences on your next Return. Errors over this figure have to be made separately and there is a Voluntary Disclosure Form (VAT 652) which needs to be filled in. Before doing this, please, we would urge you to contact us so that we can check that the declaration you are making is correct – we wouldn't want you paying too much VAT!

If you have any concerns about VAT please get in touch.

TAX EFFICIENT GIVING

Did you know that giving to Charity could be tax efficient?

Gift Aid

The most common form of tax efficient giving is Gift Aid, which allows a charity to reclaim tax on any gift of money. Using Gift Aid means that for every £1 a charity receives, it can get a further 28p from the Inland Revenue, making donations go much further. All a charity needs is a Gift Aid declaration from the donor. Declarations can be made either in writing or orally and may cover donations made since 5 April 2000 and all future donations. The donor needs to understand that they are giving you authority to reclaim tax from the Inland Revenue on the gift.

If the donor is a higher rate taxpayer there is a further benefit. Any Gift Aid donations made during the tax year will reduce the amount of income charged at the higher rate. Therefore for example:

- A higher rate taxpayer pays £100 to charity and Gift Aids the payment.
- The charity receives the £100 from the donor and claims a further £28 from the Inland Revenue.
- The donor's tax return is produced showing this donation which results in a reduction of tax of £18.

Therefore the Charity receives £128 and the donor's true cost is only £82!

Companies can also Gift Aid payments, but they pay the amount gross and can have the donation as a deduction when calculating taxable profits thus getting tax relief.

Payroll Giving Grants

Would you like to encourage your employees to give more to charity?

Would you like the opportunity to further encourage by having the potential for adding to their donations?

Would you like to receive £300-£500 for setting this up?

On 26 January 2005 the Government launched the Payroll Giving

Grants Programme for small and medium sized enterprises. It will run up to December 2006 and will apply to all schemes set up between April 2004 and December 2006. Grants available to employers depend on organisation size as follows:

Number of employees	Grant Available
1 – 199	£300
200 – 249	£400
250 – 499	£500

You can either keep this grant or donate all (or part) of it to charity.

The Government will also match any employee donations pound for pound up to a minimum of £10 per month for a period of six months from the date the individual signs up.

The payroll giving scheme should be set up so that a deduction is made from the employee's gross salary each month. This is then paid across by the employer to a Payroll Giving Agency to manage and distribute as the donor specifies. There can be a small administration cost to this depending on the agency, but the largest such agency is the Charities Aid Foundation (CAF) and their charges are 0-4% per donor. As tax is saved on the deduction the employee is getting tax relief at source at his highest tax rate. For a £5 donation to charity the cost to the individual net of 22% tax is £3.90, but net of 40% tax is £3.00. The charity gets the £5 donation AND the Government matched amount of £5 making £10 in total.

It is possible for the employer to also match the employee's donations or to cover the administration cost so that the donation can be made in full.

For more information call us or look on www.institute-of-fundraising.org.uk (the administration body for the scheme). If you would like a scheme setting up please telephone and we can get the forms for you.

giftaid it

FOOD FOR THOUGHT

CONFIDENTIAL WASTE

How secure are your arrangements for the disposal of confidential waste? This should be a concern for every company, whatever its size.

The Data Protection Act places demands on us to keep information on our clients and our staff secure. Breaches of legislation can lead to expensive litigation and compensation claims. Also, loss or theft of sensitive information relating to our bank accounts and personal and company details puts financial security at risk through identity fraud.

One way of managing these risks is by using the services of a secure on-site document destruction company. It works like this: secure, locked containers are provided into which confidential waste is placed. This can include all types of paper, envelopes, film, cds, etc. There is no need to remove bindings, paper clips or the like. Then, once a month, a lorry turns up and an operator removes the waste and shreds it on board the lorry, using heavy duty shredding machinery. The resulting waste, looking rather like confetti, is then taken away and is recycled to make low-grade paper.

We started using this type of service a couple of months ago and it has proved to be an effective way of dealing with the paper waste which we generate. As a result of shredding not only confidential waste but also virtually all our paper waste, we have cut back considerably on our weekly rubbish collection with a resultant saving in charges. We consider that handling our waste in this way will provide significant benefits but at the same time will be cost-neutral. As an added incentive to "think green" each visit the contractor provides us with a Certificate of Destruction. The certificate shows that, currently, we have saved 2 trees!

So, here we have a solution which addresses a number of problems:

- It keeps confidential waste secure
- It helps prevent falling foul of the Data Protection Act
- It is environmentally friendly by recycling waste which would otherwise go to landfill
- It cuts down on waste collections
- It helps to contain costs

If you would like more information about dealing with confidential waste, please contact Phil Rees

TUPE 2006

The **Transfer of Undertakings (Protection of Employment) Regulations 2006** comes into force on 6 April 2006.

In summary, variations to contracts of employment (made as a result of the transfer or for a reason connected with it) are void, unless;

- The principal reason for the variation is an economic, technical or organisational reason entailing changes in the workforce; or
- The transferor is insolvent, and either the transferor or transferee (or an insolvency practitioner) agrees the variations with the employees or their representatives. The aim of the variation must be to ensure the survival of the business.

Liability for statutory redundancy, statutory minimum notice and other payments to employees of **insolvent** companies will NOT transfer to the transferee.

The transferor is obliged to provide "employee liability information" to the transferee at least two weeks before the transfer including;

- Information about the identity and age of employees, details of their statement of terms and conditions, details of any disciplinary proceedings or grievance issued in the last two years, details of any court or tribunal cases brought by the employees in the last two years, or any which the transferor believes that an employee might bring etc.
- Failure to provide this information will enable the transferee to bring a claim against the transferor (in an employment tribunal) for such compensation as is "just and equitable" having regard to any loss suffered by the transferee.

The transferor and the transferee will also be jointly liable for awards for failure to inform and consult with employee representatives prior to the transfer.

The 2006 Regulations apply to any transfer that takes place on or after 6 April 2006 but the duty on a transferor to provide a transferee with employee liability information shall not apply to a transfer that takes place on or before 19 April 2006.

NEW SERVICE FOR CLIENTS

We are pleased to welcome Geoff Dixon to the Morrell Middleton Team as an associate and at the same time tell you about an exciting new service that we will be offering our clients.

Geoff brings a wealth of business experience gained from working in a variety of management and senior management roles over the last 25 years for some of the UK's leading companies whose brands include a number of household names.

In 1997 he became Sales and Marketing Director for Sims Plc and after that business was sold, set up his own sales training and management development consultancy with clients ranging from food manufacturers, to newspaper publishers and a division of a large high street retailer.

More recently, Geoff has been Sales Director for a fast growing organization in the business to business sector whose customer base includes over 10,000 independent businesses and whose business has more than quadrupled in the last 5 years.

Through Geoff's experience we are now able to offer a **General Business Consultancy and Advice Service** to our clients and, whilst the specific nature of that service is absolutely dependent on the individual needs of your business, areas that we will be able to advise on are likely to include how to:-

- Increase your sales
- Understand, measure and improve your business performance
- Buy better
- Reduce your costs
- Increase brand awareness and the effectiveness of your marketing
- Improve the service you provide to your customers
- Develop the skill, knowledge and calibre of your people

If you would like to take part in our free, no obligation **Business Health Check** or if you would like to find out more, then call us on 01904 691141.

FINANCIAL SERVICES

PENSIONS A-DAY

6 April – the long awaited day when far-reaching pensions changes finally came about.

The aim of the changes is to make pensions more simple. Under the old regime there were many different types of pension, each subject to a different set of rules. Now, they are largely brought into line. Some of the main changes are as follows:

- If you do not have any income you can put in up to £3,600 every year into a pension scheme and get tax relief on it. If you are earning, you can pay in up to the level of your annual income, up to a maximum of £215,000 in 2006-7.
- You can have both a company pension and a personal pension, something that previously was not available to everybody.

- There is a cap on the total size of your pension fund. In 2006-7 this is £1.5m rising to £1.8m by 2010. There are special arrangements for those whose existing funds are in excess of this level.
- From the age of 50, rising to 55 by 2010, it will be possible to take up to 25% of the value of the fund as tax-free cash. It will not be necessary to take an income from the balance of the fund at that same time, although employers' schemes and insurers may impose restrictions.
- When it comes to taking an income from your pension fund there will be a wider range of options available.

The prospect of putting residential and holiday property into one's pension was eagerly anticipated but the Chancellor vetoed these opportunities late last year.

THE STOCK MARKET

The FTSE 100, London's premier stock index, has broken through the 6,000 level for the first time in five years.

On 17 March the blue-chip index rose as high as 6,044 before finally closing just below the magic number.

The blue-chip index was last at 6,000 in March 2001. The all-time high for the index, of 6,930.2, came on 30 December 1999.

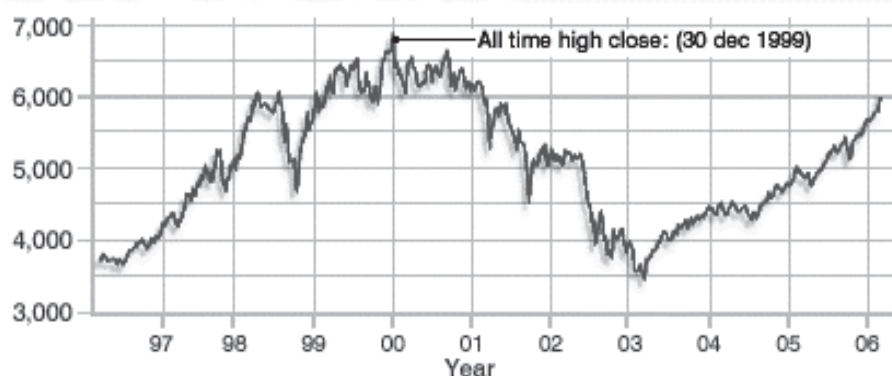
Global stock markets have faced a long struggle to regain confidence after the burst of the dotcom bubble at the start of the century and the impact of the 11 September 2001 attacks on the US.

The Index still has close to a thousand points to go if it is to regain its all-time high at the end of 1999, which was largely fuelled by the internet boom.

Financial commentators are divided as to how much further it has to go this year. Some think it may go up to 6,500, while others predict an end to the bull run with the index back as low as 5,000 by the end of 2006.

Whoever is right, the one fact that is clearly demonstrated is that investing in the equity markets has to be seen as a medium to long-term strategy.

FTSE 100 INDEX BREAKS THROUGH 6,000



LIFE INSURANCE

The new pensions regime, introduced in April, takes away existing barriers to providing life cover through your pension.

The attraction of buying life insurance via a pension is that premiums are paid direct from the policy, effectively from tax-free income.

Cover bought conventionally comes out of your net income. So premiums through a pension are likely to be cheaper. But there are

some disadvantages. Only plain death cover is allowed. So critical illness insurance, often sold alongside life cover, cannot be included. And any payout under the insurance will be tested against your pension's lifetime allowance.

This could trigger a hefty tax bill for dependents of someone with both a big pension fund and generous life insurance.

Please contact Phil Rees if you would like more information.

COMPUTER SERVICES

WINDOWS VISTA



Windows Vista

Later this year sees the release Microsoft's Windows Vista which is set to replace Windows XP. Vista is built on foundations set by Windows XP and from the outset looks very similar. However there are many more features that promise an enhanced user experience and a more stable computing environment.

Microsoft say: "Windows Vista brings clarity to your world, so you can more safely and easily accomplish everyday tasks and instantly find what you want on your PC. Explore entertainment, such as TV and music, on your Windows Vista-based PC like never before. And with Windows Vista, you'll more conveniently stay connected to the people who are important to you, from home or while on the go."

Features include:

- Enhanced User Experience
- Internet Explorer 7
- Simplified Network Support
- Speech Recognition
- Enhanced Media Support
- Increased Security
- Enhanced Performance
- Windows Backup
- Remote Assistance
- Built in Diagnostics

Windows Vista will be available in 5 different versions ranging from Vista Business to Vista Home Basic and will be released with new machines or available to purchase separately in the last quarter of 2006.

SPECIAL OFFERS

Special Offers

Sage Line 50 Accountant Plus Version 12

1 Company, Single User



RRP £695 +VAT

**Special Offer Price
£556 +VAT**

Only one available

Dell Dimension 1100



Celeron D 2.8ghz
512mb RAM
80GB HDD
16x DVD ROM
17" CRT
XP Home

**Special Offer Price
£300 Inc VAT**
Limited Availability

Do you ever worry what impact it would have upon your business if your computer should decide to breakdown or completely give up?

Or how much it might cost if you needed to get your machine repaired urgently?

**The solution is a Morrell Middleton Computer Services
MAINTENANCE CONTRACT**

From as little as £168 per year your computer could be covered under our maintenance contract that will give you full parts and labour cover should anything go wrong with your machine. And free help and advice should you just need somebody to talk to.

What do we offer you?

- Full parts and labour cover
- Annual Service
- Telephone and onsite support
- Rapid on site response
- Loan equipment
- Repair or Replace
- Microsoft software support

We can tailor our maintenance contract to fit every size of computer system so contact us now for a **FREE** quotation.t: 01904 691141e: mmcs@morrell-middleton.co.uk

COMPUTER SERVICES

Sage Line 50 Version 12

The launch of Sage Line 50 Version 12 saw a whole new look and feel to the program along with increased functionality and ease of use.

These changes have been made due to suggestions from customers, accountants and resellers and this makes version 12 the most user friendly version ever released.

Sage Line 50 Version 12 comes in 3 different versions, Accountant, Accountant Plus and Financial Controller, and these cater for the different requirements of different sizes and types of businesses, with Financial Controller having the ability to run over a networked system and having up to 10 users logged in concurrently.

Some key differences between the 3 versions are detailed below:

Product overview	Accountant	Accountant Plus	Financial Controller
Working with Line 50			
Multi-company & multi-user options (additional charge applies)	up to 2 users	up to 2 users	up to 10 users
Working with your customers and suppliers			
Sales and purchase ledgers	✓	✓	✓
Credit control	✓	✓	✓
Invoicing	✓	✓	✓
Improved Project costing		✓	✓
Individual customer pricing & custom price lists		✓	✓
Multiple delivery addresses		✓	✓
Working with your accounts			
Nominal ledger	✓	✓	✓
VAT management and audit assistant	✓	✓	✓
New Support for charities	✓	✓	✓
Historical data analysis	✓	✓	✓
Cheque printing		✓	✓
Foreign trader and improved Foreign bank account revaluation			✓
Intrastat support			✓
Working with your products and services			
Stock control	✓	✓	✓
Improved Bill of materials		✓	✓
Improved Stock allocation		✓	✓
Sales order processing and fulfilment			✓
Purchase order processing			✓

For more information, training packages or a free quotation on the full range of Sage Line 50 products please contact us.

Computer Helpdesk Funnies

6	4	7	8	2	9	1	5	3
5	8	2	1	3	4	7	9	6
9	3	1	6	7	5	2	4	8
3	6	8	9	4	1	5	7	2
1	5	9	7	8	2	3	6	4
2	7	4	5	6	3	8	1	9
8	2	5	4	1	6	9	3	7
7	9	6	3	5	8	4	2	1
4	1	3	2	9	7	6	8	5

Helpdesk: Are you sure you used the right password?

Customer: Yes I'm sure. I saw my colleague do it.

Helpdesk: Can you tell me what the password was?

Customer: Five stars.

Helpdesk: What's on your monitor now ma'am?

Customer: A teddy bear my boyfriend bought for me in the supermarket.

Helpdesk: Click on the 'my computer' icon on to the left of the screen.

Customer: Your left or my left?

Customer in computer shop: "Can you copy the Internet onto this disk for me?"

TAX FACTS 2006/7

INCOME TAX

Taxable income bands	Rate %	£ Tax on full band
£0 – £2,150	10	215.00
£2,151 – £33,300	22	6,853
Excess	40	

Tax on savings income is limited to 20% for all basic rate taxpayers.
Discretionary and accumulation & maintenance trusts are taxed at 40%.

CAPITAL GAINS TAX

2006/07 annual exemption for individuals £8,800 (£4,400 for trusts). Gains are charged as income at the individual's top rate, except that the rate of 20% will apply where the gain would have attracted 22%.

NATIONAL INSURANCE

Class 2

Payable if profits exceed £4,465 at £2.10 per week.

Class 4

Profit Bands	Rate %
£0 - £5,035	Nil
£5,036 - £33,540	8
Excess	1

SSP/SMP

SSP is £70.05 per week and the SMP lower rate is the lower of £108.85 and 90% of average weekly earnings. SMP higher rate is 90% of average weekly earnings.

NATIONAL MINIMUM WAGE

16 – 17	£3.00 (£3.30 FROM 1.10.06)
18 – 21	£4.25 (£4.45 FROM 1.10.06)
22+	£5.05 (£5.35 FROM 1.10.06)

VAT

Standard Rate 17.5%

Registration limit from 1.4.06.

£61,000 per annum (de-registration £59,000)

PERSONAL ALLOWANCES

	Under 65	65-74	75 & Over
Personal Allowance	£5,035	£7,280	£7,420
Married Couple's Allowance	Nil	+*£6,065	*£6,135
Income Limit for age allowance	N/A	£20,100	£20,100

* Relief restricted to 10%

+ Where one spouse was born before 6 April 1935

INHERITANCE TAX

Transfers after 6 April 2006:

Threshold	£285,000	Lifetime Rate	20%
Death Rate	40%	Annual Exemption	£3,000

Fuel Benefit

The fuel benefits for 2006-07 will be based upon the CO2 emission car benefit percentage, but using a fixed car value of £14,400.

CORPORATION TAX

For the year to		31 March 2007	31 March 2006
Starting Rate	0%	–	£0 - £10,000
Marginal rate	23.75%	–	£10,001 - £50,000
Small companies rate	19%	£0 - £300,000	£50,001 - £300,000
Marginal rate	32.75%	£300,001 - £1,500,000	£300,001 - £1,500,000
Main rate	30%	£1,500,000 +	£1,500,000+
Non-corporate distribution rate		–	19%

Divide relevant amounts by the total number of associated companies.

TAPER RELIEF

The chargeable gain is reduced according to how long the asset has been held or treated as held after 5th April 1998. Non-business assets qualify for an additional year. For disposals after 5th April 2006:

Proportion of gain chargeable

Complete years	Business Assets	Non-Business Assets
0	100%	100%
1	50%	100%
2	25%	100%
3	25%	95%
4	25%	90%
5-10	25%	85%-60%

STAMP DUTY

From 28 March 2006 transfers of property including leaseholds, patents, goodwill etc. are charged as follows:

Property Value	Rate
Up to £125,000	Nil
£125,001 – £250,000	1%
£250,001 – £500,000	3%
Over £500,000	4%

The rate applicable to the transfer of shares is 1/2%

AUTHORISED MILEAGE RATES

These are the maximum amounts which you can pay to your employees without any tax implications. You may of course not wish to pay as much as is allowable. In this case your employees can make a claim to the Inland Revenue for tax relief on the difference between the amount due under the AMR and the amount paid by you in a tax year.

The claim should be made on a form P87 which is available from the Tax Office.

Tax-free rates per mile

0-10,000 miles	40p
Over 10,000 miles	25p
Passenger rate	5p
Motorcycles	24p
Bicycles	20p

VAT ON PRIVATE FUEL

For periods beginning on or after 1 May 2006

Diesel–Cylinder Capacity	3 Months	VAT Due Per Car
2000cc or less	£260	£38.72
Over 2000cc	£331	£44.30
Petrol–Cylinder Capacity		
1400cc or less	£273	£40.66
Over 1400cc up to 2000cc	£346	£51.53
Over 2000cc	£508	£75.66

This newsletter has been written for the general interest of our clients. It is therefore essential to take advice on specific issues. We believe the facts are correct as at the publication date, we cannot take any responsibility for any errors and/or omissions.