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The Newsletter of Lubbock Fine Summer 2006



Tax Update

Wills and Trusts

The tax world has been buzzing with news of changes, announced by the Government in the 2006 Budget, affecting the manner in which trusts are taxed. If the proposed changes become law, the consequence will be the most fundamental and far-reaching shake up in recent history. It seems that the Government perceives that trusts are solely the domain of the wealthy few, used to avoid their fair share of IHT.

Conversely, our experience has been that trusts have many, many uses, often with no connection whatsoever to saving tax. For example, an individual with children from a previous marriage is likely to want to ensure that, upon the death of that individual, the children from their previous marriage are adequately protected. This is likely to involve the current spouse with a benefit under a trust, which terminates upon that spouse's death or remarriage, after which the funds would pass to the children, either outright if the children are old enough, or under another trust. Prior to the budget announcement, such arrangements would have been relatively IHT efficient often with no IHT payable until the children of that previous marriage inherit the assets upon the death of their stepparent.

Under the new proposals, IHT may become payable up front upon the death of the first parent, with further periodical charges, up to 6% of the value of the assets, on a ten yearly basis.

Another area likely to be affected is that of IHT nil rate band discretionary will trusts. It has become an established practice for these to be incorporated into a person's will, in order to utilise the benefit of the IHT nil rate band, which would otherwise be wasted if all the assets passed to the surviving spouse.

At the time of writing the Finance Bill is still in the process of passing through Parliament and there have already been changes agreed to the original proposals in the Budget. Such changes are primarily due to pressure having been applied by the accountancy profession and other interested parties. It is hoped that further concessions will be granted before the Finance Bill becomes law in the form of the Finance Act, in July 2006.

Whatever the outcome of this, it is our advice that you review your will particularly if you haven't done so in recent years. If your will contains an IHT nil rate band discretionary trust or if you have any other trust arrangements in existence, please seek urgent advice in order to restructure any matters in accordance with these new provisions.

If your intention is to make a will in the near future, please ensure that you seek appropriate tax advice before doing so.

For further information on this complex area, please speak to your Lubbock Fine contact partner. ●

Taper Relief for Businesses

Do you own a business? If so, would you know the rate of capital gains tax you would attract on the proceeds of its sale?

Nine out of ten business owners will answer the question in one of the following ways:

- (a) You're the accountant, you tell me.
- (b) 40%.
- (c) 10%.

The answer they give will usually be illustrative of where a business is in its lifecycle.

Unless it's the 'new baby' of a serial entrepreneur, a business start-up is likely to answer (a) as it is usually far too early for them to have even considered a sale of the business. Answer (b) is the favourite of established businesses that have no real intention of selling, are happy to continue trading for the foreseeable future and have never seen the need to find out. Finally, answer (c) is often provided by owners of well established businesses with an eye on an exit route. They will have undertaken some preliminary fact finding on tax issues. Unfortunately, our experience shows that this fact finding is often conducted at the 19th tee or somewhere similar and is so likely to be incomplete.

What is it then that we're trying to say here?

First, to those answering (a) and (b), in fact (c) may be the correct answer. Secondly, to alert those answering (c), yes 10% may be the correct answer but equally, the CGT rate may well be 24% or even higher, depending upon whether they have avoided the (taper relief) pitfalls along on the way.

The actual tax rate will depend upon any entitlement that has been accrued to business asset taper relief (BATR). Very briefly the relief works by reducing the amount of a gain charged on a disposal that is charged to capital gains tax by a given percentage. The percentage relevant to each case will depend amongst other things, on the number of years the business has been owned, and whether the business has owned any non-qualifying assets, such as investments.

For example, if a limited company holds investments, as well as owning a trade, the investments could well eliminate all entitlement to BATR, therefore, pushing the tax rate on a sale of the business shares from 10%, much closer to 40%. Also, it is necessary to consider the last ten-year history of the business, not just the last two as is often perceived to be the case.

So, it is most important that entitlement to BATR is on the agenda from the outset of a business. It is particularly important to understand the impact of any strategic decisions made, such as the holding of investments, making loans or even simply holding substantial cash surpluses built up over many years that now exceed the business's current cashflow requirements. Furthermore the BATR position should be reviewed on a regular basis to ensure that the qualifying conditions are met year on year.

Finally, do remember that BATR applies as much to a winding up or liquidation of a company, as it does to a business sale, so even if you have no intention of selling your business in the future, you still need to be aware of the BATR position. ●

Client Profile

Georgina Goodman



Photo Credit: Kevin Davies.

Along with a flagship store of their own, Lubbock Fine client Georgina Goodman's shoes are now stocked in illustrious establishments such as Harrods, Bus Stop NY (New York) and Neiman Marcus (Beverly Hills) to name but a very few. An amazing achievement for a brand launched less than five years ago. Most shoe aficionados will at the very least be familiar with the brand, have some in their wardrobe or be planning to acquire a pair or two in the near future. Thus, Georgina's shoes have clearly won the hearts and minds of everyone who's anyone in fashion and the brand continues to grow and develop from strength and strength.

"Thandie Newton likes pretty"

The actress finds herself inextricably drawn to the store of Georgina Goodman... "a pair of custom shoes from Georgina" she says dreamily, "they're high, but they fit like a second skin".

Lucky Magazine (US) – June 2005

It was back in the 1990's whilst working for influential magazines such as i-D and Elle that Georgina Goodman had her epiphany. Inside of her was a real creative soul struggling to get out. With this in mind, and to be true to herself, she enrolled on the BA Course at Cordwainer's College, London followed by an MA in Womenswear/ Footwear in 2001 at the Royal College of Art, London.

She hasn't looked back.

Georgina opened her showcase store in the heart of London's Mayfair in December 2002. The fantastic design and understated luxury that are hallmarks of her brand quickly won the hearts of her discerning clients and the acclaim of the fashion media. The store is a showcase for the Georgina Goodman shoe and accessories collections. Working as a 'walk in poster', clients are treated to a calm and minimal interior.

"To create the brand we started by knowing what we wanted to say, then established a collection that said it in the right environment and finally, we deliver constantly against it" said Georgina.

"Upper limit – bespoke style"

"...suddenly the abstract concept of a beautiful pair of chestnut brown loafers, a perfect hybrid of Continental styling and English craftsmanship, was made real. Any reservations I ever had about the value of bespoke evaporated. It's undoubtedly an extravagance, but one that gives untold pleasure."

Esquire - August 2004



Georgina's husband, BJ Cunningham subsequently joined Georgina to launch and manage the Georgina Goodman brand. "We now work together, so see more of each other than before we started which is a real bonus" he said. "We're good business partners because we have different talents" he added, "For example, I'm much more comfortable with the financial side of things which leaves Georgina to do what she's best at, designing, creating and making the pieces and meeting customers".

"We've been acting for Georgina Goodman since 2003" said Lubbock Fine partner, Mark Turner. "Our first job was to define the structure between their different entities and sort out the responsibilities. To complement the fantastic product, we've now got the financial side of their business running smoothly and poised for expansion in the short-term."

Chic and personal, the unusual store is furnished in a modern, classic style with walnut shelving and oak flooring. Due to its unique design, customers can view the workshop below where craftsmen are creating shoes and turning leather. The hustle and bustle below works in tandem with the calm above, contributing to what might be described as 'a total experience'.

In 2003, Georgina's Ready to Wear seasonal shoe collection, manufactured in both Spain and Italy, was launched. It expresses Georgina's consistent signature style whilst managing to stay true to the heart of her design ethos. Her brand portfolio now includes couture and ready to wear women's shoes, bags and other accessories, home-ware and her collection of men's bespoke.

"Lubbock Fine was originally introduced to us by a business contact" said managing director, BJ Cunningham. "With their help, we have simplified and clarified our systems so that we now know where we stand at any given moment. That means no shocks! When a tax bill arrives, we're expecting it and that's largely down to the firm's proactive approach and innovative tax planning."

Passion, energy and vision leading to directional, contemporary work has been key to establishing important partnerships with the most influential retailers and publications worldwide. Moreover, Georgina continues to expand her retail business with a website and on-line store. She also acts as a consultant to major fashion houses helping to shape their collections. The British Fashion Council has recently nominated her as Accessory Designer of the Year.



"My philosophy has always been straightforward," said Georgina. "Be consistent, be clear, be who we really are and, most importantly, be in love. This philosophy is expressed in everything that we do."

The Georgina Goodman shop is at 12-14 Shepherd Street, Mayfair, London W1J 7JF and the opening times are Monday to Saturday 10am to 6pm (020 7499 8599 or info@georginagoodman.com) whilst www.georginagoodman.com on-line store is open 24 hours a day! ●



Offshore accounts and the Revenue

HM Revenue & Customs (HMRC) has won an important ruling concerning offshore bank accounts. In an unprecedented decision, a leading UK bank is being forced to divulge information about its customers offshore accounts.

The decision, made on 3rd May, forces Barclays Bank to pass HMRC details of customers who have a UK address but hold a non-UK bank account. It is now expected that HMRC will pursue other banks which offer offshore accounts in order to ensure that the ruling applies to all offshore account holders. It is therefore very important that any of our clients who have foreign bank accounts of any sort are fully conversant with this ruling.

Offshore accounts are still legal but account holders may need to declare the interest to HMRC as tax maybe payable on it. Failure to declare can lead to a liability, not only for the tax due, but also interest on that unpaid tax and a penalty that can be as much as 100% of the unpaid tax. Clearly HMRC will now be contacting names on the list who have not shown the bank interest on the appropriate return. HMRC estimates that this activity could allow it to recover £1.5 billion in unpaid taxes.

There are now calls for investors who have held offshore accounts, but not declared the interest, to contact HMRC in order to pre-empt investigations and minimise any penalties due.

Individuals who are working full time overseas can usually hold offshore accounts without having to report them to HMRC. On returning to the UK, they will however need to pay heed to this ruling and not leave an offshore bank account assuming HMRC will not know about it. If a return to the UK is planned, it is critical to review capital and investment options.

For anyone resident in the UK who is not domiciled here, offshore still offer perfectly valid UK tax planning opportunities, but great care is needed to ensure that no UK tax liabilities are created unnecessarily.

With increasing transparency in the UK banking world, it is extremely important to ensure that your financial situation is properly managed. If you have a foreign bank account of any type, we advise you to speak to your contact partner as soon as possible to ensure that you are complying with UK tax law. ●

Lubbock Fine now registered with the Public Company Accounting Oversight Board (PCAOB)

The well-documented corporate accounting scandals at several major American corporations at the start of the millennium shook investor confidence and led to the Sarbanes-Oxley Act being passed in the United States in July 2002.

The compliance obligations, detailed documentation of financial reporting systems and controls, together with possible further testing and monitoring with follow-up are laborious. As existing auditors are prohibited from undertaking this work, companies either have to do it themselves or seek external assistance. The work is time consuming and very detailed, often the most cost effective solution is for them to bring in outside assistance.

Lubbock Fine is registered with the PCAOB which authorises us to take audit engagements for substantial subsidiaries of US public companies.

We are also able to assist in this area by acting as advisors rather than as auditors and are now undertaking work of this nature for a number of clients.

European organisations

With the possibility of the EU following suit with similar compliance obligations, prudent CEO's of European organisations are starting to think about how they would cope should they too be required to sign off on their internal controls.

For further information about Sarbanes-Oxley and what it may mean to you, please contact laurencenewman@lubbockfine.co.uk ●

Richard and Judy born entertainers?

Richard Madeley and Judy Finnigan recently made a star appearance at the Special Commissioners tax tribunal.

As is normal in their industry they pay commission to their agents, which they claim as a tax deductible expense against their income. Revenue & Customs however challenged this deduction.

Typically, arguments about deductibility of costs will concentrate on whether or not a taxpayer is employed or self-employed, as the rules for the self-employed are far more generous. Richard and Judy's case is slightly different, as they were not claiming to be self-employed but believed they were still entitled to a deduction for fees paid to agents, under a specific relief available for entertainers.

The case hinged on whether or not the Commissioners considered that Richard and Judy were entertainers.

To support their case, Richard presented numerous clips from their TV show of him playing various musical instruments, singing, etc. This appears to have helped convince the Special Commissioners that they are entertainers, although we leave you to make your own mind up about that! The deduction was therefore bona-fide.

This case has more than mere novelty value due to the household names involved, as it opens a wider debate as to who is an entertainer. Following the Commissioners' logic, it appears that Chris Tarrant in "Who Wants To Be A Millionaire?" is not an entertainer, as he simply reads questions, whereas Ann Robinson in "The Weakest Link" is an entertainer, as she "hams it up". There is obviously a very fine distinction being drawn between the two and, if this ruling stands, it seems there will be a queue of cases to be heard before the Commissioners from individuals claiming to be entertainers.

It remains to be seen whether Revenue & Customs will appeal against the result of this case. If not, we're wondering what guidance they might issue on the matter and indeed, what criteria they will use to determine who is and who is not an entertainer.

Lubbock Fine acts for many clients in the media and we will therefore be ensuring that all relevant clients are maximising the reliefs they are due. If you think you may be affected then please contact your usual LF contact. ●



Are you getting your money from the Government?

Many clients of Lubbock Fine have been able to deduct £250 from their PAYE remittances to the Inland Revenue or have been receiving payments from the Inland Revenue because they have been filing their year end forms P35 electronically. All the clients whose wages and salaries are dealt with through our Bureau were registered for electronic filing last year and they are all receiving their refunds.

If you have not already done this yourself, to qualify you for refunds you should get in touch with your contact partner or Lynn Jordan in our Payroll Department. They will be able to advise you what steps you need to take to qualify for these refunds.

When the Government introduced electronic filing of forms P35 it became compulsory for employers of more than 250 people, but in order to encourage smaller employers to file electronically before it became compulsory, this cash incentive was introduced. The amount recoverable is spread over five years, and those who have not registered yet have missed out on the first part of the incentive payments to the tune of £500.

The Government have also recently announced that they will be introducing compulsory electronic payment in a few years time.

For future years, the refunds available are:

2006/07 £150
2007/08 £100
2008/09 £ 75



Family News

Is there something in the water here at City Forum or just a happy co-incidence? Two very important events have taken place in the last few months.

The family of Lubbock Fine partner, Mark Turner has recently expanded by 33.3% (recurring) with the birth of Max. We feel sure that all our clients join us in congratulating Mark and his wife, Mary on their new arrival. Turner Junior arrived on 26th March. Mark describes the experience of new fatherhood as a 'steep learning curve' and a bit of shock to the system. Max and his mother are both in fine fettle and doing well.

Phil Blackburn, senior tax manager, increased his family by 25% with the birth of William Scott on 14th June, a brother for Matthew. These days, Phil counts an uninterrupted night's sleep as a real bonus and says it's not true that two can live as cheaply as one. Hearty congratulations from all of us to Sarah, Phil and Mathew on this happy event. ●

Lubbock Fine congratulates.... Graham Chase

Dip Est Man FRICS FCI Arb FInstCPD -
RICS President elect



We are delighted to congratulate Graham Chase on his appointment as president of the Royal Institution of Chartered Surveyors (RICS) which commenced on 4th July 2006. This prestigious and important appointment is an enormous professional accolade which speaks volumes about Graham's standing in his profession.

Born in 1954 and raised in North London, Graham qualified as a chartered surveyor in 1978. Specialising in retail and leisure property, he has been involved in the commercial property sector for the past 25 years.

Growing weary from mergers and a lack of direction in larger practices, he founded Chase & Partners, of which he is chairman, in 1995 and approached us to assist him in establishing his new firm. Once free from the restrictions of a large, impersonal and inflexible commercial environment, Graham was able to structure Chase & Partners in a more user-

friendly manner and develop the business through creating a broader and better delivery of services to clients. It was clearly the right decision and since then, he hasn't looked back. Chase & Partners' work covers both the in-town and out-of-town retail and leisure sectors in occupational and investment agency, development consultancy, valuation and professional work including CPO compensation and town planning.

"I've known Graham for over fifteen years now and greatly admire him" said Lubbock Fine managing partner, Geoff Goodyear "It's the tremendous enthusiasm, drive and energy that he brings to bear on everything he does, coupled with his interpersonal skills that triggers his success. It's no wonder that he's achieved so much so quickly" he added.

In May 2003, representing the RICS, Graham appeared before the House of Lords Select Committee investigating the Chancellor's proposals, as set out in his budget speech, for stamp and lease duty modernisation. He also regularly represents the RICS on national television news and current affairs programmes.

Besides his activities for the RICS, Graham is, among other things, a governor of Mill Hill school; a Trustee of Alford House which provides facilities for local disadvantaged youth in Lambeth; and he sits on the Advisory Board of the Institute of Continuing Professional Development. He is also on the Board of The College of Estate Management in Reading, a non-executive director of The Medical Property Investment Fund Plc (a publicly listed company) and is chairman of PAMADA (The Property Marketing Advertising and Design Awards).

Away from all of this, Graham is married to Fiona and has two teenage daughters. He is an accomplished sportsman, with interests including rugby, hockey, cricket, cycling and sailing. Everyone at Lubbock Fine wishes Graham all the very best in his pivotal presidential year. ●

We're always delighted to feature good news about our clients. If you have something special that you'd like to shout about, please email marketing@lubbockfine.co.uk and we'll try to get your story into our next issue.

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