

Finelines 388

The Newsletter of Lubbock Fine Spring 2006



Tax year-end planning - 5 April 2006

With another year end rapidly approaching on 5 April 2006, is there still time to consider some planning to maximise your tax relief entitlement - and other opportunities? Yes.

Here are some ideas:

1. Individual Savings Accounts (ISA's)

Have you maximised your investments into ISA's for 2005/06?

Annual £7,000 limit means that had you invested the maximum for each year since ISA's were introduced in 1999, you could now have at least £49,000 invested tax free.

2. Capital gains tax (CGT)

Annual exemption

Are you utilising your tax free CGT annual exemption of £8,500? Married couples get one annual exemption each.

So, should you sell an asset or transfer one to another family member (not your spouse)? You could even transfer an asset to your spouse, who then sells it to utilise her annual exemption.

Taper relief

Care is needed to ensure that you maximise the effectiveness of any taper relief you are entitled to. Planning steps to consider are the timing of the disposal of assets, possibly delaying a sale until after 5 April 2006, or a transfer of assets between spouses prior to sale.

3. Enterprise Investment Schemes (EIS) / Venture Capital Trusts (VCT)

EIS

EIS's are direct investments into unquoted trading companies. The potential tax benefits are:

- Income tax relief up to 20% of the amount invested
- Deferral of capital gains tax arising on other assets, and/or no CGT when you ultimately sell your EIS shares (conditions apply of course!)

Maximum EIS investment for 2005/06 is £200,000.

VCT

Similar to EIS's but you invest in the VCT, which in turn makes direct investments into various unquoted trading companies. Investment in VCT's attract income tax relief at 40%, if you pay tax at 40%.

The maximum VCT investment for 2005/06 is £200,000.

4. Pension Contributions

Pensions simplification ("A day"), 6 April 2006 is almost here. This is your final chance to review your pension funding before the new rules apply, both to maximise your annual tax relief limits and to fully understand how the new rules affect you.

5. Inheritance tax (IHT)

If you're thinking about passing your assets to your family, consider utilising your IHT annual exemption. Each year you can gift £3,000 IHT free. Again spouses both get their own exempt amount. If you did not make any gifts in 2004/05, then your annual exemption is doubled to £6,000.

It may also be possible to gift more than the basic annual £3,000 by making regular gifts out of your existing income.

For further information, please speak to your contact partner. ●

Taxing dividends as income has the Court of Appeal judgement resolved matters?

Like many other couples, Geoff and Diana Jones owned and ran a small business, Arctic Systems. Profits would be paid out as dividends to them both, the advantage being that they used both parties' tax allowances and overall, the family saved higher rate tax.

The problem was that Her Majesty's Revenue and Customs didn't like Diana being paid dividends, asserting that as Geoff Jones was the main fee earner for the company, any profits paid to his wife Diana should be taxed as his income, not hers.

In the latest ruling, the Court said that the Revenue was wrong to seek to tax Mr Jones on dividends paid to his wife from a jointly owned company. The Appeal Court found firmly in the Jones' favour and promptly declined leave to appeal to HMRC. However, the Revenue is still determined to take the case to the House of Lords and successfully petitioned to have the case heard by them. So, far from being 'case closed', the jury is still very much out.

Who is at risk?

HMRC estimate that there are around 30,000 husband and wife companies where (according to them) one spouse is the main earner and is splitting their income with the other, thereby mopping up two sets of personal allowances and tax rates to save income tax. Commentators in the press think the number is far higher.

Heads we win, tails you lose

If HMRC wins, it would be able to:

- Settle all outstanding appeals on its own terms
- Review past years to see if any cases can be reopened and up to five years' additional tax claimed from family businesses. If HMRC loses, it is reasonable to expect that the Government may attempt to change the legislation in their favour. Couples running their own service companies may like to consider paying this year's dividends before the Budget, just in case.

What to do?

Based on the Court of Appeal decision, for 2004/05 and 2005/06 tax returns there is no reason why anyone whose affairs are similar to those of the Jones' should not complete their returns on the basis that each spouse is entitled to their own dividends. Though it may be sensible to delay submitting 2005/06 Returns until closer to 31 January 2007 to see how the House of Lords appeal progresses.

If you have any questions about the implications of this case, please speak to your contact partner. ●

Client Profile

Lydd Airport- flying high

Lubbock Fine client London Ashford Airport has embarked on a major re-development which will transform Lydd into a modern regional airport capable of handling up to two million passengers a year by 2014. More than £15m has been spent on resurfacing the runway, upgrading instrument landing systems, a new air traffic control system, new VIP terminal and other improvements.



Naresh Shah.

Lubbock Fine is delighted to be involved in the re-emergence and development of Lydd Airport in Kent. "This is a client with an exciting and unusual business," said Lubbock Fine partner, Naresh Shah. "Having assisted with the initial

due diligence work prior to the acquisition, we continue to provide Lydd Airport with an audit and accountancy service. Added to that, we supply financial and taxation support and expertise which is proving very useful at this early stage of the business."

Originally built in the 1950s, for many years Lydd provided 'Silver City Airways', a cross-Channel air service – for cars. It is scarcely believable now but their planes were designed to carry three or four cars, plus passengers, across the Channel to Le Touquet in Northern France. The rich, famous and downright curious would fly their car and family



Gregory Peck using Lydd Airport.

over to France from where they would begin their continental driving holiday.

At its peak in around 1956, Lydd was the busiest airport in Britain. With its 220-odd flights per day, half a million passengers per year passed through it. Those halcyon days were curtailed abruptly in the early 1970's when the advent of the now defunct hovercraft and cheap cross-Channel ferries killed Silver City stone dead.

After that, the airport languished, changing hands over and over again, with each consecutive owner seemingly unable to bring their great plans to profitable fruition. All through this time, the Gordon brothers ran a limited scheduled service called Lydd Air to and from Le Touquet and that service is still in operation today.

In 2003, the airport was bought lock, stock and barrel by FAL Group, who promptly invested £15 million in its development and is on schedule to put in further investment in the coming years. But what makes a large investment in a regional UK airport a particularly attractive proposition?

First, a Government White paper in 2004 on airport expansion cited Lydd as ideal for development. It's proximity to London, and environmental advantages of less distance from the coast meaning reduced fuel burning over populated areas, makes it ideally placed for the future. Zaher Deir, managing director of London Ashford Airport, said response to the plans for Lydd has been overwhelmingly positive: "Our facility represents a welcome alternative to the main airports in London. Flexibility and unrestricted opening hours are huge advantages compared to other airports located in the South East."

Taken in the context of the new high speed rail link from East London planned for 2007 with domestic high speed trains forecast for 2008 and it becomes plain that nearby Ashford will be only 30 minutes from London. Even taking into account the transport from the airport to Ashford, London will be a mere 40 to 50 minutes by rail from Lydd – the same distance as Gatwick, depending upon which side of London you are aiming for.



Flying cars in the 1950's.



New lounge at Lydd Airport.



New lounge bar at Lydd Airport.

"As part of our development, we're very pleased to have cultivated such a great rapport with Lubbock Fine and Naresh Shah in particular," said Hani Mutlaq, financial controller Lydd Airport. "Now that they're on board, we're in no doubt that we've made the right choice of accountant/auditor with all the confidence and support that the relationship provides. We especially appreciate the level of interest that the firm is taking in our business."

The growth and expansion of regional airports such as Southampton and Bournemouth in the last few years is a signal for the future of airline travel habits in the South East. For example, almost three million passengers will pass through Southampton airport this year. This is due to the major airports in the South East being at more or less full capacity with the potential for more routes and traffic being strictly limited. The development of low cost airlines such as Ryanair and Easyjet has proved that the travelling public prefers to use smaller, regional airports particularly when taking short European breaks. Who wants the hassle, difficult parking and time involved with travelling from Heathrow or Gatwick if it can be painlessly avoided?

Since 2003, the existing runway and executive lounge at Lydd has already been significantly re-developed. The airport's runway facilities are now equivalent to London's City airport and can take traffic from airlines such as VLM, Scottair and FlyBe. With eight new self-manoeuvrable stands and VIP handling for corporate private jet charters, the short term

development to provide viable operations is paying dividends. Along with reduced handling charges, easier access and 'first in' sweeteners, the airport is developing into an attractive proposition for cost conscious smaller airlines and European airlines wishing to break into the UK market.

In the local area alone, if Lydd were to take just 10% of all current air movement of people based in its catchment area, this would deliver two million movements per year - just from the locale. The Thames Gateway massive regeneration project is forecasting 20,000 new homes in the Ashford area within the foreseeable future and add in to that the general growth factor and spillage from other airports operating at full capacity and indications are that the market is there. That's without taking into account the Olympics when a 40% increase in air traffic is expected.

Despite vocal local opposition, primarily from residents relatively new to the area, the development of Lydd is generally accepted as a good thing for the local economy. The airport has the lowest noise footprint of any UK airport due to its coastal and marsh location. And these days, small jets are proven to be less noisy than trains. In terms of job creation, ten times the incremental jobs are likely to be created on a catalytic basis. That's to say, for 500 jobs created at the airport, this is likely to spawn a total of 5,000 when taking into account suppliers and peripheral functions.

In the not too distant future, airlines will not be able to expand in the South East and are already being forced to look at airports that five years ago, wouldn't have had a look-in. "The lead time from starting negotiations with an airline to their first passenger carrying jet operating from Lydd is around eighteen months" said Tim Gill, marketing manager, "but there's no doubt that an airline client will be on board sooner rather than later. Watch this space."

For further details about London Ashford Airport, call 01797 322411 or visit www.lydd-airport.co.uk

Do you want to take your business abroad?

Have you ever thought about expanding your business by trying out new opportunities abroad? We have. Lubbock Fine partner, Naresh Shah, has now been part of three official UK trade delegations, two to India and one to Sri Lanka. With the right attitude and an organised approach to the follow-through, these trade missions can be very useful in opening up new markets for your business. Whether you want to go across the pond or down under, looking to the Far East or the Middle East, help is at hand. The government may not be the first organisation that comes to mind when seeking advice but did you know that you may be eligible for free advice and help from UK Trade & Investment?

Although the world of exporting can sometimes feel like a minefield there are also great advantages to taking your business overseas; from strengthening your market position to diversifying and making you more profitable or financially secure.

You may think that exporting abroad is monopolised by global companies; nothing could be further from the truth. Many small and medium sized companies offer specialist and niche products and services that have a lot of potential in overseas markets.

So who are UK Trade and Investment?

UK Trade & Investment is a Government organisation that supports British companies engaged in international trade and those wishing to locate and invest in the UK. It combines the business services from the Foreign & Commonwealth Office (FCO) and the Department of Trade & Industry and uses in-depth knowledge to provide operational and strategic support for businesses looking to export, and for inward investors into the UK.

UK Trade & Investment's London Regional Team includes a group of international trade advisers who are experienced in a wide range of different countries and sectors. Many advisers have foreign language skills and this, together with their country and sector knowledge is invaluable for delivering expert advice to clients. In addition to the advice available from UK advisers, companies also benefit from the network of commercial teams located in Embassies and FCO posts around the world.

So what can UK Trade and Investment do to help?

Offer a range of advice and services that can help your export plans grow from that initial spark of an idea to a profitable and fully functional business venture.

Passport to export (P2E): This service offers a comprehensive toolkit of advice and support aimed at helping new and inexperienced exporters take their first steps into international trade. As an assessment and skills-based programme it provides training, planning and the ongoing support needed to compete more successfully in overseas markets.

Overseas market introduction service (OMIS):

A team of dedicated commercial officers based in British embassies and FCO posts worldwide will undertake research on your behalf. These are tailored to your requirements based on a specific brief that is developed with you.

Export marketing research scheme (EMRS):

This can be the ideal way for you to gain greater knowledge of a country through undertaking your own in-market research project. By visiting the market to carry out carefully planned research you can gain the advantage of first-hand experience. This in-market research can be a valuable way to understand such issues as the individual requirements of a given country, the competition that exists, pricing and business culture.

Exhibitions: Support for a number of overseas exhibitions is provided. If you are an experienced exhibitor and have identified a show that support is not currently provided for, then it still may be possible to get assistance.

Trade missions: Sector focused Trade Missions or Market Visits to another country can be an ideal way in which to visit a market and make crucial contacts to target. A large amount of assistance and valuable advice is given to those businesses participating in a Trade Missions or Market Visits, before, during and after a visit.

For information on how UK Trade & Investment can help you, please contact Elizabeth Fehnrich on elizabethfehnrich@uktilondon.org.uk or 0207 653 3356 ●

No road tax, no London congestion charge, free parking...

Can it really be true?

Are you concerned about the environment or perhaps you're just fed up with paying the London congestion charge? Either way, the G-Wiz might provide the solution.

Green

It's official; this is the greenest car in Britain. According to its publicity G-Wiz is 100% emission free and a dramatic breakthrough in the fight against city air pollution and global warming. It consumes one quarter the energy of similar sized petrol cars making it the most energy efficient car on the road. It costs around £8,000 to buy new and has a daily running cost of around £1.64 and uses 1p per mile electricity (that's equivalent to 600 miles per gallon) together with lowest insurance group rating.

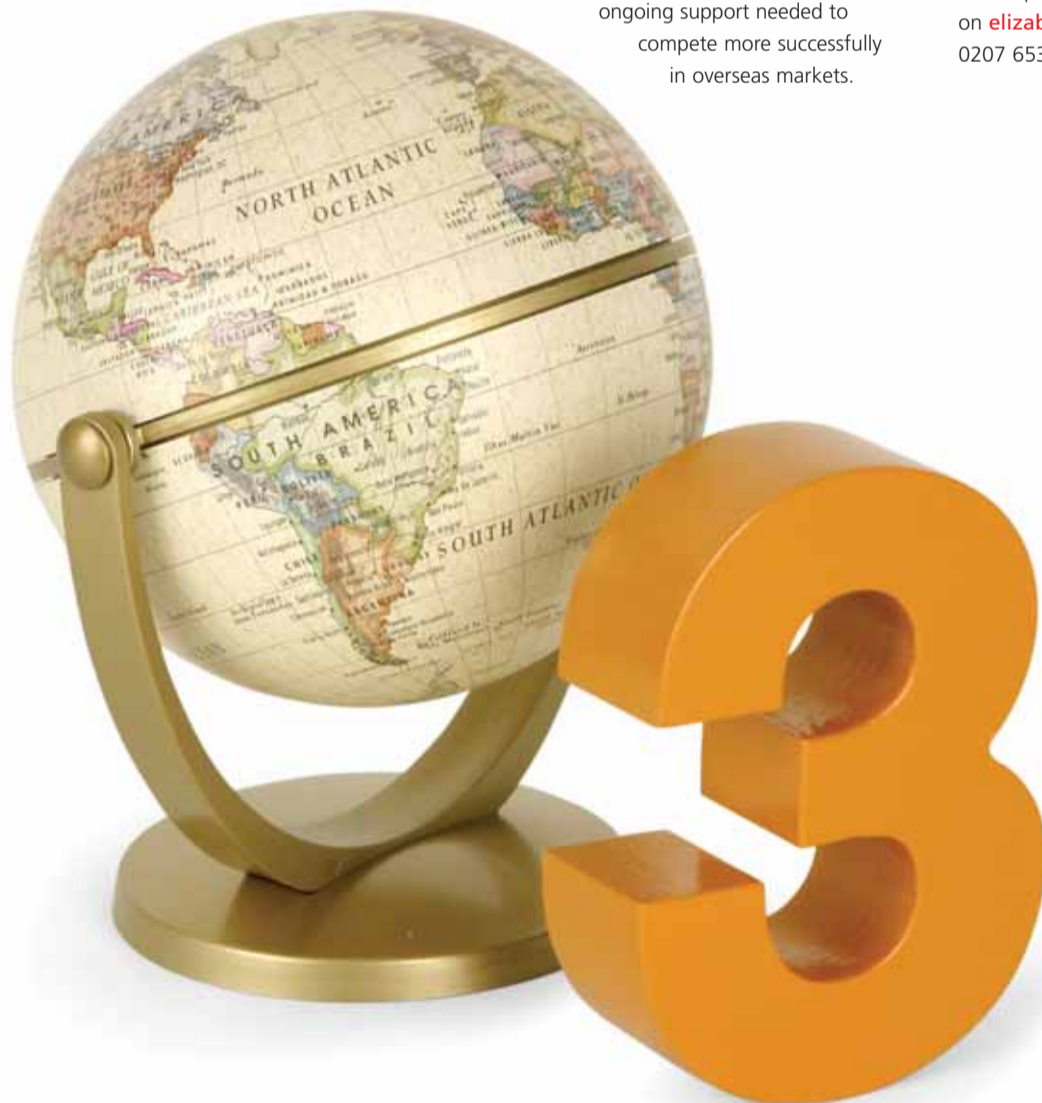
Pennies to run

Other advantages include free parking in central London on meters and in pay and display bays. It also qualifies for 96% discounts or free parking in many central London car parks and free residential and business parking permits in London boroughs. It can be re-charged anywhere and a number of car parks now offer free charging facilities. Charge time is 2.5 hours for 80% of the range and 6 hours for the full 100%.

Specification

It's fully automatic and easy to manoeuvre and park. And because it's only 2.6m long, it fits into spaces which are too small for other cars but, here's the 'but'. There are disadvantages. G-Wiz has 'nippy' acceleration, a top speed of 40 mph (which they claim is enough for urban driving conditions and speed limits) and a range of up to 40 miles, depending upon the temperature, driving conditions and your driving style! As the average journey anywhere across the whole of the UK is (they say) only 8 miles, and in London it is less than 4 miles, the range should be sufficient for daily urban use. Its sleek good looks may not be to everyone's taste either but then, nothing in life's perfect is it?

For further information email ask@goinggreen.co.uk or call 020 8574 3232 Monday - Friday 8.00am to 5.30pm ●



Self-assessment 31 January is out of the way **Phew!**

Another filing deadline has passed. We'd like to thank all of our clients who helped us by getting their information in to us earlier in the cycle. For those who didn't... please try harder next year – you definitely get a better service from us if you give us more time!

After all, the earlier you get the information to us; the sooner can prepare yourself for your tax bill.

We're always looking for ways to improve the tax return process and are considering using the Inland Revenue's FBI (filing by internet) service next year. It has been around for a few years now but in earlier years it experienced some "teething problems", particularly in the busy December and January months. By all accounts the service worked much better this year, and we will be looking to roll it out for the 2005/06 Returns.

According to the Revenue, the FBI system is so popular that 306 people used the service on the 25th December! It has not yet been confirmed whether or not they all had the mother-in-law around for lunch! ●



Russell Bedford International **Americas Conference 2006**



Geoff Goodyear, Chairman of Russell Bedford International; Jorge Jimenez, Managing Partner of Russell Bedford Mexico and Peter Stefanou, Members of the Worldwide Board of Directors.

Hosted by Russell Bedford Mexico, the Americas Conference took place on the 27th and 28th January 2006.

With more than 50 delegates attending, almost all member firms in North and Latin America were represented along with attendees from the UK, France, Israel and more.

The main theme of the conference centred on the hot topic of 'audit quality control' and the changing markets in which we operate. Presentations were made by delegates from Boston, Atlanta, San Francisco, Los Angeles, Washington DC and Mexico City as well as introductory presentations from new member firms from Tijuana and Merida, Mexico and from Costa Rica. ●

Congratulations to examinees

We know that everyone will join us in congratulating all those who have recently passed their exams. So, a hearty 'well done' to Colette Davis, who passed Business Management and Business Finance (professional stage); Tim Cundy and Alan Carman passed the Early Hurdle of the professional stage - Audit & Assurance and Accounting and Shaun Morton passed Financial Reporting at Professional stage. Also Nicola Humphrey passed the AAT technician exams and is therefore now AAT qualified. ●

Businesses!

Improve your credit checking or face the consequences

The Forum of Private Business (FPB) represents 25,000 small firms. As a leading business pressure group, it warns that improvements in credit checking procedures are vital to avoid unwelcome consequences. It draws its conclusions after a significant increase in the number of business failures across various market sectors during 2005.

It is primarily late payment that cripples small businesses. Business owners need to take stock and ensure that they have rigorous credit checking processes in place. Thorough management is crucial including credit checks on new and even existing

customers. Businesses should invoice very promptly and then consider offering discounts for quick payment. It may be worth outsourcing collections, buying a credit insurance policy and working to source new business rather than relying purely on existing income streams. Bear in mind that under the Late Payment of Commercial Debts Act, businesses are within their rights to charge interest - by law.

If you are concerned about your credit checking procedures and would like a 'health check', please speak to your contact partner. ●



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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