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The Newsletter of Lubbock Fine Winter 2009

The changing face ...of pensions and tax

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As a direct result of the fallout from the credit crunch on the country's finances, the UK Government is expected to have to raise taxes and cut public spending in order to balance the books. In light of this we have already seen the proposed introduction from April 2010 of a new 50% tax rate for those earning more than £150,000, together with a withdrawal of the personal allowance for those earning more than £100,000.

Furthermore, from April 2011 there will be increases in National Insurance contributions and a restriction to the tax relief available for pension contributions. It is the last of these announcements that we first cover below.

Pension changes – outline of the new rules

From 6 April 2011, anyone with "relevant" income over £180,000 will be denied higher rate tax relief on pension contributions. Relevant income includes virtually any income chargeable to income tax, such

as trust income and earned and investment income, including dividends. For those with relevant income between £150,000 and £180,000, the amount of higher rate relief will taper away until only 20% basic rate relief will be available once income reaches £180,000.

In order to dissuade cunning taxpayers from significantly increasing or accelerating pension contributions before the new rules come into effect, "anti-forestalling" measures were introduced for pension contributions between 22 April 2009 and 5 April 2011. The effect of these measures is to limit higher rate tax relief for pension contributions based on a "special annual allowance" (SAA) for those with relevant income over £150,000. The amount of the SAA will vary for each individual depending on the frequency and amount of pension contributions they have made since 6 April 2006.

For individuals who make regular pension contributions, that is quarterly or more frequently, the SAA is the greater of:

(a) £20,000 or (b) the "protected pension input amount" i.e. their regular contributions. Any pension provision in excess of this allowance will generate a SAA tax charge on the individual (set at 20% for the current 2009/10 tax year) and is to be collected from the individual under the self-assessment system.

When the new regime was first announced the SAA was only going to be available where regular contributions had been made. However, there are many pension savers who made pension contributions much less regularly, for example annually, and after some intense lobbying an SAA for "irregular" contributions was introduced.

So an irregular contributor (making contributions less frequently than quarterly) can expect an SAA equal to the lower of:

- the average irregular contributions that the individual paid to money purchase arrangements in the tax years 2006/07, 2007/08 and 2008/09, or
- £30,000.

Some individuals will have paid both regular and irregular contributions in recent years, and the rules will apply so as to limit the SAA to a maximum of £30,000 across both schemes.

So how do the new rules translate into the rate of tax relief that people can receive on their pension contributions?

Tax years ended 5 April 2010 and 2011

- Relevant income – up to £150,000
Higher rate tax relief remains available for pension contributions.
Planning point – when calculating relevant income, it is possible to deduct a personal (but not employer) pension contribution of up to £20,000. Therefore it is possible that a

£20,000 personal pension contribution could reduce relevant income from £170,000 to £150,000, thereby securing higher rate tax relief on the contribution.

- Relevant income - £150,000 to £180,000
Contributions up to the SAA will qualify for higher rate tax relief. Any excess contributions will be restricted, on a tapered basis, towards the basic rate of tax, as the income levels approach £180,000.
- Relevant income - £180,000 +
Higher rate tax relief up to the SAA, with any excess restricted to relief at basic rate tax by virtue of the SAA charge under self assessment.

Pension contributions from 6 April 2011

- Higher rate tax relief on contributions if relevant income is less than £150,000.
- Tax relief on a tapered basis between the higher rate and basic rate of tax for relevant income between £150,000 and £180,000.
- Basic rate tax relief on contributions will be available for those with relevant income in excess of £180,000.

Once you start applying the new rules to real world examples, it is easy to identify varying degrees of unfairness in how they operate. To take one, admittedly extreme, example, if an individual has relevant income of £149,999 they can make a pension contribution of up to 100% of their income and obtain unrestricted higher rate tax relief. Moreover, their employer could pay additional pension contributions on their behalf of up to a combined contribution of £245,000 (2009/2010) and there will be no adverse tax consequences for the employee. In contrast, if the employee earned £1 more, namely £150,000, there would be a swingeing SAA charge payable by the employee of 20% of any

The changing face ...of pensions and tax

(continued)



contributions (individual or employer) in excess of the individual's SAA.

So what can people do to minimise the impact of the pension changes? The main opportunities focus on keeping income levels below the key thresholds.

Financial planning - relevant income - £150,000 +

If the £150,000 income limit has not been breached in the previous two tax years but there is a risk that it might be breached in the current year, the following planning opportunities could be considered:

- Move savings into a non-income producing environment such as growth orientated investments or even investment bonds
- Gift income producing assets to a spouse
- Make pension contributions of up to £20,000 a year
- For those drawing a pension income, use the flexibility of income drawdown and phasing to control taxable income
- Take share options as opposed to salary, if appropriate
- For owner managed businesses, review profit extraction policies
- Consider incorporating a business.

Group pension schemes

Pension contributions and benefit accrual in, say, defined benefit schemes may also be protected where an individual joins, for example, a group personal pension scheme or occupational pension after 22 April 2009, where there are at least 20 persons under the scheme who are accruing benefits 'on the same basis' as the individual.

Minimising the loss of the income tax personal allowance

From April 2010, individuals earning more than £100,000 will have their personal allowance withdrawn at a rate of £1 for every £2 of taxable income over this limit. Personal pension contributions can be made to keep taxable income below £100,000, thereby retaining the personal allowance.

Furthermore, it may be possible to implement a pension salary sacrifice scheme to prevent income from exceeding £100,000, which would also generate savings on employers' National Insurance Contributions which could be shared between the employee and employer.

Finally, individuals may wish to review their income producing assets. For example, assets that produce income, such as bank deposits, shares and income producing unit trusts, could be substituted for alternatives such as growth orientated stock or insurance bonds which don't generate taxable income until a chargeable event happens. Full use could also be made of Individual Savings Accounts as over £10,200 (£20,400 per couple) can now be sheltered from tax for the over 50s. Clients may also wish to consider other investments that are subject to tax relief, namely Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EISs). Assets that are subject to gains, where one can use one's capital gains tax annual exemption currently £10,100 (2009/2010) and a subsequent tax rate of only 18%, should undoubtedly also be considered.

Summary

Higher rate tax relief is severely curtailed under the new regime and the anti-forestalling anti avoidance rules are complex. Advice should therefore be obtained as early as possible in order to analyse the impact of the changes and to identify relevant planning opportunities.

If you would like to learn more about any topics covered in this article, please speak to your contact partner or to Neville Pereira at LFFS on 020 7549 2321 or email nevillepereira@lffs.co.uk. Alternatively, if you would like to discuss your pension strategy or review your wider tax and asset strategies further, please speak to your contact partner. ●

This article is for information only and professional advice should be taken in advance of any changes to your affairs.

Lubbock Fine Financial Solutions LLP is an appointed representative of City Gate Money Managers Limited which is authorised and regulated by the Financial Services Authority.

VAT changes in 2010

Several important changes to the UK VAT system come into effect in 2010.

VAT increases to 17.5% from 1 January 2010

Please remember that the VAT rate reverts to 17.5% with effect from 1 January 2010. Businesses will need to have their systems fully up to date to ensure they charge the correct VAT rate, as the rules for determining the time of supply are not always straightforward.

Businesses or consumers who cannot recover VAT paid by them might wish to consider accelerating the VAT liability on supplies received by them, say by paying suppliers before 1 January 2010, in order to benefit from the current VAT rate of 15%. This will not work with all supplies but is especially useful when paying those who provide continuous supplies, such as accountants. For a VAT saving opportunity, pay your accountant's fees early!

Cross-border supplies

From 1 January 2010 there are changes to the VAT treatment of EU cross-border supplies of business to business services. Under the new rules the services will be deemed to be supplied for VAT purposes where the customer is established, requiring the customer to account for VAT on the supply under the reverse charge procedure if it is based in a jurisdiction with a conventional VAT system. There will be no change for business to consumer rules whereby the supply will be subject to VAT in the supplier's country. As with most tax changes these days there will be exceptions to this new place of supply rule which will add complexity to measures intended to simplify matters.

Due to these changes UK VAT registered businesses receiving cross border supplies of services within the EU will have to account for deemed VAT on the supplies received by them under the reverse charge procedure, and will also have to submit an EC

Sales List, usually quarterly, confirming details such as the supplier's country, value of supplies received in the period and the VAT number of the supplier to HMRC. Businesses therefore need to ensure that their systems are able to collect this information in order to comply with these reporting requirements.

Online filing of VAT returns

From 1 April 2010 VAT registered businesses with sales of over £100,000 will have to submit VAT returns and pay their VAT bills electronically. This will also apply to all entities that register for VAT on or after 1 April 2010. Organisations which file in this way will be given an additional seven days to file their VAT return and pay their VAT. To file your returns in this way you need to ensure that you are registered for HMRC's online VAT filing services, including authorising your accountant's details if you want them to file on your behalf. The registration process can be a challenge designed to test the patience of a saint, although HMRC has indicated that changes will streamline the process by the end of the calendar year.

EU VAT refund procedure

From 1 January 2010 a new EU electronic VAT refund procedure will be introduced. UK businesses will have to submit any claim for VAT paid in other EU countries directly to HMRC via the Government Gateway. Whilst there will undoubtedly be some teething problems with businesses getting their details set up correctly on the Gateway, once they are up and running this should be a welcome simplification from the current paper based system whereby businesses have to submit repayment claims directly to each member state in which the VAT arose. ●



Stop Press:

The date of the Pre-Budget report has been confirmed for the 9th December. Given the economic conditions combined with an upcoming General Election, presumably Mr Darling will be looking to achieve the impossible – appease voters whilst raising as much tax as possible.

Client Profile

Global Link Travel & Tours

Tax Amnesties

ODF, NDO, LDF...

What's in a name?



The directors of Global Link Travel, Paul and Gwen Kemwal, were introduced to HM Queen Elizabeth II at a Commonwealth Day function at Marlborough House.

Having spent a couple of hours with Paul Kemwal, managing director of Global Link Travel, it's not difficult to see why he's been quite so successful. With charm and personality on his side, he also has an impressive educational and career pedigree.

Global Link Travel has a plethora of business and corporate clients for whom they provide flights, accommodation, car hire and more. They are expert in arranging conferences of various sizes and an excellent network of worldwide hotels means that they are rarely beaten on negotiated rates. For example, Global Link's rate at the Brussels City Hilton this year is just under two thirds below rack rate.

Born in Delhi, Paul Kemwal graduated from the University of Delhi with a masters in political science and international relations. In 1970, joining Air India in customer services meant relocating from Delhi to Mumbai before taking a year's unpaid study leave and moving to London to do a management course. During that year Paul met his wife Gwen, also in London studying nursing. She'd come from Mumbai – 1000 miles from Delhi. "It was most unlikely we'd ever have met in India but luckily, we met in London," said Paul, "and we were married in 1976. More than 30 happy years and two now grown up children later, I'm very glad I came to London."

Paul Kemwal successfully completed his diploma in management studies, with merit, in 1977. The following year he was headhunted by Kuwait Airways to join their office in London. In 1980 Paul and his wife Gwen set up Global Link and the following year Gwen's brother Fabian D'Costa joined the company. In 1983 Paul joined the organisation on a full time basis and the three of them worked alongside one another, creating a strong family business before expanding and recruiting a range of other people, including some senior airline personnel. Housed in a variety of West End premises over the years, Global Link is now based in its own building at 1 Mandeville Place, London W1.

"I first met Naresh Shah through a mutual friend to whom I was complaining about the service I received from my existing accountants. My friend, who had studied with Naresh, couldn't recommend him highly enough and he proved to be right. I came to Lubbock Fine in 2001 and in fact, one of their first jobs was to do all the accounting work for the purchase of and move to our present premises," said Paul.

"Global Link travel is a great example of a carefully managed family business that has expanded organically through having a clear business strategy and good leadership," said Naresh Shah. "Paul also has a talent for selecting and maintaining good employees to ensure he has a great and very responsive support team," he added.

Developing the corporate side to their travel business began in earnest in the early 1990s. Having been the travel agents for the Commonwealth Institute since the mid-1980s, in 1994 the Commonwealth's Secretariat asked for tenders from companies to service all their travel needs. Some 36 companies tendered and a panel of only three were chosen. Global Link Travel was one of them. Re-tendering tri-annually, that business has been with Global Link ever since. The company now also works in a similar way for some of the European Union institutions. Global Link has also been asked to work for WHO and UNICEF sponsored projects.

"Our USP is that we provide a 24 hour service," Paul explained. "There aren't many companies where, if there's a problem whilst abroad, the first point of contact is the managing director of the travel company – me!" For Paul, it's all about being able to help people and solve problems. He was at pains to stress that for him, this is not merely a job but more of a passion. "I'm a lucky person. I'm doing a job I love and in the process, earning a living out of it."

Over the past 15 years, Global Link Travel has arranged around 60 conferences for various Commonwealth organisations worldwide, including the Commonwealth Heads of Government Meetings (CHOGM) that take place every two years in a variety of international locations. For their 1999 Durban conference, Global Link was responsible for handling ticketing and hotel accommodation for 800 delegates and organising back-to-back conferences. That required a huge input by Global Link's dedicated team in London and in South Africa.



In June 2008, British Airways organised a team building trip to Budapest for Global Link staff.

For their corporate clients, the company provides all the usual travel needs of issuing tickets and making hotel reservations and in emergencies, Global Link has also arranged for private aircraft when delegates were stranded in Cuba due to an airline strike. Another time a prominent family was rescued at Hong Kong airport at 2am when his wife's ticket was lost and the family was scheduled to attend their son's wedding the next morning in Auckland.

Global Link has also been working with the ACP Secretariat in Brussels since 2006. The company has organised conferences in Montego Bay and Brussels in 2008 and 2009 respectively. This added a new dimension to the company's organisation and strategy. These European Union funded conferences require complete and detailed management. Global Link had to conceive, implement and provide full logistical support for these meetings and the company was commended by the delegates for their efficiency and hard work, crucial for the success of these workshops. Global Link provided a range of services from supplying writing pens/pads, to organising cocktail parties, hotel accommodation, airport transfers, and media relations including newspaper, radio and TV coverage. All these services had to be provided within a very tight schedule of only three weeks.

In the past the company has worked with the Prince's Trust, Amnesty International, Oxfam and the UNICEF sponsored Lake of Stars program in Malawi.

Global Link Travel's vision and strategy for the future is to work with corporate clients, conferences and charitable organisations that work with the under-privileged sectors of society. It is for this purpose that Global Link has negotiated special missionary/charitable organisation rates with the major airlines including British Airways, Emirates, Qantas and Kenya Airways. This was Paul's early brainwave and there are still only two specialist travel companies in the UK that qualify for those rates from the airlines. As a result of special negotiated deals, Global Link can book a passenger from, say, Atlanta to Entebbe on a single ticket, thus making huge savings for the charitable organisation. The company has, over the years, established excellent relationships with various airlines, which helps if a passenger needs any assistance in emergencies.

"Despite difficult trading conditions and the tight squeeze that the airlines have applied to travel operators, Global Link has, through its foresight and great negotiating skills, managed to keep its business well on track," said Naresh Shah.

"It's a great comfort to know we have Lubbock Fine as a business partner," said Paul. "It's a good firm – not a cut price option but definitely good value for money and the peace of mind it provides is worth far more than money," he continued. "When I hand things over to Naresh, the firm takes responsibility and I can forget about them. I always had to chase my previous accountant and now my accountants chase me until they get the information they need! It really is a one stop shop with the lead partner, Naresh, always accessible to give me the right advice. What's more, whenever we meet at his office, he provides a lovely plate of sandwiches..." ●

In April 2007 HMRC announced a "once in a lifetime" opportunity under the Offshore Disclosure Facility (ODF) to come clean on previously undisclosed offshore assets. The financial carrot being dangled was a fixed penalty of 10% of the tax previously undisclosed. This compared to a potential penalty of up to 100%. The timing of the disclosure was linked to the collection of information about UK taxpayers by HMRC from offshore branches of UK banks, and based on that information HMRC wrote to various individuals inviting them to make a disclosure under the ODF.

For various reasons, primarily the lack of publicity from HMRC about the ODF, the scheme did not collect anywhere near the level of taxes that HMRC expected. Therefore even before the ODF was closed, there were rumours of a second "once in a lifetime" opportunity.

In support of this second opportunity, HMRC decided to cast its net more widely. With the ODF it obtained details of UK taxpayers linked to offshore accounts from a handful of the high street banks. HMRC is in the process of issuing information requests to hundreds of other deposit takers, including branches of overseas banks. In anticipation of this windfall of information from the banks, HMRC has given taxpayers a second bite at the cherry to come clean, under the guise of the NDO, the New Disclosure Opportunity. Taxpayers needed to register an intention to notify under the NDO by the end of November 2009.

Most details of the NDO mirror those of the ODF, except that the penalty will increase from 10% to 20% for certain taxpayers. When announcing the NDO, HMRC confirmed that the NDO will be "the last opportunity of its kind".

However, before the ink was even dry on the NDO, word got out about the LDF, the Liechtenstein Disclosure Facility. This was linked to the much publicised deal the Government did with the Liechtenstein authorities to obtain details of UK taxpayers with undisclosed bank accounts. So is the LDF a further once in lifetime opportunity? Yes, and in fact for some it will be the best offer to date. Under the LDF it is only necessary to disclose and pay tax for the last 10 years, which is just half of the ODF's and NDO's 20 year period. As the NDO and LDF are running alongside each other it is no wonder that taxpayers are keen to report under the LDF whenever they can.

Taxpayers wishing to disclose under the NDO have until 4 January 2010 to register with HMRC, whereas the LDF will remain open to registration until March 2015. If you would like advice on this matter, please speak to your usual contact partner. ●

Companies Act – the final frontier

It's an Act Jim, but not as we know it.

On 1 October 2009 the final stage of implementation of the tortuous Companies Act 2006 took effect. Broadly, this last stage is crucially concerned with the legal requirements for companies. These changes are:

New companies	Existing companies
Companies incorporated after 1 October 2009 will have unrestricted objects unless specifically stated.	Existing companies may pass a resolution to confer upon themselves unrestricted objects.
There are three forms of Model Articles: (a) for a private company limited by shares, (b) for a public company limited by shares and (c) for a private company limited by guarantee. These Articles may be modified.	Existing Articles of Association will remain in force, but will be overridden by the Companies Act where there are inconsistencies.
Companies may now be incorporated without any authorised share capital, although they may, of course, have authorised share capital if they so wish.	To take advantage of the alteration, existing companies will have to pass an ordinary resolution to amend or remove the authorised share capital provision from its Articles.
The application for company registration will require more detailed information which will have to be accompanied by details of the company's statement of share capital and initial shareholdings (if the company is to have share capital). The statement must also set out the particulars of the rights to be attached to the company's shares.	Not applicable.

There are also changes in information relating to directors and secretaries.

As of 1 October 2009, company directors will be required to supply a service address as well as their home address. The only address to appear on the public record at Companies House is the service address. A director's residential address will be kept on a separate, secure register and will only be disclosed to certain specified public authorities and credit reference agencies. The registrar is still deciding whom to designate as a credit reference agency.

If a director's residential address appears on the public register any time before 1 October 2009, it will

remain on there unless there is a real risk that, as a result of this information being made public, the director will be subject to violence or intimidation.

For company secretaries, they are required to submit only their service address, which will be kept separate from their details if they are also a director.

Perhaps the biggest change is to the format of the annual returns. These are now longer and need additional information.

If you need further information on this final stage of implementation, please speak to your contact partner. ●

Lubbock Fine News



Dragon Boat Race

On 10th September a team from Lubbock Fine took part in Sense International's first corporate dragon boat race in London Docklands. Teams raced head to head in Hong Kong style dragon boats, complete with drummers beating out a rhythm for the paddlers. Our team won both of its head to head races but unfortunately was not quite fast enough to make it into the grand final.

We'd like to thank everyone who sponsored us and we're delighted to report that we raised £1,690 (including Gift Aid of £250) for this worthwhile cause, which works to transform the lives of deafblind people in the developing world. ●

It's been a busy time for a number of Lubbock Fine people over the last few months.

Exam passes

We're delighted to announce that our excellent record of exam passes continues unabated. We feel sure that our clients and contacts will join us in congratulating Ken Bryant, Daniel Corlett, James Darvill, Simon de Souza, Eva Fitzgerald, Alexander Kosoff, Gavin Marsh, Adam McBride, Sejal Mistry, Prashant Nair, Richard O'Driscoll and Hazra Patel on their recent exam successes. ●

Weddings

We'd also like to heartily congratulate Matthew Green, Phan Dang, Beatrice Ojo (nee Williams) and Andrew Noton who got married on 10 July, 13 September, 14 August and 14 November respectively. ●

Charity and not for profit organisations

Lubbock Fine has been advising charities and other not for profit organisations for many years; and over the past couple of years, we have been making a concerted effort to develop and expand our dedicated charity group further. We believe that our ever-increasing expertise and involvement in the sector will be of benefit to all our charity clients.

institutions. With our sympathetic approach to the culture and aims of the sector, our charity clients can be confident that we will provide expert advice on the many issues they face on all the financial aspects of running their organisations.

If you would like more information on our work in this area please contact Russell Rich or Lee Facey, both partners in our charity group. ●

We act for a wide range of charities as well as schools, grant-making trusts and professional



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