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The Newsletter of Lubbock Fine Summer 2010

After the Budget Top tax tips

By Phil Blackburn, tax partner



Phil Blackburn

In many ways the last Budget was the most radical for many years. As we now know, the Government is focused on budget cuts and tax rises with a view to making a dent in our country's budget deficit in the short to medium term. These will affect everyone, not just the very rich. As ever, and depending upon your personal financial position, tax planning remains an option for many of us. Here are just a few areas worthy of immediate exploration.

1. We recommend that you review any potential Capital Gains Tax (CGT) gains or losses you currently have available. It may be possible to plan to maximise these in the current tax year. CGT was increased to 28% for higher rate taxpayers for the current tax year. The Budget notes indicate this rate could be reviewed again in the 2011 Budget and, of course, the rate could rise.

2. It is critical to ensure that your business interests qualify for Entrepreneurs' Relief (ER). The lifetime limit for ER has now been increased from £2 million of gains to £5 million of gains; and gains qualifying for ER will pay CGT at 10%. This relief is therefore now worth up to £900,000. Additionally, if you are considering selling a business asset, there are pitfalls to watch out for to ensure that it continues to qualify for ER at the point you sell the asset.

3. The CGT annual exemption was held at £10,100 per person for 2010/11, despite pressure from the Liberal Democrats within the Coalition Government to significantly reduce this. It makes sense to use the exemption in the current tax year, which for a couple represents £20,200, as it could be reduced in future Budgets.

4. The CGT rate for UK trusts was increased to 28% on all gains. Reviewing trust assets for inherent gains/losses and planning appropriately may mitigate the impact of the new higher rate.

5. There is good news on corporation tax as rates are set to reduce over the next four years. This makes trading through a company much more attractive when compared to trading as an unincorporated business, such as a sole trader or partnership.

6. Employers' and employees' National Insurance contributions are increasing by 1% from April 2011. Now is the time to consider alternative remuneration strategies, such as salary sacrifice schemes, to minimise the impact of the rises.

7. If you own two (or more) homes in the UK, ensure that you are maximising your available reliefs against any possible CGT. For example, consider making or changing a principal private residence election. (This is a perfectly legitimate tax planning vehicle but came in for much criticism during the MPs' expenses scandal.)

8. If you own any rental properties, ensure that you are getting maximum tax relief for any mortgages you have. Additionally, if you need to raise funds you may be able to release equity from your let properties and secure tax relief on the additional borrowings regardless of what you use the money for.

9. The VAT rate increases from 17.5% to 20% from 4 January 2011. If you or your clients are unable to reclaim the VAT you pay, for example because you are non VAT registered, the 2.5% increase will represent a real cost to you. There will be some opportunities to reduce the impact of this increase for supplies made around the time of the rate change.

10. If you are considering buying a residential property for more than £1 million, the stamp duty rate is due to increase from 4% to 5% from 6 April 2011. Therefore, make sure you have completed the purchase before then if you can.

11. A review of the complex new pensions tax relief rules, which were due to be introduced next April, is underway and these may be scrapped for a more straightforward scheme. The complex scheme was intended to restrict tax relief on pension contributions for those earning above £130,000. The review may reduce the annual contribution limit from £255,000 to £40,000. If it is introduced, it has been suggested that this cap will apply to all taxpayers, not just those earning more than £130,000. You might therefore wish to review pension contributions in the current tax year in order to maximise the available tax reliefs.

As always, we recommend you seek professional advice before making any changes to your financial affairs. For further advice, please speak to your contact partner. ●



Client Profile

International Racehorse Transport (IRT)



Managing Director Jim Paltridge.

Lubbock Fine client IRT is in the bloodstock transportation business. If there's ever a need to move valuable horses from country to country, across oceans or continents, IRT is the company to turn to. And should the need arise, it can even help you to shift camels, buffalos or circus ponies.

Managing Director Jim Paltridge has been in the horse management business for just over 30 years and now provides a boutique service to ensure smooth and trouble-free movement of bloodstock and the like.

Providing a turn key service (mainly to clients with horses), from the fall of the auction hammer to delivery, wherever that may be in the world, IRT handles all the pre-export and post arrival quarantine and testing, aircraft bookings, tack and equipment, accompanying grooms, trucking and most importantly, all the paperwork and liaison.

"I'm always on the go and exploring new opportunities," explains Jim Paltridge, "which is why I need professional advisors who can not only keep up but think one step ahead. Lubbock Fine have proved to be well worth their salt and it was a good day when we gave them our business."

After graduating in New South Wales, Australia in 1979, like so many Aussies before and after him, Jim got the travel bug and set off to see the world. His first stop was Newmarket, and he liked it so much that eventually he made his way back there and it is where he and his family live today.

"It all began when racehorse trainer Lord Huntingdon offered me a job in Newmarket," Jim continued. "I followed that with a stint in Los Angeles with racehorse trainer John Gosden and then went back to Australia before settling, at the age of 23, into a job with Melbourne company International Racehorse Transport, where despite my youth and relative inexperience, they trusted me enough to charge me with setting up and managing their US office in Los Angeles."

Although having gained some earlier horse flying experience in Los Angeles, setting up and managing a professional operation was quite a leap into the unknown. Happily, the Melbourne based chairman of IRT, Quentin Wallace, proved an inspired long-distance boss and the business in Los Angeles flourished from day one, with the support of IRT's growing network of offices.

After five years in Los Angeles, during which time he started up New York and Kentucky offices, Jim returned to Melbourne in 1989 with a view to settling there. However, due to the incumbent UK managing director taking early retirement, he grasped the opportunity of taking over the UK office in the early 1990s. Moving the office from Sussex to Newmarket in 1995, Jim Paltridge had already met, fallen in love with and married his wife Mary, the daughter of a British bloodstock agent, and his life's path was set to continue in the UK for a bit longer.

"Since starting with IRT, I've probably had a hand in arranging to fly well over 50,000 horses around the world, to and from most continents. We have also sent camels from Alice Springs to Chicago, deer from the UK to New Zealand, buffalo from Denmark to Victoria, circus horses from Krasnoyarsk to Sydney and we've shuttled stallions to the depths of the Brazilian rainforest – so never a dull moment!"

Lubbock Fine partner Naresh Shah believes that the success of a company starts at the top. "Jim is extremely personable and very hard-working. He expects excellence of service and top quality advice which is what we always set out to provide. This is a fascinating business and IRT is unique in our client listing. Jim has great business acumen and has had a hand in the real estate business too where he has been equally and highly successful."

Whilst IRTs 'stock in trade' has always been thoroughbreds for breeding, in recent years the number of other types of horses travelling the globe has risen dramatically. The company is increasingly involved in moving large numbers of polo ponies, competition horses (for show-jumping, eventing and dressage), circus horses, rare horse breeds and people's pets, for those who are simply moving country and taking their 'gee-gees' with them.

The business operates by each office communicating closely with each other via IRT's internal shipping computer system, allowing every employee to update each horse's details and plans along the way, easily keeping track of progress and schedule. The system also allows IRT to swiftly access client contact and historical information, such as customs documents and horse details, which are needed from time to time after shipment.

With targeted marketing by attendance at horse sales and competitions, newsletters, advertisements and direct clients visits, the company finds that each of their offices is the best client of its sister offices. When a horse moves internationally, owners are often comforted knowing the same umbrella company is involved when it leaves one country and arrives in the next which is something not offered by the competition. IRT sets its level of quality and service to the expectations and specifics of particular routes. Some routes are more price sensitive and don't put such high store in high level service,

communication and prompt schedules, whilst other routes consider it worth paying that little bit more to ensure reliability and a higher standard of horse husbandry. Expanding in a world that requires a very personal touch is a constant challenge.

IRT has continued to expand and now has offices in Newmarket with affiliated offices in Chicago, Los Angeles, Auckland, Melbourne and Sydney. The IRT companies employ over 40 office staff along with a number of flying attendants and quarantine grooms who between them move around 5,000 horses per year by air. The company is investigating further expansion into Europe, whilst Asia is another area under consideration due to its larger import sector for horses. However, for the moment, the company is concentrating on stabilising business levels after the recent financial crisis hit its global sales. There has already been something of a bounce back, which is naturally faster in some regions than others, but traffic levels are still below the highs of 2008.

"Even though we love England, we're still very attached to Australia," said Jim. "As a family, we make regular pilgrimages there where my children can get out onto the farm and practise their Aussie accents. Our house in Newmarket is like a drop-in hotel for the many travelling Aussies who land on us for the local horse sales or racing, and our business still remains very Australia orientated. We keep our home very much open for Oz." ●



Not every opening ceremony is televised.

Time: 23:15 hrs
Place: Sydney International Airport
Event: The first of 246 Equestrian athletes safely delivered to the Sydney Olympic Games by IRT
Crewed in support: 2 vets, 20 grooms including 8 professional flying grooms, 2 quarantine & customs representatives, 16 airline staff and 8 members of the IRT management team

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Professional fees insurance in respect of tax enquiries

HMRC is changing the way it investigates tax compliance. Due to its efficiency in raising tax revenues, 'aspect enquiries' (investigations into part of a tax return) have become the most common form of HMRC investigations. In addition, since being awarded increased powers of investigation in April 2009, interventions, reviews and inspections have become far more frequent.

We therefore urge all clients to think about taking up professional fees insurance. It protects against the financial burden of a tax investigation, enquiry, dispute and VAT reviews, as well as employer compliance matters, such as PAYE, NIC and P11D.

Having reviewed the market, in our view the Premier Plus policy from PFP provides appropriate cover, and terms and conditions to meet most requirements. The wide scope of the Premier Plus policy is in direct response to the new tactics and powers held by HMRC. In particular, the policy covers certain

time spent by us in connection with compliance visits, preparation, attendance at opening meetings, dealing with questions during the course of the visits and subsequent follow up.

Premier Plus offers personal or business policies. Business policies also provide cover against aspect or full enquiries into the personal tax returns of the partners, directors and their spouses if prepared by us, unless those returns include other business income or gross rental income in excess of £50,000, in which case separate business cover is required.

Also included at no extra cost in Premier Plus is access to a business support helpline that provides specialist advice on matters such as HR, health & safety and legal issues. This service alone stands to save a great deal of time, expense and disruption.

For more details on the premium costs and how to go about setting up a policy, please speak to your contact partner. ●



What is 'After the Event' (ATE) insurance?



Managing partner, Razi Mireskandari.

Many individuals and businesses do not have the financial resources to pursue legal claims, even where the merits are good and there is a strong prospect of success.

Some time ago, Lubbock Fine client, law firm Simons Muirhead & Burton (SMB), identified this as an issue and put their minds to finding a solution. Managing partner, Razi Mireskandari, explains, "Irrespective of the subject matter of the dispute, we feel it is essential that our clients, big and small, have access to justice. In order to achieve that, our clients' costs exposure must be such as to make litigation manageable. The way we achieve this is two-fold. First, if we consider that our client has a good claim, we only charge an agreed fraction of our usual fees. If the claim then fails, that is all we get. If the claim succeeds, we get the remainder of our fees (plus a 'success' element on top) from the other side. Secondly, at no cost to the client, the firm itself is able to offer an insurance policy backed by Temple Legal Protection in case a costs order is made against them."

Our charging scheme, backed by ATE insurance, therefore provides the confidence for individuals or businesses to chase an unpaid fee or to pursue a good claim, rather than let it go for fear of costs escalating. In the current economic environment, when every penny counts, this offers a timely opportunity to recover lost funds without worry about further financial damage. It offers real peace of mind against an adverse cost order and, if the client loses, their exposure to their own costs is limited and manageable and they do not have to pay the insurance premium.

A large number of SMB's clients have been able to benefit from this scheme for many different types of litigation, including Heather Brooke (whose freedom of information request kicked off the disclosure of the MPs' expenses claims); Mo George (the binman in EastEnders) who was falsely accused of beating up his girlfriend; and Mahtab Chowdhury, owner of Taste of India restaurant, in a claim against a negligent builder. The scheme covers all types of dispute. Whether a breach of contract claim, a negligence action, a professional negligence issue, an intellectual property dispute, there really are no restrictions.

Most civil cases settle before trial and this remains SMB's aim, as it is in everyone's interest if a contested trial can be avoided.

The scheme can also be adapted for use by defendants.

"Using ATE insurance means that our clients have access to the best legal advice but in a cost effective way," adds Razi. "The firm was a pioneer in promoting this new way of funding which admittedly challenges the traditional relationship between lawyer and client, turning it into much more of a partnership. Clients often tell me that it's good for a law firm to put its money where its mouth is...."

For further information about ATE, please email or call Razi Mireskandari at razi@smab.co.uk or +44 (0)20 3206 2700, or look at the firm's website www.smab.co.uk. ●



Congratulations to our client...

Sheargold



Many congratulations to our client, Sheargold, on having made it into this year's Sunday Times International Track 100 companies. Compiled by Oxford company Fast Track, this researches Britain's top performing private companies.

Sheargold, founded in 1991 by Nitin Mehta (a former Lubbock Fine employee), is one of the UK's private firms with the fastest growing international sales, having increased these by 45% per annum over the past two years.



Based in North West London, Sheargold is a procurement specialist supporting multilateral agencies, including the United Nations and diplomatic mission offices, helping to rebuild infrastructure and provide relief. The business globally sources a wide variety of equipment, including IT, telecommunications and electrical supplies. Sheargold has sourcing offices in Dubai and Mumbai, as well as marketing bases in Africa and Trinidad.

Nitin Mehta said, "We've always considered Lubbock Fine, and in particular Pankaj Shah, the Lubbock Fine partner responsible for our account, to be part of the Sheargold team. Pankaj has been involved with us since we started and has been a major player advising on various aspects of our business which has helped us to achieve our present level. Working with Pankaj and his team, we're assured of professionalism knowing that we can rely on the firm's expertise."

Lubbock Fine partner, Pankaj Shah, comments: "Lubbock Fine has been associated with Sheargold throughout its growth and development since its incorporation in 1991, when it began operating from a small office in Harrow with a couple of employees. It now employs 14 people in its modern offices with warehousing facilities in Ruislip. In fact, the company has now outgrown its present premises and has just acquired a much larger warehouse, which it anticipates moving to within the next ten months, to accommodate its growth in business. Bearing in mind the size and location of the company, it has established itself very successfully in the specialist procurement market with a customer base that many of its competitors would envy. The success of Sheargold is attributable to Nitin's leadership and business acumen, and with the support of his co-directors, Amar Shah and Jyotsna Mehta, they have developed an excellent team."

Peers by title but not by job description

There have been long-running controversies surrounding some wealthy peers who sit in the House of Lords but are non-domiciled for tax purposes.

In this year's Constitutional Reform and Governance Act there is a new requirement for peers to pay tax on their worldwide earnings. In effect, this means that serving members of the House of Lords must pay the tax and can no longer claim 'non-dom' status. It's a case of 'if you want to be in the club, you have to be a UK taxpayer'.

The announcement was widely expected and came on the last day of a three-month period during which the Lords could choose whether to keep their special tax arrangements or step down. Lord Ashcroft relinquished his 'non-dom' status to retain his seat. The Lords who have stepped down will be allowed to retain their titles but will not be able to sit in the House and at least five of them have stepped down, including world renowned architect, Norman Foster.



Dyb, dyb, dyb Dob, dob, dob



Lord Sugar and the dragons have a lot to answer for. Interest in business and entrepreneurship has never been higher, especially amongst the young.

Against this background, the scouting movement has launched a new entrepreneur badge. Scouts will be asked to present their business ideas to a Dragons' Den-style panel to win their award although they probably won't be pilloried as some of the hapless TV contestants frequently are.

In an age when job prospects are blighted for the young, entrepreneurial skills may well be a vital part of the 'new world' armoury.

Recent figures show that up to one in four graduates who left university last year is still unemployed and forecasts suggest this won't ease any time soon. Our teenagers need all the help they can get to start up on their own and, as with most things, these skills are best acquired young.

Scouting and guiding are low cost activities for children, although waiting lists are now high as the recession means that many traditional after-school boom-time activities (dance classes, piano lessons, and language groups) are now beyond the pockets of many parents.

So, if you know any young entrepreneurs who show potential, they'll probably be needing an accountant very soon!

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