

SHIPSHAPE



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state of the property industry*

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For further information, please contact one of our offices:

LONDON

10 Orange Street
Haymarket
London
WC2H 7DQ

T +44 (0)20 7312 0000
F +44 (0)20 7312 0022
E advice@shipleys.com

GODALMING

3 Godalming Business Centre
Woolsack Way
Godalming
Surrey
GU7 1XW

T +44 (0)1483 423607
F +44 (0)1483 426079
E godalming@shipleys.com

SAFFRON WALDEN

Market House
10 Market Walk
Saffron Walden
Essex
CB10 1JZ

T +44 (0)1799 521301
F +44 (0)1799 523854
E saffron@shipleys.com

www.shipleys.com

If you have any suggestions for topics you would like to see covered in Shipshape, or have any comments about its content, please contact Stuart Dey at our London office.

T +44 (0)20 7312 6528
E deys@shipleys.com

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Tough times call for wise heads

If you want to know how to face recession, think about the long term and talk to people who've been there before



Volatile times

Since our last *Shipshape*, financial shocks have kept the headline writers busy virtually on a daily basis. Thinking back to the summer, there was a brief respite from impending gloom thanks to the stunning performance of Team GB at the Beijing Olympics. With the memory of that glimmer of renewed confidence fading fast, we're left wondering where the economy will be when London 2012 comes around. Like top athletes, business owners who want to succeed can't rest on their laurels – it will be a matter of survival of the fittest. If you are focused, agile and train properly, then hopefully, by 2012 things will look very different.

Whilst the indicators have been there for a while, the banking crisis has seen the economic downturn gain momentum incredibly quickly. At the time of writing there are signs that the UK Government's bail out plan may have steadied the ship, but it remains to be seen whether it will have the desired effect over the long term. Aside from the political wrangling over bail-outs and guarantees to savers, the real question now is not whether there will be a recession, but how long and how deep will it be?

Remember the last time?

Those of us who lived and worked through the recession of the late 80s and early 90s will recall a similar pattern to the current situation. At its height, I recall 7.5% inflation, mammoth unemployment and a base rate at 15%. Are we really contemplating something of the same scale and duration?

True, the Bank of England is widely expected to peg back interest rates further over the coming months, which won't help to dampen inflationary pressure. At the same time, much of Europe could be a lot worse off than the UK, which is clearly bad news for exporters. But it may be the extent of the rise in unemployment that becomes the critical, defining factor because of the knock-on effect on consumer spending.

Natural selection?

Among all the doom and gloom, it's tempting for businesses and individuals alike to batten down the hatches, but it's worth remembering that recessions don't last forever. There will certainly be some business casualties ahead, but most of us have weathered these recessionary storms before and, with care and good business practices, businesses can survive this one too.

Certainly the current woes shouldn't be a reason to panic and start slashing costs left, right and centre. Better to take a long view and keep a close and careful eye on your business and key performance indicators, such as where new business is coming from. Of course, monitor costs wherever possible, but be ready for the upturn, whenever it occurs. With careful planning you may be able to emerge a leaner and fitter business and exploit opportunities as they arise.

Property impact

As a nation of home owners (and in the more recent past some would say, increasingly of property speculators), the property market is something close to our hearts and our dinner party conversation. So, in this edition of *Shipshape* we've asked a number of our friends at the forefront of the property sector to comment on some of the issues and challenges discussed above. Although it's clearly not the best of times for property people, our interviews reveal some interesting insights and even some glimpses of light at the end of the tunnel.

Guy Fisher
T 020 7312 6566
E fisherg@shipleys.com

Safe as houses?

Shipshape has been speaking to some of our clients and contacts in the property industry to find out how their businesses are faring in the current economic climate.



Our friends in the property world are currently experiencing the impact of the economic downturn first-hand and have been for some time, with both commercial and residential values tumbling and a sharp reduction in business volume. A recent survey from Royal Institute of Chartered Surveyors found that estate agents sold on average less than one property a week in September – the lowest for 30 years. So how are those working in the industry bearing up and what of the future?

Coping with the credit crunch

“These are unprecedented times in the world of finance and the effect is now being very seriously felt,” says Chris Dowdeswell of CD Property Finance, which specialises in arranging funding for property developers and investors. “Banks and lenders haven’t been lending to each other, let alone lending to a risky sector such as property. This makes it very difficult to place all but the very best deals.”

Residential property developer Gareth Morris says that banks have been renegeing on agreed deals. “They are now looking for reasons not to lend while before they were looking for reasons to lend. There seems to be no rational middle ground – even established developers are now struggling to get finance due to the banks getting burnt by lending to one and all in the past.”

Ray Boulger, of mortgage brokers John Charcol, says that a 10% deposit is an absolute minimum to get a mortgage. “If there are any issues such as a hint of an adverse credit history it is much less resolvable and products change with very little notice. There’s less business, less choice for the business that is available and a longer process to get things agreed.”

Stephen Powell of Smith Price LLP, which specialises in retail sector agency, believes the credit crunch itself is not the problem, but is symptomatic of deeper underlying problems caused by huge overvaluations and the complex financial instruments used to package

Widespread unemployment will follow with a slow property market and plenty of vacancies. On the residential side this will continue until you get to the point where first time buyers can re-enter the residential market on sensible mortgages.”

Our experts agree that prices will only stabilise once there is sufficient confidence, which will be key to recovery. Ray Boulger remembers the last house price crash, but doesn’t think the situation will be as dire this time. “Prices peaked in mid-1989 and didn’t bottom out until 1995. This time they have fallen 15% in a year and that’s why it seems worse. Also, in the 1990s, inflation was much higher.

“There’s less business, less choice for the business that is available and a longer process to get things agreed.”

up corporate debt. “What affects us is consumer demand, with its knock-on effect on retail activity, which is all a bit slow,” he explains. “Investment has virtually dried up across the sector and it’s very hard to get debt finance.”

Light at the end of the tunnel?

Stephen Powell says we should look at the last recession for clues on how to deal with this one. “The current downturn is following the script of the late 80s/early 90s recession very closely. The next phase is when it moves down through the economy to the general consumer.

So the real fall in house prices this time when calculated in relation to that is not as bad.”

He says lower interest rates are needed to bolster buyers’ confidence. Looking on the bright side of the economic crisis, he says: “The way I see it, the worse the economic situation gets, the more the Bank of England will have to cut rates. I expect that the bank rate will be down to 4% by the end of this year and 3% by the end of next year. This will encourage enough people to come back in and stabilise the market. Once prices stabilise it will affect how lenders react.”



Ray Boulger
Senior technical
manager at
mortgage brokers
John Charcol



Chris Dowdeswell
Founder and
principal of CD
Property Finance



Gareth Morris
Residential property
developer



Stephen Powell
Smith Price LLP



Tom Reynolds
Carbon Property
Finance

Stephen Powell also thinks that we may start to see a change by the end of 2009. "In 18 months' time, if you've got money to spend, there'll be some very cheap property available and good investments with very good yields for those brave enough. This will tend to favour the older generation who've been through this before and have more of an idea of what to expect."

"In 18 months' time, if you've got money to spend, there'll be some very cheap property available and good investments with very good yields for those brave enough."

Tom Reynolds of Carbon Property Finance agrees that there will be opportunities for those who are well positioned and the key will be "the ability to perform at speed."

However, he finds there is a big difference between the top and bottom ends of the residential market. "The top end will be less affected by economic influences and although there is likely to be decreased activity, prices should be fairly resolute. But the lower end of the market is more susceptible and buyers will feel any increased costs more acutely."

For Chris Dowdeswell the only bright spot will result from the shortage of decent housing in the UK. "Eventually buyers will emerge again, but only when prices have stabilised."

Gareth Morris agrees that the lack of housing will be a critical factor. "The long-term lack of investment

into new housing, exacerbated by the banking crisis, will result in the growing population putting further pressure on housing stock. This will cause higher rents and prices. If only banks could sort out their problems and look to lend on a medium to long term basis rather than the boom and bust approach that is one cause of the current crisis."

confidence in the banks and this has to be repaired as soon as possible. I have never known confidence so low."

Stephen Powell thinks the best thing Government can do is resist intervention in the property sector and allow markets to adjust. "The markets were skewed and need an adjustment. Trying to prop up the market is just delaying the inevitable and storing up inflationary pressure."

What does the future hold?

Our experts clearly have strong and diverse views on the property industry, the cause of the problems and what banks and the Government can do to fix them. Whatever the solution, the consensus is that the situation will get worse before it gets better and coasting along for the next 18 months while waiting for an upturn is not an option for businesses that want to survive.

*Tell us what you think. Email:
Stuart Dey at deys@shipleys.com*

Government help?

Some of our experts would like to see the Government remove much of the red tape which burdens their sector with what they consider to be additional and unnecessary costs. For example, Gareth Morris says the Government should rid the market of Energy Performance Certificates and Home Improvement Packs. "Rather than looking at such peripheral issues they should be addressing the main dilemma of planning red tape, which is causing the lack of housing, particularly in rural areas."

Chris Dowdeswell suggests that the Government should raise the nil-rate stamp duty threshold to £250,000 to help first time buyers. "It's essential that the Government and Bank of England continues to pump money into the banking system to show their confidence in it. The public has lost



Getting the most out of your company

When it gets harder to make profits, it's all the more important to make sure that owner-managers can enjoy as much of the profit as possible.

Most company owners know that there is a key choice to be made between remuneration (salary and bonuses) and dividends.

Remuneration or dividends?

The basic principles are quite straightforward. Salaries and bonuses plus any associated employer's national insurance contributions (NIC) are normally deducted before calculating the company's profits, which will be subject to corporation tax. Increasing remuneration, for example by voting a bonus, can reduce the company's profit to zero so that no corporation tax is payable. Employer's NI needs to be taken into account in determining the gross bonus, which will then be subject to PAYE and employees' NIC.

Dividends, on the other hand, are a distribution of a company's profits, rather than a deduction in computing the profit, and can only be paid from the company's profit after deducting corporation tax. A company must have sufficient distributable reserves to chose this option and dividends are theoretically paid pro-rata to individual shareholdings, although a 'dividend waiver' may sometimes be possible. Shareholders may be liable to pay higher rate tax on this dividend.

So which is better? Is the shareholder better off receiving a dividend and paying the higher rate tax, or receiving a bonus?

In practice, it's usually far from simple because the owner-manager's circumstances and other factors such

"Is the shareholder better off receiving a dividend and paying the higher rate tax, or receiving a bonus?"

as other income, rent, loan interest, pension contributions, life cover, state benefits, mileage allowances and benefits in kind need to be taken into account.

Factors to consider

The company may also be constrained by its available distributable reserves, a requirement to retain profits, or other commercial considerations such as relationships with bankers, asset financiers, suppliers, and even the value of the company's shares if it is to be sold. The number of associated companies can affect the corporation tax rate.

The example below shows the comparative calculations for a business making profits of £200,000 before the owner-manager's salary or dividends. We focus solely on tax issues and make several assumptions including that there are no associated companies, no pension contributions and only one shareholder/manager who has no other income. The results may surprise some readers. For 2008/09 £110,941 net salary compares with a net of £128,698 under the dividend and low salary combination, a difference of some £18,000.

The right strategy for you will clearly depend on your circumstances and can differ from year to year as profits and tax rates change, but is well worth monitoring as the example demonstrates.

Please speak to your usual Shipleys contact as we have specialist software which can help make your comparison.

	Salary route		Salary and dividend route	
	Company £	Individual £	Company £	Individual £
Trading profits	200,000		200,000	
Salaries	177,922	177,922	6,035	6,035
Class1 NIC employers	22,078		77	
Corporation tax			40,716	
Dividends			153,172	153,172
	200,000		200,000	
Income tax		-61,795		-30,463
Class1 NIC employees		-5,186		-66
Net disposable income		110,941		128,678

Avoiding financial difficulties

As the economic downturn intensifies and banks review their portfolios ever more carefully, our corporate recovery team has been able to help a large number of company directors seeking advice on preventative measures to avoid financial difficulties.

“Typically the people who contact us are looking for comfort that their bank is not going to come calling to launch an investigation,” says Robert Smailes, one of our recovery specialists.

“The banks are looking at balance sheets very carefully to see if the assets are really there or whether stock is being overvalued, a typical scenario when times get tough,” says Smailes. “Clearly in the current climate debtors need to be written down or collected as quickly as possible. A company can end up being liable retrospectively if its balance sheet is not an accurate reflection of solvency. Directors can be tempted to shore up the balance sheet with their own funds when in fact there are other options available, such as personal guarantees.”

Shipleys’ expert team can bring a critical eye to the balance sheet based on the information available and can talk companies through their options with no obligation, before the need for any formal insolvency procedures might arise. This can simply be a question of reviewing financial or operational viability to avoid a breach of banking covenant, reviewing cash flow or negotiating with creditors. Alternatively, we can advise on a more fundamental reconstruction, divestment or even pre-pack sale where necessary.

For further information, contact:
Robert Smailes
T 020 7766 8560
E rsmailes@shipleys.com

Tax credits explained

Shipleys does not ordinarily advise on social security benefits – including the misleadingly named working tax credits, child tax credits and pension credits. However, it is worth mentioning the basics of working and child tax credits in case a claim might be available.

Working tax credits

Working tax credits are intended to top up the earnings of working people on low incomes (employed or self-employed), whether or not they have children. There are extra amounts available to households in which someone has a disability, and for the costs of qualifying childcare. Someone responsible for a child may claim if he or she is aged 16 or more and works at least 16 hours a week. Otherwise, a claim is available to those aged 25 or more who work at least 30 hours a week. There are different thresholds for disabled people and those aged 50 or over returning to work after being unemployed.

Child tax credits

Child tax credits are available to those responsible for at least one child or young person, in addition to working tax credits.

The amount of working tax credit and child tax credit payable depends on the income of the household and how many children the claimant has. For 2008/09 this means that a claim of one type or another is available until the household income is nearly £18,000 if there are no children, but this threshold rises to nearly £60,000 if there are children in the household.

How tax credits work

An award of tax credits is initially based on household income of the previous tax year, but is subsequently adjusted to actual income of the year of claim – although the first £25,000 of any increase in income is disregarded. For married couples, civil partners living together or couples living together as though they are married or civil partners, the claim is based on joint income.

For tax credits, household income is generally close to taxable income before tax, but there are some important differences. For example, a trading loss is deductible from joint income of the year, and otherwise is only deductible from the profits of that trade in later years. This is different to the rules for income tax or Class 4 NICs.

Then, for tax credits purposes, overseas income is included as it arises, even for those such as the non-domiciled who may be taxable only when such income is remitted to the UK. But divorce and separation maintenance payments are not included in income for tax credits purposes.

If you think that there might be scope for you to claim a tax credit, please contact your usual Shipleys adviser.



Tax matters

A round-up of tax issues which may affect you or your business

Net pay changes from September 2008

Readers may be aware that some employees' net pay changed at the end of September while that of others did not. Typically, where earnings remain stable, the PAYE deducted for basic rate taxpayers in September will have been £60 less than for August.

So what's going on? It's due to the abolition of the £2,320 10% band which caused such an uproar earlier this year.

Although the Chancellor also reduced the basic rate band from 22% to 20%, lower earners were still worse off overall. To compensate them, the Chancellor increased the personal allowance by £600. But because the 10% band was abolished earlier in the year and the change to the personal allowance was only implemented in September, most basic rate taxpayers would have got six months' worth of the annual £120 saving (£600 at 20%), in September alone. For the remainder of the year, the saving will be £10 per month.

Higher rate taxpayers' net pay remains the same because, at the same time, Alistair Darling reduced by £1,200 the level at which taxpayers start to pay tax at 40%. So, their annual saving of the personal allowance increase (£600 at 40%, or £240) was offset by taxing £1,200 of income at 40%, rather than 20% – also £240 per annum.

Holiday homes abroad purchased through a company

Holiday homes abroad are often held through a company, generally because of local laws in the overseas country. For years, HMRC has argued that a shareholder in such a company is likely to be at least a 'shadow director' and therefore subject to income tax on the benefit of occupying the property – unless he or she pays market rent.

Now, at last, the Finance Act has retrospectively removed that possible charge, provided certain conditions are fulfilled, and HMRC will accept claims from anyone who has paid tax on this in the past. In most cases the conditions are unlikely to cause any difficulty, but it should be noted that the exemption does not apply if the company is held in a trust. However, in such circumstances it may be easier to resist the 'shadow director' argument.

If you think that this might affect you, please contact your usual Shipleys adviser.

Accommodation and subsistence overseas

Updated rates for accommodation and subsistence expenses that may be paid to employees travelling abroad without tax or National Insurance Contribution liability, are now available at: www.hmrc.gov.uk/employers/wwsr-july08-revisions.pdf

Shipleys' Tax Facts

With the Summer 2008 edition of *Shipshape* we enclosed a new version of our Tax Facts booklet, labelled 'Updated July 08' to inform you of the latest on the 10% tax rate situation. Since then there have been changes to the Stamp Duty Land Tax (SDLT) threshold for residential property and advisory fuel rates for company cars.

Temporary exemption from SDLT

As has been widely publicised, a modest increase in the SDLT threshold from £125,000 to £175,000 for residential property applies to sales in the year ending 2 September 2009.

Company car fuel rates

The advisory rates at which employers may reimburse their employees for road fuel used in company cars were increased from 1 July 2008, as below:

Engine size	Petrol	Diesel	LPG
1400cc or less	12p	13p	7p
1401cc to 2000cc	15p	13p	9p
Over 2000cc	21p	17p	13p

The transferable nil-rate band

HM Revenue & Customs (HMRC) has published its thoughts on the 'transferable nil-rate band'. This is the new provision which allows the executors of the estate of anyone who dies after 8 October 2007 to claim an increase in the inheritance tax nil-rate band to compensate for any nil-rate band that was not used on the earlier death of the deceased's spouse. HMRC has explained what evidence will be expected at the time of the second death on the situation at the time of the first death. This, of course, could have been many years earlier.

Anyone whose estate is likely to benefit should consider identifying that evidence as early as possible. Contact your usual Shipleys adviser for further information.

Deadline for pension choices looms

Anyone with a very substantial pension fund as at 5 April 2006 (known as A-Day) should have already decided whether to choose 'primary protection' or 'enhanced protection' for such a fund. If not, the last date for such an election is 5 April 2009.

Primary protection allows you to adopt the value of your pension fund at A-Day as a replacement for the statutory lifetime limit (the maximum tax free pension fund at retirement). This amount will then rise in line with any increase in the lifetime limit.

Enhanced protection is available for the whole fund, even if it is above the lifetime limit, but only provided no further contributions have been made since A-Day.

Pre-Budget Report

At the time of going to press, the date of the Chancellor's Pre-Budget Report had not been announced. As soon as it is available our analysis will be in the Current Issues section of our website www.shipleys.com.

VAT News

VAT penalty regime

The existing VAT penalty regime is to be replaced next year. The new rules will apply to VAT return periods with filing dates on or after 1 April 2009. So, the first VAT returns to be affected will be for periods ending 31 March, 30 April, or 31 May 2009.

A penalty could arise where:

- a VAT return has been submitted that understates the VAT liability or makes a false or inflated claim for repayment of VAT; and
- the inaccuracy is careless, deliberate, or deliberate and concealed.

Reasonable care	Careless	Deliberate	Deliberate and concealed
No penalty	Max 30% Min 0%	Max 70% Min 20%	Max 100% Min 30%

The penalties will be a percentage of the extra VAT due but the rate will depend on the behaviour that gave rise to the error.

Further information on the new rules is available on our website, www.shipleys.com.

Place of supply rules

The place of supply rules for supplies of services within the EU are to be updated and revised from 1 January 2010. The changes will include a new record keeping obligation, which may require system changes, so prompt action could be necessary. Further details will be made available next year.

Clients involved in intra EU supplies of goods will be familiar with the requirement to record customers' VAT numbers and submit quarterly EC Sales Lists. Similar requirements are expected to be introduced in relation to intra EU supplies of services.

Affected businesses may wish to start the process of collecting customers' VAT numbers immediately and consider how best to collate the information needed.

Credit crunch – advice for house builders from HMRC

In the current economic climate many builders of new dwellings are finding it difficult to sell and may be tempted to enter into short-term letting arrangements until things improve and the property can be sold.

It's important to remember that letting of residential property is exempt rather than zero-rated so it may become necessary to pay back some or all of the input VAT recovered from HMRC. *VAT Information Sheet 07/08* has been issued by HMRC explaining their policy in this area.

Charity challenge events

Guidance has been issued by HMRC confirming that most charity challenge events do not qualify as VAT exempt fund raising activities. Instead the income generated may attract VAT at 17.5%. The charity may also find that it is required to use the Tour Operators Margin Scheme (TOMS) to calculate the amount of VAT payable to HMRC.

The HMRC VAT leaflet relating to charities (701/1) has been updated to include the new guidance.

For further information about any of the above topics please speak to your usual Shipleys contact or the VAT team.

Explore Learning

Shipshape speaks to Bill Mills, founder of a company that gives children extra tuition while their parents go shopping.

Explore Learning set up its first centre in conjunction with Sainsbury's in Chelmsford in 2001. The company, which has since grown to 22 centres around the UK, gives extra maths and English tuition to children aged between 5 and 14.

Bright idea

"I thought, how could one do something that would be widely affordable and accessible that could work alongside mainstream primary education?" says Bill, who also owns Highfield Preparatory School in West Sussex, which his grandfather set up a century ago.

With Explore each child has his or her own individual programme of learning, based on the National Curriculum, personalised to their needs. Mostly computer-hosted, there's a minimum of one member of staff to six children.

"Children really like it once they get a sense of their progress," says Bill. Membership costs between £80 and £100 a month for an hour's session twice a week. "It doesn't matter if the child is struggling, very bright, or just cruising along in the middle. Every child has his or her own needs and can benefit from individual attention."

The link-up with Sainsbury's determines the majority of its locations, but Explore Learning has also set up in shopping centres and will soon open in stand-alone units. "It's got to be convenient. The idea is that parents can go shopping while

their children learn. There's no need to book in advance."

Shipleys' Steve Foster has been working with Explore since the beginning. "He provides us with a mixture of formal and informal advice. Shipleys is a pleasure to work with and doesn't make an unnecessary meal of things. They are pragmatic and sensible and have given good advice over the years."

The future

Explore's biggest challenge is finding good staff, and training them at the same rate at which they are opening new centres. Explore currently has some 6,000 members and Bill plans to open one or two new centres a month over the next couple of years.

"We look for people who are great communicators and passionate about education. Our centre managers must be good graduates as they will do the tutoring, recruit new members and assistant tutors and run the centre."

With regards to the credit crunch Bill finds that "Parents would rather give up their Sky subscriptions than Explore. We are also being presented with some good deals to open in shopping centres where we couldn't have previously afforded the rent. They would rather have someone occupying the space than not. These are exciting times for us."

www.explorelearning.co.uk

Congratulations

Some recent exam successes of note



Bilkees Jassat, of the audit department in London, successfully completed the advanced stage of her ACA (Association of Chartered Accountants), which means she is now a qualified chartered accountant.



Alice Walbanke has passed the ACCA (Association of Chartered Certified Accountants) qualification. She joined our Saffron Walden office straight after her A Levels five years ago and works on a wide range of projects, from auditing accounts to tax and VAT.



Christine Pegrum has passed her ATT (Association of Tax Technicians) exams. She works in the tight knit tax team at our Saffron Walden office and will soon start work on the CTA to become a Chartered Tax Adviser.

And last, but not least, Shipleys principal Simon Robinson has passed his diploma in charity accounting. He now adds the letters DChA after his name.

“Necessity hath no law”

Companies Act 2006

Oliver Cromwell's famous words to Parliament in 1654 have some resonance 354 years later for directors and managers faced with the new Companies Act. Some may be tempted to adopt Cromwell's philosophy – to act according to necessity rather than to what the law tells us.

The new statutory duties imposed on directors by the Companies Act 2006 are to some extent due to the actions down the years of directors who doubtless believed they were acting out of necessity, but on occasion have adversely affected others and sometimes themselves.

At first sight these directors' duties appear to be just common sense.

- Act within powers conferred upon them
- Promote the success of the company
- Exercise independent judgement
- Exercise reasonable care, skill and diligence
- Avoid conflicts of interest
- Not accept benefits from third parties
- Declare interest in proposed transactions or arrangements

In reality, however, when a company gets into difficulties or a business relationship turns sour, demonstrating that a director has run a company according to these statutory duties is always going to be difficult, and sometimes impossible. But there are many things directors can do to ensure they do not have to answer difficult questions concerning their conduct – not least by taking

time to really think about their responsibilities.

We are now about two-thirds of the way through the implementation timetable of the Companies Act 2006 and it is already throwing up many challenging questions. The final sections of the Act will be implemented at the end of 2009 and the current process of company law reform will be complete.

Our role has inevitably become much broader in assisting clients to comply with their non-financial statutory duties. So if you are concerned about any business compliance issues, for example health and safety regulations, do not hesitate to contact us. Even if we can't answer your questions directly, we'll almost certainly know someone who can.

For a copy of our comprehensive guide to the Companies Act 2006 contact: Robert Ramsdale or visit www.shipleys.com

Latest Companies Act implementation

From 1 October 2008, a company is required to have at least one director who is a 'natural person', ie an individual. There is now also a minimum age for directors, 16, for the first time.

Other provisions taking effect from 1 October include those relating to objection to company names, trading disclosures, directors' conflict of interest duties, reduction of capital by private companies without recourse to the court and political donations.

In memoriam: Louise Barnes



Many of our clients will be sad to learn that Louise Barnes, a former Shipleys partner, passed away in the summer after a battle with cancer.

Louise joined Shipleys straight after leaving school. Once she passed her accountancy exams, she worked her way up through the ranks from audit junior to senior, then manager and became partner in 1995. She worked with some of Shipleys' most prestigious clients, specialising in advising law firms.

An avid cricket fan, the BBC cricket theme tune, *Soul Limbo*, was played at Louise's funeral, which at her posthumous insistence took the theme of 'gorgeous not black'. Shipleys principal Simon Robinson said: "She toured the world following the England cricket team and many of us have very fond memories of glorious summer days spent sharing Louise's company at the Oval."

She left Shipleys in 1999 to join magic circle law firm Eversheds as assistant finance director. Then in 2005 she moved to intellectual property consultancy Rouse & Co International as chief operating officer, where she remained until her death in July.

Rouse & Co's chief executive Rupert Ross-MacDonald, who gave a glowing eulogy at Louise's funeral, said: "She was an outstanding professional who is greatly missed by all of us. Given her enthusiasm for investing in and developing the skills of our people around the world, we could think of no better way to commemorate Louise than by naming our new scholarship programme for Rouse employees after her."

Investing in woodlands

Inheritance tax relief and other incentives



Investment in woodlands was all the rage in the 1980s because of tax advantages. Although the main income tax incentives were withdrawn in 1988, woodlands remain attractive from an inheritance tax (IHT) point of view.

Successive governments have felt it right to maintain a fiscal climate which encourages investment in home grown timber. Provided a woodland is “managed on a commercial basis with a view to realisation of profits” for at least two years before the date of death, 100% business property relief is available. This effectively means that the value of the woodland

would not be included in your estate for IHT purposes.

To comply, there must be obvious intent to make profits and usual business attributes such as professional management, a separate bank account, VAT registration and accounts.

Investing in commercial woodland has other financial advantages. It is a stable asset and income can be earned from the sale of timber for fuel or construction. No income tax is paid on the sale of timber and there is no capital gains tax on any gain in the value of the timber. However, any increase in the value of land is subject to capital gains tax.

Planning permission is rarely granted for a new home in woodlands, but sheds and treehouses are allowed. You can also always use your investment for activities such as barbecues, bird-watching, shooting, mountain biking and mushroom picking. And of course growing trees absorb carbon dioxide, so owning woodland can help you do your bit towards reducing the carbon footprint.

This article only considers the taxation implications of investing in woodlands. For advice on investments suitable for you, please speak to your independent financial adviser.

Changes to the minimum retirement age

Were you, or was someone you know born after April 1955? If so, you could be affected by the upcoming change to the minimum retirement age.

It is currently possible to access tax-free cash and income from pension schemes when you reach 50. However, on 6 April 2010 the minimum age will change to 55. Since 2006 it has been possible to release up to 25% of your pension funds as a tax-free lump sum without the need to draw a retirement income.

If you turn 50 this year you will be able to access your pension funds up until April 2010. But if you choose not to, then you will not have access again until you reach age 55 in 2013.

This can be done via a pension drawdown arrangement whereby the

pension fund remaining continues to be invested and you can choose whether or not to take a pension income from it. Then you could ‘recycle’ such pension income into a new pension plan to gain another tax-free cash lump sum. You would need to carefully consider all the issues involved including the effect on death benefits before taking such action.

There have been many changes to the pension rules generally over the last few years, so you should ensure your current arrangements are set up in the best way possible. It is therefore a good time to review your pension funds to see if they still match your attitude to risk and timescale to retirement.

Shipleys is not able to advise on pension issues. Instead you should seek independent financial advice and we can introduce you to a specialist if required. please speak to your usual Shipleys contact.

Detailed advice should be obtained before taking action, or refraining from taking action, as a result of information in this newsletter.

Shipleys LLP is not authorised by the Financial Services Authority but we are able in certain circumstances to offer a limited range of investment services because we are licensed by the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide.