



September 2012

Where accountancy goes wrong...



WHY A BASIC SERVICE IS NEVER ENOUGH — FOR YOU OR YOUR ACCOUNTANT

Imagine trying to drive your car while looking only in your rear view mirror. It wouldn't just be foolhardy — it would be downright dangerous.

Strangely, that's how most accountants encourage you to approach your financial affairs. By limiting their input to preparing your tax returns and end-of-year accounts, you end up being guided only by events that took place in the past.

Sometimes the problem lies with the accountancy firm. By failing to tell you about services that can help your business grow and improve your quality of life, you can miss financial opportunities or even struggle to make ends meet.

If that happens, you can quickly begin to feel that you're not getting good enough value to justify your accountants' fee. This makes your relationship deteriorate and often hastens its demise.

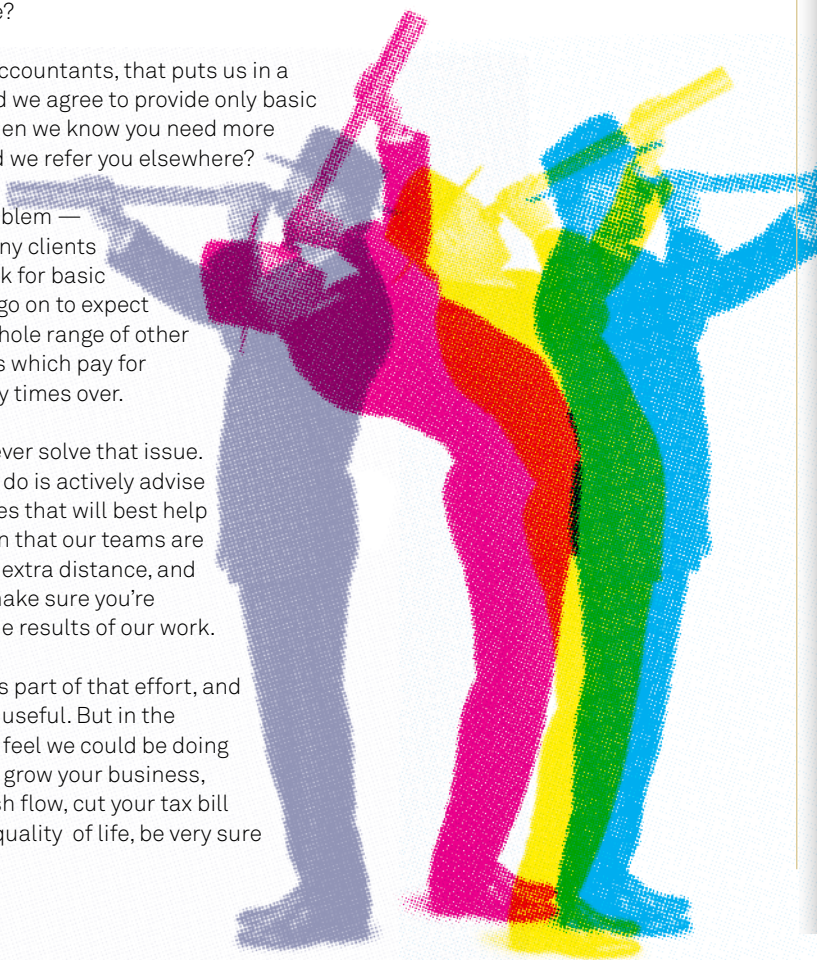
But sometimes the problem lies with you, the client. If you insist that your accountant only performs basic services at a minimal cost, how can you properly plan for your own and your business's future?

As responsible accountants, that puts us in a quandary. Should we agree to provide only basic services even when we know you need more help — or should we refer you elsewhere?

It's a difficult problem — especially as many clients who originally ask for basic accountancy do go on to expect and demand a whole range of other valuable services which pay for themselves many times over.

We'll probably never solve that issue. But what we can do is actively advise you about services that will best help you, make certain that our teams are trained to go the extra distance, and work harder to make sure you're delighted with the results of our work.

This newsletter is part of that effort, and I hope you find it useful. But in the meantime, if you feel we could be doing more to help you grow your business, improve your cash flow, cut your tax bill or improve your quality of life, be very sure to let us know!



NEWS IN BRIEF

You can now pay HMRC for any kind of tax due using the Faster Payments Service (FPS). This means you can pay your tax and be guaranteed that your payment will arrive with HMRC on the same or next day — giving you a little extra cash flow friendly time to arrange payment.

Some UK creative industries are poised to benefit from generous tax reliefs. The Government has published a consultation on measures to introduce



tax breaks aimed at the animation, video games and quality TV industries. Draft legislation is expected later this autumn.

More new HMRC taskforces. HMRC launched more new taskforces on 31 May to target traders who don't pay the right amount of tax. They will be targeting indoor and outdoor market traders in London, property rentals in London, East Anglia, Yorkshire and the North East, restaurants in the Midlands and taxi firms in Yorkshire and the East Midlands.

Inheritance tax set to be targeted by new anti-abuse rules. On 12 June, the Government launched a consultation on the proposed General Anti-Avoidance Rule (GAAR), which it proposes to apply to the main direct taxes, National Insurance and — potentially — inheritance tax. Changes are likely to feature in the Finance Bill 2013.



ISSUE

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News round-up

ACCOUNTANCY AND FINANCIAL NEWS AND UPDATES FOR THP CLIENTS

YOUR FREE THP GUIDES TO FINANCIAL PLANNING THP has just published its own guides to effective financial planning — and we'd like to give you copies of the ones that interest you.

The series covers a wide range of vital financial issues, including:

- Providing for your retirement
- Maximising your retirement income
- Savings and investments
- Providing for your family in the event of death, disability or illness
- Buying a home or investment property
- Inheritance planning
- Business protection.

Each guide has been compiled with the help of our carefully chosen qualified Independent Financial Advisors, and they are packed with useful information on safeguarding your financial future.

ECONOMISTS ADVISE CHANCELLOR TO ABOLISH STAMP DUTY

Economists have told Chancellor George Osborne that 'inefficient' Stamp Duty must be abolished if Britain is to return to growth.

The measure is one of a number of proposals put forward by PwC and echoed by Paul Johnson, Director at the Institute for Fiscal Studies.

Johnson has argued that Stamp Duty is one of the "most inefficient taxes" we have and has called for longer term reform that includes "cutting tax rates by spreading the tax base and simplifying the tax structure."

If you are considering moving house, investing in a property to let or buying commercial premises, be sure to talk to your account manager first. They will advise you how to do this in the most tax efficient way and ensure that your financing costs are minimised.

HMRC AT FAULT IN MAJORITY OF TAX COMPLAINTS

At THP we're painstaking when it comes to the job of getting your tax returns right.

But our vigilance doesn't end there, and with good reason. According to new research reported in the Daily Mail, 57% of complaints against the taxman are upheld by the HMRC's internal complaints system.



Mistakes range from errors in the tax bill to delays and poor treatment by staff.

We take care to deal with HMRC on your behalf where needed, but if you have received poor service it's worth noting that you can claim compensation. In 2011-12, HMRC not only dropped tax demands worth £968,782, but it also paid out compensation of £363,954.

If you have any issues with HMRC, please talk to your account manager who will be happy to advise you on how to proceed.

AUDIT EXEMPTION THRESHOLD LOWERED

The Coalition Government has announced that reporting and auditing requirements will change to give small companies and subsidiaries more say over whether they have an audit.

Current rules mean that businesses must have under 50 employees, a balance sheet of under £3.26 million and a turnover of under £6.5 million to qualify for exemption from audit.

In future, your business will need to meet only two of these three criteria to qualify for exemption.

In addition, most subsidiary companies will be excused audit if their parent company guarantees their liabilities. 67,000 dormant subsidiaries will also no longer have to file accounts, as long as they have a similar guarantee.

The new regulations are expected to come into force for accounting years that end on or after 1 October 2012.

THP APPOINTS THREE NEW DIRECTORS

In early 2011, we launched our Leadership Development Programme to identify the future leaders of THP — the people with the responsibility to nurture and develop our business philosophy and culture for the benefit of our clients.

Individuals were invited to put themselves forward after finding a sponsor from among the current client directors. When they had, they took part in a two-day boot camp to identify and hone the skills they need to service our future clients and run the day-to-day business of THP.

Three client managers were accepted onto the two-year training programme, and we are pleased to announce that all three will become directors of THP on 1 October 2012. They are:

Lee Daley ACA FCCA – Cheam Client Manager
Kirsty Demeza ACA – Wanstead Client Manager
Andy Green ACA – Wanstead Client Manager



For your free copies, simply call 0800 6520 025 and let us know which financial areas you'd like to learn more about.



STOP PRESS!

THP has sponsored two Year 11 pupils from Wanstead High School, who will be heading to Tanzania next year to climb Kilimanjaro — Africa's highest mountain. While they are there, Ellie and Maisie will also be planting trees to help combat deforestation. If you'd like to sponsor the girls too, please get in touch!

Do you delight your customers?

Thrill people with your service and they'll spread the word to anyone who cares to listen. And it needn't be a Herculean task, says JON PRYSE-JONES.

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One of my favourite episodes of *Fawlty Towers* is the one in which a hotel guest becomes increasingly exasperated by the kitchen's inability to provide him with a simple cheese salad. "All I wanted was a cheese salad, it's not like I ordered an elephant sitting on a bun!" he cries.

Companies that give us bad service can make us all feel like that. You may recall from my last column that I spent several frustrating weeks trying to get a simple quote to refit my bathroom — leading me to wonder why so many firms could afford to ignore the prospect of £10,000 of work.

You'll be glad to know I finally got my bathroom installed and the service I received got me thinking about what providing excellent service means. If you run a service business, see how you measure up against my suggestions!

1. TAILOR YOUR SERVICE TO YOUR CUSTOMER NEEDS

If you have a business, the way to make sure you get a steady stream of referrals is to create joy rather than hassle.

The other week, we took delivery of a brand new fridge freezer from an independent firm in Chelmsford. When we opened the door, we realised the bulb didn't work.

We called the firm, expecting them to send someone to replace it, or at the very least post us a new bulb. Instead we were asked to drop by and ask for a replacement next time we were in Chelmsford.

Irritated, that's what we did, only for a salesman to tell us: "We don't stock bulbs."

"But you told us to collect one."

"Siemens don't guarantee bulbs," he replied.

Another salesman — one of three chatting nearby — chipped in: "There's some in that box, mate".

The box was empty.

"Tell you what," said the original salesman, in a tone that implied he was doing me a big favour "I'll give you a pound from petty cash and you can go round the corner and buy one."

We won't buy from them again, and this goes to show that how you manage the little details can make a big difference to your business. If that firm had come out to replace the bulb, I'd be naming them with praise in this column. Instead I'm sharing their poor service with lots of their potential customers.

So treat each customer as though they were your best. If every detail of your work is designed with the customer in mind, they'll rave about you.

2. BE UPFRONT ABOUT PRICE

People don't like unpleasant surprises, especially when it comes to money.

So don't try to win jobs by putting in a low quote and then try to recover your margins by charging for 'unforeseen extras'.

If you do, you'll damage your business in two ways: you'll only ever attract the lowest paying customers (who may also be the most reluctant to settle their bills) and you'll never be recommended to others.

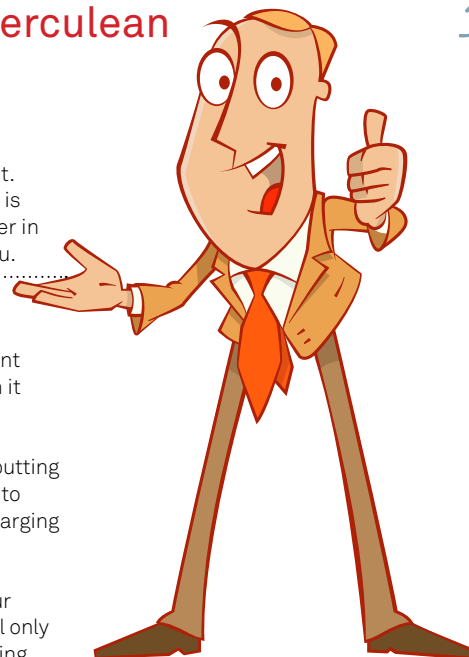
Be upfront about costs, provide exceptional service and you'll soon get plenty of customers willing to pay a higher rate for the quality you offer.

And if 'unforeseen extras' genuinely do crop up, warn your customer as soon as possible about the additional cost and get their written permission before proceeding. They'll thank you for your honesty — especially if every other detail has gone to plan.

3. CREATE THE RIGHT 'TONE'

Treat your customers and their property with care and respect at all times. It may sound obvious, but you'd be surprised by how many firms don't.

One of the most successful landscaping companies I know has a waiting list of over 12 months for its services. Its landscapers use two sets of wellington boots on every job — one for use on mud, the other to be worn on lawns only. That level of care and detail gets the business talked about, and it now has more work than it ever imagined.



4. PUT PROBLEMS RIGHT

If your customer has a complaint, don't dig your heels in and try to win the argument. Many business people think that as they are the experts, being right is all that matters. That approach won't help you in your quest to maintain good relations with your customers.

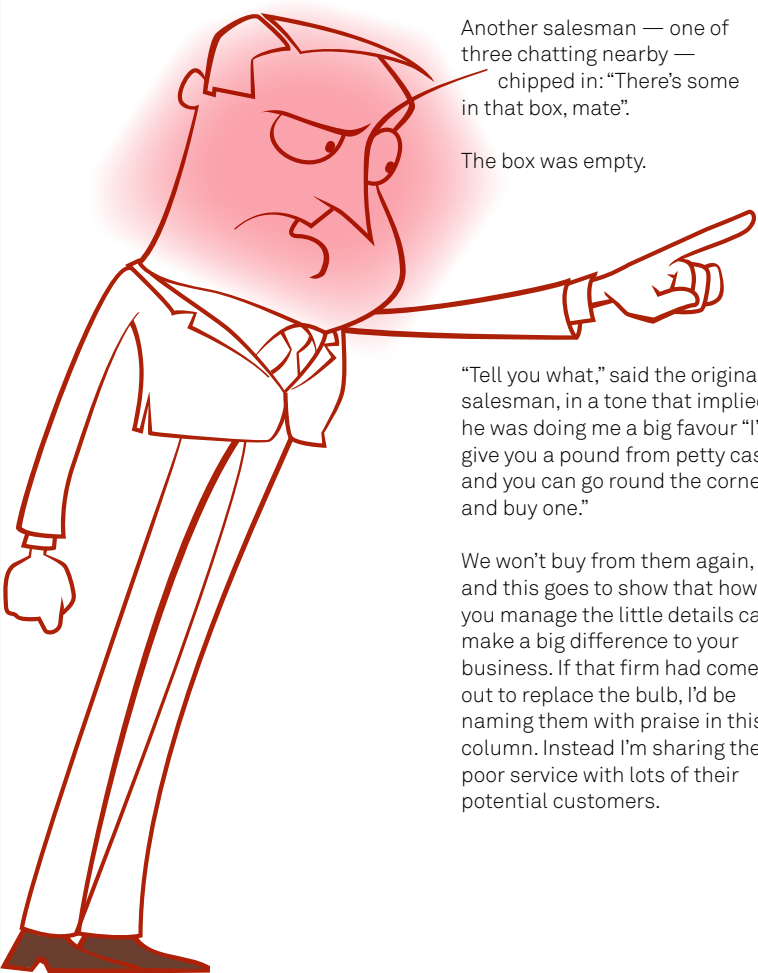
Instead, do what you can to put things right. It might cost you a little extra, but the goodwill you generate is likely to be worth much more. A happy customer will recommend you. One for whom you've grudgingly rectified a problem won't.

In Japan, they say '*Okyakusama wa kamisama desu*' — literally meaning 'the customer is God.' In Britain, surely the customer can at least expect to be treated as a King?

5. SAY 'THANK YOU'

If you hear someone has recommended you, or you spot them singing your praises on Twitter or other social media, write a cheque for £10, hand-sign a 'thank you' card and pop them both in an envelope with some chocolates.

After that package arrives with their morning mail they'll sing your praises from the highest mountains — all without you having to train an elephant to sit on a bun!



Rose Opticians

Rose Opticians is the eyecare specialist that is always at the forefront of new advances in optometry. It's also a business focused on helping people and providing exceptional customer care — and it insists on accountants who do the same.



Stuart Rose is the founder of Rose Opticians which, since 1962, has carved out a reputation as one of the country's most forward-thinking independent optometrists. Its Harlow branch was one of the earliest to adopt an open-fronted design, while the group itself ran clinical trials for the first soft contact lenses in the UK.

The warm relationship between Stuart and our team traces its roots to the 1970s when George Nottage provided accountancy services to Rose Opticians (George's practice merged with THP in 1999). Stuart is an equally enthusiastic advocate of the service both firms have provided throughout the years.

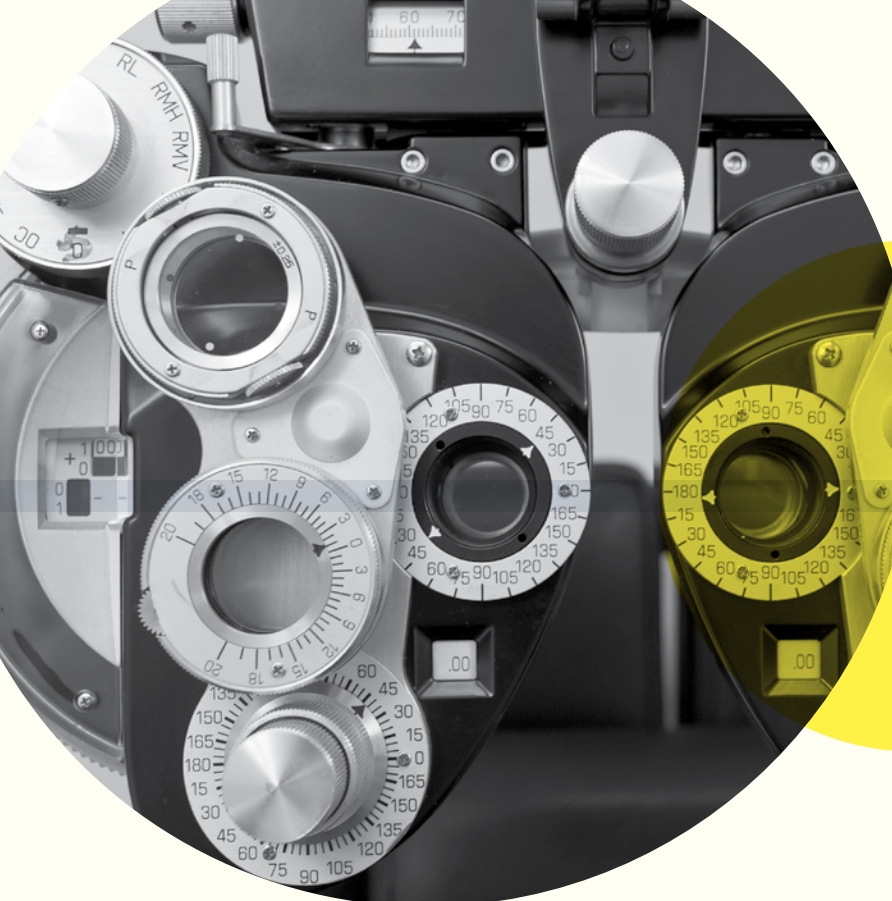
"George was a great person to work with," Stuart recalls. "He was honest, reliable and completely down to earth. He was always on the lookout for us, and the spectrum of what he made possible was eye opening (no pun intended!). George acted as our finance department — he was really our Finance Director in all but name."

It's a level of service that THP have continued to provide thanks first to Gordon Lunt, a former George Nottage accountant, and current Client Manager Kirsty Demeza. "What I really like about THP," Stuart explains, "is that it's a one-stop shop. They take care of everything. The payroll, the bookkeeping, the VAT — everything. Kirsty is very caring and gives us advice that's really valuable to the business."

"Kelly and Colleen are also fantastic," Stuart Rose continues, mentioning the administrators who work at THP's Wanstead office. "They're so kind and so charming. They always remember I have peppermint tea, and they're always so welcoming. Nothing is too much trouble."

There's been no shortage of accountancy work to do for Rose Opticians over the years. The firm now has branches in Harlow, Gants Hill, Waltham Cross and — most recently — Hackney. Moreover, Stuart and his son Simon (also a qualified optometrist) have introduced many innovations over the years, each adding its own accounting challenges to the mix.





Now a contact lens lecturer, Stuart was one of the first advocates of both hard and soft lenses. He also stocked designer glasses very early on, ensuring Rose Opticians became a go-to destination for high-end and specialist brands like Chanel, Zeiss, Oakley, ic! berlin and Lindberg.

Simon has been no less of an innovator. As founder of the UK's largest home visiting optician's service, he now oversees a team who can take state-of-the-art equipment into people's homes, bringing a first class service to customers who have mobility issues or simply prefer to be seen in their own homes.

A keen sportsman, Simon's work has seen Rose Opticians become official opticians to Tottenham Hotspur football club. He has also established Rose Opticians as one of the UK's leading specialists in Orthokeratology (see www.wakeandsee.com). Sometimes known as Ortho-K, this is a method of temporarily and gently reshaping the cornea using special overnight lenses, correcting myopia to allow lens-free vision during the daytime.

Both Simon and Stuart are motivated by the good their work does both for individuals and the community. Simon worked with the charity Centrepoin to create the UK's first specialist eyecare service for the homeless, and he's highly experienced at providing optical services to children with dyslexia.

As Stuart says, "The nice thing about optics is that you make money helping people. It's a cradle-to-grave service, and we can help save lives by spotting evidence of diabetes and high blood pressure early. We love what we do, and we don't fob you off when you become too old or frail to get to us."

Good relationships are central to Rose Opticians' success, and they're something that Stuart values in his work with THP. "What I really like is feeling you have their full attention. There's no sense of worry that the egg timer has been turned over and time is limited. You get good advice, and it gives you great satisfaction when you see THP people coming to us to get their eyes tested!"

Sadly Stuart Rose passed away shortly after being interviewed for this article. We would like to pay tribute to his achievements in founding Rose Opticians and creating one of the very best independent opticians in the country. Our thoughts are with Simon Rose and all of his family.



6 The gentle art of employee

Research by the Hay Group shows that engaged employees can generate up to 43% more revenue. But in these cash-strapped times, how can you provide benefits that keep your staff motivated? THP's Operations Manager SAM ROWE explains.



MORE GREAT INCENTIVES...

Employee benefit schemes don't have to be all about health cover or insurance. All of the following are also popular and can help keep employee engagement levels high.

Cycle to Work scheme: you can offer employees tax savings of up to 42% on bike purchases.

Childcare vouchers: employees can agree to swap up to £243 per month of their salary for childcare vouchers — which are exempt from tax and National Insurance.

Save As You Earn: these share option schemes allow staff to save between £5 and £250 per month to buy shares in your company for 3, 5 or 7 years. When they complete the plan, they qualify for a bonus. Ask us for a free copy of The THP Guide to Savings and Investments to learn more.

One of the paradoxes of the current, sluggish economy is that productive employees have become more valuable to businesses at a time when there's less money to reward them.

You may have faced the problem yourself. If you've streamlined your workforce, you'll now rely more on the team members who remain — and they may be working longer hours for the same salary.



Although pay rises are likely to be out of the question, there are economical but appreciated ways of rewarding your team for their loyalty and hard work.

These rewards can not only help you to keep morale and productivity high, but also lessen the risk of valuable team members looking for employment elsewhere.

That's to be avoided at all costs. If it happens, you'll end up paying much more to recruit and train their successors than you would for a whole portfolio of employee benefits.

But what can you offer? And what's affordable? This quick guide will help you choose lasting benefits that are right for your business and right for your people — and which help your team stay happy, motivated and engaged through even the toughest times.

Weekly Payment Amount	Level 1 £1 per week	Level 2 £2.10 per week	Level 3 £3.50 per week
Dental	£60 pa	£120 pa	£180 pa
Optical	£60 pa	£120 pa	£180 pa
Health Screening	£100 pa	£200 pa	£300 pa
Chiropractic, acupuncture, homeopathy	£150 pa	£300 pa	£450 pa
Consultations and scans	£500 pa	£500 pa	£500 pa

(These plans also include an always-available helpline for health and wellbeing advice and counselling).

When I'm 64... 65... 66... 67... 68

The number of people working beyond the state pension age has risen by 85% in the last 20 years, reaching 1.4 million last year from only 753,000 in 1993. That means 12.6% of older people now work, according to ONS statistics. Is your business benefiting from their experience?

Did you know?

Your private bank account could be included in your statutory business records if you use it for any business transactions? That means you have no right of appeal if HMRC ask to see your personal statements. If you're a sole trader, it's always a good idea to keep your private and business bank accounts separate — set up a new business account today, if you haven't already.

engagement



DENTAL AND CASH HEALTH PLANS

Dental and cash health plans are great ways for your employees to cover dental, optical and other health expenses over the course of a year. They can cost you as little as £1 per employee per week, although as a P11D expense you'll need to notify HMRC of benefits provided to employees and directors who earn £8,500 or more per year — this will mean making small changes to the tax and NIC payable via your payroll.

1. Dental health plans

These plans give your employees a small but useful amount of cover towards dental costs such as check-ups and procedures such as crowns, fillings and emergency treatment.

2. Cash health plans

Cash health plans are very similar, but they also cover some procedures that you would normally have to pay for as an employer — including eye tests and a contribution towards glasses for people who work with computer screens. That means you can potentially save money by offering these plans as a benefit (eye tests can cost between £15 and £80 and you could be paying £50 towards frames).

These are the levels of cover you could offer employees in exchange for contributions between £1 and £3.50 per week. If you'd like more details, drop me an email or give me a call.



PRIVATE MEDICAL INSURANCE

Private medical insurance offers your employees more comprehensive cover in the event of illness, giving them peace of mind that their health problems will be taken care of more efficiently.

It also benefits you as an employer by giving them access to better, faster medical support — with shorter waiting times for appointments, tests and test results, as well as private operations.

You can offer private medical insurance in a number of ways, including:

- Fully Paid Employer Scheme – you pay the full premium to cover your employee and their family
- Paid Employer Scheme – you pay the premium to cover your employee, but they can pay for additional family members via salary deductions
- Employer Run Scheme – your employees pay the premium for themselves and/ or their family via salary sacrifice.

These schemes are popular because they are all substantially cheaper for an individual than having to pay for this themselves — so they're worth offering even if you only have a few members of staff.

One word of caution, though. Once you offer the scheme, you cannot remove it at a later stage without consultation — and, like all insurance, premiums are affected by inflation, claims history and age.

If you do decide to offer a health insurance scheme, don't forget to ask us to complete P11D forms each year so you can pay the Class 1A National Insurance contributions on the benefit (currently 13.8%).



DEATH-IN-SERVICE INSURANCE

Death-In-Service Insurance is another attractive and cost-effective benefit you can offer employees.

When you put a Death-In-Service policy in place, you can cover all your staff against dying while employed by your business. It normally works on a 'times salary' basis — so a four times salary policy would pay out £120,000 to an employee's family if they died while earning £30,000 per year.

With premiums ranging from £75 to £200 per annum per employee, it's an economical way to reward your team, and because it's a non P11D expense your staff aren't taxed on the benefit.

Find out more...

These are just a few of the common benefits that can help to keep your team happy, healthy, committed and productive — it's a good idea to offer them before your competitors do!

If you'd like any further information or advice, please contact me on 020 8989 5147 or sjr@thp.co.uk and I will be happy to tell you how the different salary sacrifice schemes work and point you in the direction of people who can help you set these schemes up.



Payroll focus

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HAVE YOU EVER THOUGHT OF OFFERING YOUR STAFF A PAYROLL GIVING SCHEME? IF SO, THP'S OPERATIONS MANAGER SAM ROWE TELLS YOU WHAT YOU NEED TO KNOW TO HELP EMPLOYEES SUPPORT THE CHARITIES OF THEIR CHOICE.



WHAT IS PAYROLL GIVING? Payroll Giving is a great incentive that allows your staff to support charity via deductions from their pay. It's fast growing in popularity and it allows your employees to give anything from £1 of their monthly salary to any charity they choose.

HOW DOES IT WORK? Employees donate regular payments to charity directly from their pay. Because the donation is taken from their gross pay, every pound they give only costs them 80p (or 60p if they are a higher rate taxpayer). As it's managed via the payroll, employees are given tax relief on their donation immediately — and at their highest rate of tax.

CAN EMPLOYEES DONATE TO MORE THAN ONE CHARITY? Yes! Your employees can give to any number of charities. If they have 2, 3, 4 or more charities that are close to their heart, they can donate any amount of £1 or above to each of them every month.

DOES IT COST EMPLOYERS MONEY TO ADMINISTER? Not necessarily, and rarely very much. You will need to administer the scheme and either pay the monthly administration charge (normally 25p) or deduct it from the amount the employee donates.

HOW MUCH IS EACH DONATION WORTH TO CHARITIES? This chart shows you how much each donation is worth to charity, depending on which tax band the employee belongs to. It assumes the employer has paid the 25p admin charge.

Value of employee donation:	£2.00	£5.00	£7.50	£10.00
Cost to employee as a:				
20% taxpayer	£1.60	£4.00	£6.00	£8.00
40% taxpayer	£1.20	£3.00	£4.50	£6.00
50% taxpayer	£1.00	£2.50	£3.75	£5.00

HOW CAN I OFFER PAYROLL GIVING TO MY BUSINESS? It's easy, costs little and takes almost no time at all to set up. You'll almost certainly be able to adapt your existing payroll system to operate the scheme.

It's a great idea because charities benefit from donations and your employees get tax relief at their top rate — allowing them to give more for less. It's also a great way to help build great relationships with your staff. Why not ask them whether they'd welcome a scheme in the near future?

To find out more, visit <http://www.hmrc.gov.uk/businesses/giving/payroll-giving.htm> for a full list of approved HMRC Payroll Giving Agencies or call Payroll Giving in Action 01271 326131 for more information or guidance.

THE TAX DOCTOR

Benefits are a great way to motivate your staff, but you need to remember some of them are taxable. But which ones? And which are the most tax efficient? Our Tax Doctor, TIM HOUSDEN, explains.

Giving your employees extra is popular — but you need to remember that they may count as expenses or benefits for tax purposes. Now that we've just completed the 2012 benefit declarations for our clients, we thought it would be a good time to remind you about some of the rules that apply, ensuring you can plan appropriately for the 2013 tax year.

Expenses are payments you give staff to cover costs incurred as they perform their duties. Benefits are different. They're extra incentives that might include a company car or a preferential loan.

Depending on the expenses or benefits you offer, you may have to pay tax and National Insurance contributions on them. Read on to learn how you find out whether you have to.

WHAT COUNTS AS AN EXPENSE OR BENEFIT?

If you provide something extra to your employees, it's a good idea to check it against the HMRC's A to Z of expenses and benefits.

You can find this online at <http://www.hmrc.gov.uk/payee/exb/a-z/a/> and it gives you the tax and NIC status of everything from accommodation and awards for long service to workplace nursery care and welfare counselling.



HOW DO I REPORT AND PAY TAX AND NICS ON EMPLOYEE BENEFITS? This varies from benefit to benefit. Check the HMRC A to Z for details of each specific benefit, or give THP a call for a quick answer if you can't find what you're looking for.

However, you'll normally have to do one of these five things:

1. Report the benefit on the employee's form P9D or P11D — and, if the latter, pay Class 1A NICs on it
2. Treat the benefit as normal earnings and add it to your employee's other salary before calculating PAYE and Class 1 NICs in the normal way
3. Add the benefit to the employee's earnings for Class 1 NICs purposes (but not for PAYE tax) — and report it on form P9D or P11D at the end of the tax year
4. Report the benefit using P9D or P11D, even though there is no tax or NICs to pay
5. Nothing — there may be no reporting requirements or payments needed.

For details of key benefits and expenses reporting deadlines, please visit
www.hmrc.gov.uk/payee/exb/

If you have any further queries, be sure to give the THP team a call on 0800 6520 025. We'd be delighted to help you.



Wanstead 34-40 High Street, Wanstead, London E11 2RJ **t** 020 8989 5147 **e** wanstead@thp.co.uk
Cheam Turnbull House, 226 Mulgrave Road, Cheam, Surrey SM2 6JT **t** 020 8652 1070 **e** cheam@thp.co.uk
Chelmsford Shalford Court, 95 Springfield Road, Chelmsford, Essex CM2 6JL **t** 01245 251731 **e** chelmsford@thp.co.uk
Saffron Walden 24 High Street, Saffron Walden, Essex CB10 1AX **t** 01799 527478 **e** saffron@thp.co.uk